



## The Implicit Theory of Historical Change in the work of Alan S. Milward

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# The implicit theory of historical change in the work of Alan S. Milward\*

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## Abstract

Alan S. Milward was an economic historian who developed an implicit theory of historical change. His interpretation which was neither liberal nor Marxist posited that social, political, and economic change, for it to be sustainable, had to be a gradual process rather than one resulting from a sudden, cataclysmic revolutionary event occurring in one sector of the economy or society. Benign change depended much less on natural resource endowment or technological developments than on the ability of state institutions to respond to changing political demands from within each society. State bureaucracies were fundamental to formulating those political demands and advising politicians of ways to meet them. Since each society was different there was no single model of development to be adopted or which could be imposed successfully by one nation-state on others, either through force or through foreign aid programs. Nor could development be promoted simply by copying the model of a more successful economy. Each nation-state had to find its own response to the political demands arising from within its society. Integration occurred when a number of nation-states shared similar political objectives which they could not meet individually but could meet collectively. It was not simply the result of their increasing interdependence. It was how and whether nation-states responded to these domestic demands which determined the nature of historical change.

**Keywords:** historical change, development, World Wars, Third Reich, Blitzkrieg, New Order, Vichy, Fascism, Grossraumwirtschaft, German question, reconstruction, golden age, integration, supranationality, Bretton Woods, Marshall Plan

**JEL classification:** B23, B31, F02, F13, F30, F42, F59, N01, N14, N44, N54, O10, O24, O38, O43, P16, P45, Q18

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## ***1. Introduction***

Alan Steele Milward (1935-2010) was first and foremost an historian, a contemporary historian. Although he was not a Marxist he shared with Karl Marx a belief that the material basis of existence was the starting point for an understanding of the world and, since he believed that ‘all history is change’, he sought to explain contemporary history through an understanding of the forces responsible for economic change.<sup>1</sup> Unlike most neoclassical economic historians, he considered that one of the most powerful of these forces in contemporary Europe was the State. Therefore in his research, which focused mainly on twentieth-century Europe with some excursions into earlier times, he sought to uncover the interaction of the political and the economic. Accordingly, it spanned several academic disciplines, with his professorships ranging from economics at Stanford University to European studies at the University of Manchester, Institute of Science and Technology (UMIST), to contemporary history and later the history of European integration at the European University Institute (EUI), Florence, and to economic history first as a lecturer at the University of Edinburgh and later as a professor at the London School of Economics and Political Science (LSE). From all these fields and several others Alan Milward drew inspiration for his historical research.

‘When through some obstinate and now unredeemable error of judgement’, as he himself wrote, ‘I first decided I would be an historian “Contemporary History” was a phrase spoken in Britain only with an accompanying sneer.’ That was in 1956 when, with a first class degree in Medieval and Modern History from University College London, he could find in Britain ‘only one Professor of History [...] who would accept as a research student someone who wanted to work on the history of the Nazi period. “That is not history”, they said, or, more cunningly, “there are no sources”.’<sup>2</sup> His supervisor at the LSE was the renowned diplomatic historian and author of two volumes in the British Official History series of the Second World War, Professor William Norton Medlicott.<sup>3</sup> After three years of research, Alan Milward submitted a Ph.D. thesis entitled ‘The Armaments Industry in the German Economy in the Second World War’, which granted him, at 25 years of age, a doctorate in Economic History.

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<sup>1</sup> Milward (1992), 437 (quotation).

<sup>2</sup> Milward (1975a), 92 (both quotations).

<sup>3</sup> Medlicott (1952) (1959).

When he was working on his thesis in the second half of the 1950s the two dominant views of the Nazi regime were, on the one hand, the orthodox Marxist-Leninist view as defined by the Communist International (known as *Comintern*) in 1935, namely that it was a form of fascism and was the direct agent of monopoly capitalism; and on the other, the liberal-bourgeois view which saw it as a form of totalitarianism and thus a state-controlled command economy similar to Communism in the Soviet Union.<sup>4</sup> As a first demonstration of one of the most enduring features of his work, Alan Milward preferred to develop his own understanding by ferreting in all the available sources of information which he, as a young British student with a reading knowledge of German and French, was able to find.<sup>5</sup> On the strength of an unusual linguistic ability, he adopted a method which was to characterize his research activity throughout the next fifty years: to be among the first to uncover and read in a systematic way hitherto secret government archives from many countries and to combine his documentary findings with a wide range of statistical material often ignored by historians.

For his thesis, from which his first scholarly publications were to be derived, he based his research on the largely unexplored captured records of the German Ministry for Armaments and Ammunition and the Economic and Armaments Office of the High Command of the Armed Forces, as well as other documents then kept in the Air Historical Branch of the Air Ministry in London. He also consulted the records of the United States' Strategic Bombing Survey (USSBS), the purpose of which had been to examine the relative success of the various Allied bombing policies during the war.<sup>6</sup> This survey provided him with valuable material for his thesis in so far as it presented a detailed study of the German war economy which the strategic bombing was meant to cripple. One of the authors of the survey, the economist Burton H. Klein, was at that time writing his own book based largely on the results of that survey.<sup>7</sup> But the young Alan Milward, who defended his thesis in 1960, shortly after the publication of Klein's book, and shortly before becoming assistant lecturer, then Lecturer, in Economic History at the University of Edinburgh (1960-1965), reached very different conclusions to those of Klein.

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<sup>4</sup> Kershaw (2000), 12-13.

<sup>5</sup> Milward's linguistic skills were learned entirely at High School in Stoke-on Trent. His first visit outside the British Isles was in 1955 when he won a university competition for his project to cycle around Finland and Northern Norway. At a later stage of his academic career, he would also be able to read Danish, Dutch, Italian, Norwegian, Portuguese, Romanian, Spanish, and Swedish and speak many fluently.

<sup>6</sup> USSBS (1945).

<sup>7</sup> Klein (1959).

## 2. *The German Economy at War* (1965)

The most succinct and accessible account of Alan Milward's argument about Nazi Germany's war economy can be found in his first article, published in *The Economic History Review* (*EHR*) in 1964.<sup>8</sup> The following year his first book, *The German Economy at War*, now considered a classic, was published.<sup>9</sup> In spite of its title, Alan Milward did not consider his book to be a history of the German war economy as a whole. He himself pointed to the fact that, by 1965, there were still 'too many serious gaps' in the documentary and statistical knowledge of the German economy from 1939 to 1945 for his own study to be taken as 'a comprehensive history of German war production to serve as a counterpart of the United Kingdom Official History of the Second World War, Civil Series', which his own doctoral supervisor and mentor had completed shortly beforehand.<sup>10</sup> His research focused on determining the turning points in Germany's wartime economic strategy.

Milward's main thesis was that until 1942 Nazi Germany was being prepared to wage a war of a special kind which was most suited to the German economy and to the political nature of the Nazi party and its ideology. That war was briefly referred to as 'the *Blitzkrieg*', a term commonly translated into English as 'lightning wars'. It rested on a military strategy which implied a succession of rapid knock-out blows delivered against the enemy's forces from a position of strength without requiring the full-scale and permanent mobilization of the country's economy and society. Temporary efforts to boost the production of particular sectors were to precede each military campaign. The degree of wartime resource mobilization was to be flexible, varying in accordance with the military needs of each successive aggressive campaign between September 1939 and the summer of 1941. These campaigns were based on German military forces being superior in number and capacity to the opposing forces at the time of each surprise attack.

In Milward's interpretation, the *Blitzkrieg* was an economic and political as much as a military strategy. In this sense, the *Blitzkrieg* strategy was based on operating a war economy within the general framework of the heavily mobilized economy which Nazi Germany had sustained since 1936. It thus required balancing the preparation of the country for war, which was an intrinsic goal of Nazi ideology, with the maintenance of consumption at levels necessary to retain sufficient domestic support for the Nazi regime. The Third Reich would

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<sup>8</sup> Milward (1964).

<sup>9</sup> Milward (1965).

<sup>10</sup> Milward (1965), v.

impose on German civilians the rigors of a full-scale war economy only if and when it was forced to do so. Thus, for Alan Milward, the Blitzkrieg was ‘a method of waging war which would avoid misery which war seemed destined to bring to the [German] civilian population.’<sup>11</sup> It was based on achieving the Nazi party’s ultimate political objectives with less disruption to the national economy and society than would otherwise have been possible. In Alan Milward’s own words, the Blitzkrieg economy

was pre-eminently suited to the structure of the National Socialist state. It was the system of warfare best suited to the character and institutions of Hitler’s Germany. For a democratic country such a method of waging war would have presented immense difficulties, for Germany, it was politically and economically convenient.<sup>12</sup>

As a political strategy, it was to prepare the country to wage successfully the sort of war which would lay the basis for the future German dominance of continental Europe under the leadership of the National Socialist party. The subsequent simplified depiction of his argument as that of ‘a peacetime economy at war’ is at best a distortion.<sup>13</sup> Indeed, Alan Milward stressed that ‘[n]o nation had ever previously spent so vast a sum in peace time on preparations for war’.<sup>14</sup>

What Alan Milward set out to do was explain, firstly, how Nazi Germany was able to conquer most of continental Europe within a short space of time while maintaining living standards, and thus support for the regime at home; and secondly, when and why the initial strategy was changed. It was at the beginning of 1942 that, as he claimed, due to the immense cost generated by the invasion of the Soviet Union, Germany was forced to abandon the economic and military strategy of the Blitzkrieg and develop an alternative one aimed at sustaining a prolonged war effort. Given the Allied superiority in the quantity of strategic resources at their disposal, the emphasis in Germany was placed on achieving qualitative superiority. Adolf Hitler and the Ministry of Armaments and Munitions assumed that it was impossible for Germany to out-produce its enemies in armaments but that it ‘could still win a war of mass production by harnessing her technology and science to the task of keeping a qualitative superiority in many individual armaments.’<sup>15</sup> This illusion was abandoned in turn, Alan Milward argued, in the summer of 1944, when Germany geared itself toward a total-war effort which required the full mobilization of all available resources at the expense of both

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<sup>11</sup> Milward (1965), 7.

<sup>12</sup> Milward (1965), 31.

<sup>13</sup> For further elaboration on this question see below, 57-58.

<sup>14</sup> Milward (1965), 27.

<sup>15</sup> Milward (1965), 101.

the quality of armaments and domestic living standards. Hitler's 'Concentration Order' (*Konzentrationserlass*) of 19 June 1944 marked, he said, a desperate effort to postpone disaster by abandoning Germany's qualitative superiority and focusing all efforts on the mass production of the existing weapon types, as did the appointment in July 1944 of Josef Goebbels as Reich Plenipotentiary for the Mobilization of Total War. This question of when Nazi Germany was organized or aimed to be organized for 'total war' dominated scholarly debates for many years after the 1960s.<sup>16</sup>

If the Blitzkrieg strategy had been successful in the first twenty months of the war in defeating the armed forces of Poland, Denmark, Norway, Belgium, the Netherlands, Luxembourg, France, Yugoslavia, and Greece, the total-war effort which the Third Reich initiated in 1942 was insufficient, however impressive its actual results, against the combined resources and capabilities of powers which were not only economically stronger but, through an efficient system of cooperation, proved themselves to better suited for the kind of command over all the resources which was necessary to win the war. Thus, in his first book, Milward was making a persuasive case for the importance of economic and political as well as military strategy in explaining the outcome of the war, and for the importance of the Soviet Union, along with Britain, to Allied victory by defeating the Blitzkrieg before the United States joined the Allies.

The first (recorded) reviewer of *The German Economy at War* aptly described the social and academic atmosphere in which Alan Milward carried out his first academic research:

It is not unfair to use the British war economy as a standard of comparison for the German economy. For, at the time, the British were spurred on to sacrifice partly by their belief that the Germans had won their victories because they had learned long ago the lessons of giving up butter in order to have guns. It came as a shock to read the [USSBS] after the war and to discover how wrong we were. The Germans had, it seemed, maintained high civilian standards throughout the war: even the number of domestic servants had increased. Unfortunately, apart from articles by one or two notable economists who worked in the Bombing Survey, there has been little systematic study of the German war economy, and historians have been slow to quarry among the patchy, although massive, documentation on the subject.<sup>17</sup>

One of the 'notable economists' was Klein, whose book *Germany's Economic Preparations for War* (1959) had already shown that the degree of preparation of the Nazi economy for war by 1939 was very much less than had been believed by the Allies at the time. Klein had effectively destroyed the widely held belief that Hitler had armed Germany to its full extent

<sup>16</sup> Detailed information about the changing interpretation of the concept of total war can be found in Beckett (1988).

<sup>17</sup> 'Guns and Butter' (1965), 772.

for the purpose of waging the kind of war that the Second World War represented. In agreement with Klein and the other authors of the USSBS, Alan Milward showed – in both his article and monograph – that Germany was not operating a full-scale war economy in 1939, nor in the first two years of war. This did not mean, however, that the Third Reich was not preparing Germany for a major war; it simply meant that

Germany *was* preparing for war, but for a war of a special kind – *Blitzkrieg* – which demanded not ‘armament in depth’ [armament producing permanent military potential] but the less burdensome ‘armaments in width’ [ready weaponry the provision of which could be increased right before each military campaign].<sup>18</sup>

Where Milward disagreed with Klein and the USSBS was in assessing the actual level of mobilization of the German economy, both before and throughout the war. Indeed, in challenging the wartime assumptions of the Allies, Milward argued that the authors of the USSBS had ‘weighed the balance down on the other side rather than correcting it’.<sup>19</sup> He maintained that the main reason why Klein and the other USSBS authors had underestimated the degree of preparation for war of the German economy by 1939 and overestimated the change after 1942 was because they had accepted ‘very uncritically the description of the German war economy given by the most co-operative, the most intelligent, and certainly the most knowledgeable of the Allies’ prisoners, Albert Speer, the former Minister of Armaments and Munitions.<sup>20</sup>

In the United States, Speer, who was at that time serving a twenty-year sentence in Spandau prison in West Berlin, having escaped the death penalty at the Nuremberg trials because he acknowledged his guilt in Nazi war crimes, was given, according to Alan Milward, too much credit for having reformed the administration and direction of the war economy. Speer had taken with him many extremely valuable documentary records relating to the wartime German armament effort which he was to use, at a later stage, toward his own public rehabilitation. In American eyes, had Speer not come to power as a result of the accident in which his predecessor, Fritz Todt, was killed in an air crash on the Eastern front on 8 February 1942, ‘the German economy might never have been geared to the long war of attrition and mass production forced on her by the overwhelming defeat at Stalingrad’.<sup>21</sup> For Klein and the USSBS, the German defeat in Stalingrad in February 1943 was the turning

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<sup>18</sup> Forsyth (1965), 124.

<sup>19</sup> Milward (1964), 499.

<sup>20</sup> Milward (1964), 500.

<sup>21</sup> Milward (1964), 501.

point in the war. Up until that point they believed that Germany was following the military tactics of the Blitzkrieg. After Stalingrad, the Third Reich would have had to switch tactics and mobilize the economy for a full-scale war. Had they switched tactics earlier, as Speer and others were to argue, then the Germans, under the steady direction of the Minister of Armaments and Munitions, might have won the war.

Alan Milward disagreed with almost all of this. Having worked with the same official German statistics as those used by the USSBS he was much more skeptical of their veracity than were the U.S. officials. In fact, he considered that, before the creation of the German Statistical Service in 1942, it was almost impossible to get reliable statistical information from which to analyze the weight of armaments production in the German economy for the critical years 1939-1941. Even after the creation of this office, he demonstrated how misleading were the indices of armaments production compiled by the *Statistisches Amt* during the war. In order to help get around the problem caused by the inadequate statistics, he investigated the ‘politics and personalities’ because he believed that ‘the political framework in which the economy of National Socialist Germany operated was extremely important.’<sup>22</sup> His reading of the official documentary record of important wartime bodies of the German state caused him to challenge with some authority Klein’s and the USSBS’s understanding of the Blitzkrieg and of when it was abandoned.

He considered it a mistake to view the Blitzkrieg, as the bombing survey had done, solely in terms of military tactics which ran aground during the five long months, between July 1942 and February 1943, of hand-to-hand fighting in Stalingrad, which killed almost two million people. It was Alan Milward’s firm view, first of all, that the Blitzkrieg, as we have already underlined, meant much more than military tactics, and secondly, that the Blitzkrieg strategy had proven a failure long before the battle of Stalingrad had begun. The Führer-command ‘Armament 1942’ of 10 January 1942, he maintained, was the break with the economics of the Blitzkrieg and the beginning of a new program of military expansion which committed Germany to sustaining a long-term war effort on a large scale, which in turn implied a more effective centralized control over industrial production. Todt, the *Reichsminister* for Armaments and Ammunition, was the main critic of the Blitzkrieg strategy after the campaign against the Soviet Union had required scaling up the military requirements of Germany’s overall war effort quite significantly. It was Todt who had already persuaded Hitler of the need for change, it was Todt who had designed the numerous

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<sup>22</sup> Milward (1965), v.

administrative innovations – central control, rationalization of mass-production of armaments, and the system of authoritative industrial committees – which would be central to the economic organization of the German economy operating on the basis of a long war in search of greatly increased efficiency levels from 1942 onwards, all of which, as we have seen, Speer (and the Allies) would attribute to Speer himself after the war.

By examining what he called ‘the machinery of administration’ of the German war economy, Alan Milward concluded that ‘it was the failure of the first Russian campaign, rather than the catastrophe of Stalingrad, that caused Hitler to abandon the Blitzkrieg.’<sup>23</sup> According to Hugh R. Trevor-Roper, considered by many at the time as one of the most distinguished academic authorities on Nazi Germany, Hitler himself had insisted on the invasion of Russia, arguing that such an operation made sense ‘only if we smash the [Soviet Union] heavily in one blow’.<sup>24</sup> The consequence of the failure of this strategy was that the Third Reich became entangled in a long war of attrition against a combination of countries – the United States, the Soviet Union, and those in the British Empire and Commonwealth – with superior forces and military potential which was precisely what the Blitzkrieg strategy had been designed to avoid. In the colorful language which was to become one of his trademarks, Milward wrote ‘[a]s the German advance squelched to a halt on Russian mud, and as, for the first time, serious losses of equipment, losses which were exceeding production, made themselves felt, the advocates of “armament in depth” were heard with louder voices.’<sup>25</sup> ‘The Blitzkrieg is over’, Milward affirmed, quoting a memorandum of 15 January 1942 written by General Hermann von Hanneken, the chief of resources, energy and mining in the German Ministry of Industry. ‘As for the economy,’ the memorandum ran, ‘it is a matter of the first priority that it should clearly be reconstructed on the basis of a long war.’<sup>26</sup> As Milward summed up,

there can be no doubt that the decisive change in the administration of the German war economy came in February 1942 with the creation of a powerful civilian Ministry of Armaments and Munitions with control over service departments. And this was clearly the response to the failure of the Blitzkrieg offensive against Russia, and the necessity to rearm for a longer struggle than had at first been envisaged.<sup>27</sup>

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<sup>23</sup> Milward (1964), 507.

<sup>24</sup> Trevor-Roper (1966), 61.

<sup>25</sup> Milward (1964), 509.

<sup>26</sup> Milward (1964), 509.

<sup>27</sup> Milward (1964), 512-513.

In case anyone was left in any doubt about where he disagreed with Klein, Milward concluded his ‘The End of the Blitzkrieg’ article insisting that ‘economically the Blitzkrieg ended in January 1942. Stalingrad merely convinced the unbelievers.’<sup>28</sup>

He also strongly disagreed with all those who at that time saw the Nazi regime as a firm-command style economy: ‘[T]he whole structure of the German administrative body was one of competing individuals and competing machines which by 1942 represented a powerful collection of vested interests each unwilling to relinquish its control of its own small part of the war economy.’<sup>29</sup> While he agreed that private businessmen exercised considerable power in the committees used by Speer, he argued that there were ‘strong centrifugal forces in the National Socialist Party, which found the whole idea and system of the Blitzkrieg immensely more attractive than a full-scale war economy which would need centralized direction.’<sup>30</sup> Even after Speer had firmly defeated those in favor of Blitzkrieg, Milward identified ‘an equally determined struggle, involving different questions of principle, between the Speer Ministry and the *élite* of the National Socialist movement, the SS.’<sup>31</sup> The *raison d'être* of the Blitzkrieg economy had been the possibility of avoiding an overall economic centralization of power and decision-making, allowing for the maintenance of independent economic empires responding to different, even opposing objectives despite operating under the supreme authority of the Führer. According to Alan Milward, the kind of central planning and command that ‘armaments in depth’ entailed inhibited the very economic flexibility on which Hitler’s strategy so much depended. It was precisely the need for flexibility which made the Blitzkrieg economy suit the structure of the Nazi state. The end of the Blitzkrieg thus meant the end of the perfect symbiosis between war, the independence of the Nazi party leaders, and a sufficiently high level of popular support for the regime.

The final issue over which Alan Milward disagreed with Klein and the USSBS was over why Germany ultimately lost the war. In the fall of 1944, Alan Milward argued, ‘to all but fanatics the war was economically lost’.<sup>32</sup> We have seen that he refused to accept that the first mistake was the adoption of the strategy of the Blitzkrieg itself. Nor did he accept Speer’s suggestion that ‘their economic edifice would never have fallen down had the Allies not first bombed the roof off and then occupied the rooms’.<sup>33</sup> While he did agree that the Allied bombs had played a part, he insisted that ‘[t]he complexity of the economy of so

<sup>28</sup> Milward (1964), 518.

<sup>29</sup> Milward (1965), 10.

<sup>30</sup> Milward (1965), 11.

<sup>31</sup> Milward (1965), 155.

<sup>32</sup> Milward (1965), 163.

<sup>33</sup> Milward (1965), 165.

highly-industrialized a country as Germany proved greater than the plans for strategic air warfare allowed.<sup>34</sup> Of equal importance for the defeat he listed the chronic labor shortage in Germany as well as shortages in vital raw material supplies. Since in his view ‘Germany had circumvented her raw material shortages very shrewdly throughout the war, by conquest and by substitution, although in theory they were her greatest weakness’, the Allies’ conquest in turn of those parts of Europe on which Germany depended was a major blow. Finally he included the tensions between the central economic organization and the central political organization as a cause of equal importance for the defeat of Germany, since they determined the quality and quantity of the German war production.

‘Personal rivalries’, as one reviewer summarized Alan Milward’s findings in this respect, ‘prevented a satisfactory solution for the maximum and efficient use of German and foreign labour and for the best allocation of materials and components.’<sup>35</sup> Central authority over the whole of the German economy never existed, apart from Hitler’s personal supreme (and contradictory) command. It was not until August 1944 that Speer gained authority over armaments production for all the armed forces, but even then Hermann Göring’s industrial empire escaped the Armaments and Munitions ministerial authority, and the *Schutzstaffel* or S.S. under Heinrich Himmler continued to constitute a ‘state within a state’ with its own industrial empire. In spite of everything, German armaments production reached its peak in July 1944, and in January 1945 it was still more than twice as high as it had been three years earlier.<sup>36</sup> ‘The Allies were fortunate’ – another reviewer concluded – that the Germans began to display centralized efficient planning ‘only when it was too late to do more than postpone the inevitable collapse.’<sup>37</sup> In fact, most reviewers of *The German Economy at War* concurred in underlining the novelty and excellence of Alan Milward’s treatment of the damaging consequences, for the coherence and consistency of the German war effort, of the personal and institutional rivalries within the Third Reich.<sup>38</sup> The careful analysis of the relationship between the economic, strategic, and political factors, which Alan Milward deployed for the first time in *The German Economy at War*, would constitute another permanent feature of his scholarly work, a further component of what could be defined as the Milwardian method.

The main merit of the book was seen to lie in its attempt to understand and explain for the first time the economic rationale underpinning the Nazi military strategy. Alan Milward’s

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<sup>34</sup> Milward (1965), 166.

<sup>35</sup> Hillmann (1965), 677.

<sup>36</sup> Nicholls (1966), 874.

<sup>37</sup> Neil (1966), 217.

<sup>38</sup> The sole recorded exception is Birkenfeld (1966).

evidence was seen to challenge, on the one hand, the belief of those who had argued that the German economy was so fully extended by 1940 that the British bombing policy could quickly bring about its collapse and on the other, the view of the appeasers who minimized the extent of German rearmament.<sup>39</sup> Trevor-Roper went further than Alan Milward's conclusion that 'under Blitzkrieg economics Germany achieved one of the most remarkable periods of conquest in modern history' by saying that 'one more victory in the series might well have established the New Order on a lasting base.' For Trevor Roper, '[i]t was by such methods, after all, that Prussia, which was not a great power in its time, became the German Empire, which was. By the same methods, a new German Empire might have been the super-power of today.'<sup>40</sup> Likened by Michael Hurst to an Emmental cheese which, '[d]espite the holes that can be found in it [...] is of a very high quality', *The German Economy at War* was to become the standard text for many years for a study of the preparation for and wartime efforts of the German economy.<sup>41</sup> Hurst was not mistaken.

### **3. The New Order and the French Economy (1970)**

The origins of the Third Reich's Blitzkrieg strategy and the ultimate outcome of the German war effort were both related, in Alan Milward's view, to the concept of a New Order in Europe. This referred to the place which occupied territories – and the subsequent policies for their control – had in the overall German war effort and postwar planning for the establishment of a revolutionary socio-economic system on a continental scale. For Alan Milward, the Blitzkrieg strategy encompassed the occupation of some parts of Europe and the subsequent control of their resources in order to achieve the fascist objectives of a New Order in Europe which was neither capitalist nor communist, while the failure to make the best use of the occupied territories represented a fatal blow to the overall efficiency of the German economy in the later phase of the war.

As he pointed out in the early 1960s, the effects 'of German occupation on the economies of the occupied countries are still unknown except in the broadest outline, certainly less well known than the political effects of occupation.'<sup>42</sup> Almost fifty years later, we can observe that this is still the case. What he wanted to understand was what the New

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<sup>39</sup> Makins (1965), 386.

<sup>40</sup> Trevor-Roper (1966), 63. The original Milward quotation is taken from Milward (1965), 8.

<sup>41</sup> Hurst (1965), 57. One of the 'holes' was seen to be the absence of any discussion of the contribution of the occupied countries to the German war economy.

<sup>42</sup> Milward (1965), v.

Order in Europe might have looked like if the Nazis had not been defeated and to what extent their defeat was due to the failure of their occupation policies. In two subsequent monographs on the German occupation of France and Norway he provided some answers to those questions. He started with France, the most significant of all the economies which Germany controlled during the Second World War.<sup>43</sup> The official French account of the Occupation was that it had failed because the majority of French people had resisted rather than collaborated with the Nazis. Raymond Aron's distinction between the good Vichy of Marshall Henri Philippe Pétain, the Verdun hero and aged head of the Vichy *régime*, which sought to soften the impact of Nazi policies on France, and the bad Vichy of Pierre Laval, deputy president of the first Council of Ministers from June to December 1940 and premier after April 1942, which collaborated willingly with Nazi Germany, went largely unchallenged as most public records in France for the Vichy period were closed.<sup>44</sup> Alan Milward, basing his research on France primarily on captured German documents located in Britain and the United States and on published French records of war damage and of negotiations at the Armistice Commission meetings, was interested in the purpose of occupation and the extent of French collaboration.

On the first question, he quite typically rejected as too simplistic the view that the primary purpose of occupation was to loot and punish. What he set out to do was to assess the rationale behind the various measures which the Germans devised in order to extract economic benefit from an occupied territory; in the French case, from the fall of Paris in June 1940 to the invasion of Normandy four years later. Anticipating that there was more to the various forms of German pillage of France's resources and treasures – which included seizures of stocks of raw materials and of cash, extraction of occupation costs, levies, the use of an overvalued currency (*Reichskreditkassenscheine*) for the purchase of goods and services by the occupation forces, capital penetration in French industry, and forced transfers of French labor and foreign holdings to German factories – than pure plunder or punishment, he measured the extent of French collaboration. This enabled him to answer the bigger theoretical question of whether the Nazi policy of uniting Europe by force could have worked had the ultimate outcome of the war been different.

The way in which he formulated his questions are clearly set out in an early essay, published in 1967:

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<sup>43</sup> Milward (1970a).

<sup>44</sup> Azéma (1995), 1084.

The tendency has been to assume that Germany's policy towards the French economy was merely to 'exploit' it in her own interests. This view of the problem is certainly too simple. What exactly were German interests? And which of the many different ways of 'exploitation' should Germany choose? Should Germany invest in the French economy, particularly in the agricultural sector, in the hope of increasing output and thus the share which she herself could take? Or should she merely loot the French economy taking what she could as booty? Owing to deficiencies in investment in armaments industries before 1942 Germany's own armaments-producing capacity was fairly low until 1943. Should she therefore use French plant to increase this capacity? And if so, should she do this only when it was absolutely necessary and as a temporary measure? Or should she incorporate the economy of occupied France, and even Vichy France, into her own war economy, forming what Jean Bichelonne, secretary of state for industrial production in the Vichy government after April 1942, was to call the 'European war economy'? Or should she transfer, in as large quantities as possible, the factors of production from France to Germany, turning France into a rump state, a primary producer like the General-government of Poland? What fate was reserved for France in the 'New Order'?<sup>45</sup>

As he saw it, the German occupation of France went through three main phases. During the first one, which followed the fall of Paris, he argued that the economics of Blitzkrieg did not require much pressure to be imposed on France's economic resources, apart from on aircraft, stocks of military equipment, transport, and raw materials. The second period, which started in the fall of 1941, at the height of the Russian campaign, was when the needs of the Blitzkrieg strategy were greatest, necessitating a more substantial contribution to be made by France in terms of ammunition, consumer goods, and labor. This period of increased exploitation was dominated by the policies of Fritz Sauckel, the Commissar-General for Labor, who demanded the transfer of French (and other foreign) workers to Germany's basic and arms-producing industries in order to speed up production. It was during this period that the new era of a continental European Order under German dominance appeared within reach. It was to serve not only the interests of the German wartime political economy but also lead to the postwar reorganization of the whole European political economy. The final phase was dominated by the consequences of the collapse of the Blitzkrieg strategy in favor of, firstly, a more efficient mobilization of all available resources for a long-term war effort and then, the simple exploitation of the conquered economy in the context of an emergency total-war effort within the wider context of a European war economy.

Alan Milward's analysis encompassed German as well as French views on the future role of France in the New Order. As he had shown in *The German Economy at War*, the German state, far from constituting a monolithic administrative and political entity, was riven with divisions, initially over the purpose and degree of control and exploitation of conquered territories, and subsequently over the degree of administrative centralization that followed the

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<sup>45</sup> Milward (1967a), 423-424.

end of the Blitzkrieg economy. In the case of occupied France, the most prominent dispute was between Speer, who favored expanding the production of armaments and consumer goods in France in order to meet both the needs of the German armed forces across Europe and civilians at home, and Sauckel, who preferred to force French labor to work in factories in Germany where their level of productivity was higher. Whereas Speer followed a policy of progressive economic rationalization on a pan-European basis, Sauckel was emotionally linked to the early revolutionary doctrine of National Socialism for which the *Grossraumwirtschaft* (the economics of large areas) would be based on the creation of a self-sufficient continental-wide economic system in which the industrial regions of western and central Europe pivoting on the Third Reich would be surrounded by a periphery of countries acting as suppliers of foodstuffs and raw materials. For the old National Socialist guard, Speer's centralist policy represented 'an attack on the National Socialist ideas of the New Order'.<sup>46</sup>

Once again, as Alan Milward had shown in *The German Economy at War*, under the façade of a monolithic organization, Nazi Germany's leadership was actually quite divided, lacking a clear sense of direction over which were the most effective policies to win the war and establish the New Order in Europe. Against the backdrop of conflicting and ever changing demands from the Nazi masters, there were, as Alan Milward saw it, fundamental differences of opinion within the Vichy state over what the future of France should be in the German New Order for Europe. Marshall Pétain had at the time of the Armistice, in June 1940, readily accepted a role for France as a supplier of food and raw materials to Germany as offering a 'means to France's social and spiritual regeneration'.<sup>47</sup> On the other hand Laval, on returning to power as Prime Minister in April 1942, welcomed Speer's plans as a way for France to avoid the fate of the eastern territories and retain the possibility of having an industrial future.<sup>48</sup> All these divisions and changes made Alan Milward's calculation of what Germany managed to extract from France all the more surprising.

He used five cases studies – coal, iron ore, bauxite and aluminum, wolfram (the ore from which the strategic metal tungsten is made), and agriculture – which together constitute the main body of *The New Order and the French Economy* – to show how the interaction of all these factors influenced what Germany was able to extract from the French economy. As he demonstrated, by 1942 'France had become an integral part of the German war

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<sup>46</sup> Milward (1970a), 146.

<sup>47</sup> Milward (1967a), 427.

<sup>48</sup> Milward (1967a), 427.

economy.<sup>49</sup> Toward the end of 1943 the general level of exploitation was between forty and fifty per cent of French capacity as France became ‘the most important supplier of raw materials, foodstuffs, and manufactured goods to the German economy.’<sup>50</sup> Expressed in other terms, ‘the total value of goods and services’ which Germany was able to obtain from France during the war ‘was roughly equal to one-quarter of [France’s] own Gross National Product on the eve of the war.’<sup>51</sup> To the value of raw materials, food, production, and labor Alan Milward added the value to Germany of its trade with France. He showed that during the occupation, the prewar trend in which the countries of south-eastern Europe had become the most important source of German supply was broken, and their place was taken by France, with Belgium and the Netherlands in a subordinate role.

The failure of the Blitzkrieg on the eastern front turned attention from the New Order to the organization of a total-war economy on a continental-wide basis which resulted in France becoming by 1943 the most important supplier of the German economy for a wider range of industrial products as well as food. As a consequence, the relative importance of south-eastern Europe to the German economy declined, and long-term plans were designed to reduce the German dependence on eastern supplies even further. How was France to fit into those longer term plans, he asked. But it was a question which, as he himself admitted, could not be answered in wartime: ‘Indeed the answer seemed to recede as the war progressed’.<sup>52</sup> What he was anxious to settle in *The New Order and the French Economy* was whether the ‘startlingly’ high level of exploitation of the French economy could have been sustained had German domestic economic policy not changed and with it the economic policy in occupied Europe. On this he felt there was no room for liberal complacency: ‘In so far as German policy had to be changed in autumn 1943 this was not so much because it was, economically, a failure. Rather it was because events in Germany, the changes in economic policy which had taken place there in 1942, spread their implications to occupied Europe.’<sup>53</sup> If Alan Milward was interested in the effects of occupation on individual economies he saw the even more important theoretical question to be whether the Nazi conquest of continental Europe could have worked economically had Germany not been defeated militarily. Was the liberal theory that war and conquest did not pay disproved by the Nazi experience in the period 1939-1942 when it controlled the resources of most of continental Europe? As he wrote,

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<sup>49</sup> Milward (1970a), 137.

<sup>50</sup> Milward (1970a), 282-283.

<sup>51</sup> Milward (1970a), 277.

<sup>52</sup> Milward (1967a), 424.

<sup>53</sup> Milward (1970a), 111.

[t]hat conquest, in the long run is not profitable, is too satisfactorily moral a lesson to draw. Each conqueror has his philosophy of conquest and can only act within the bounds of that philosophy. Seen in historical perspective the National Socialist conquests were an attempt to solve the political and economic problems of Germany by solving those of Europe on the same principles. The New Economic Order was ultimately essential if National Socialist Germany was not always to face overwhelming economic problems in a hostile world. The economic developments in Germany after the National Socialist revolution were meaningless in the long run if confined to one country; conquest was inherent in them.<sup>54</sup>

As far as he was concerned, to understand the National Socialist theory of conquest and the nature of National Socialism, which he insisted was a variant of fascism rather than of totalitarianism, it was necessary to ‘think ourselves out of the weight of the two hundred years of thought which fascism itself rejected’.<sup>55</sup> Rejecting both the liberal-capitalist and the Marxist theories of fascism, Alan Milward argued, at that time, the following:

The philosophical starting-point of fascism was the rejection of what fascists called the ‘Greek idea’, the idea of the individual’s growth to emancipation and maturity. It was this particular conception of human destiny, they argued, which was recaptured from Greek philosophy during the Renaissance and thus became the basis for Smith’s ‘economic man’. Fascism therefore attacked liberal economic thought at the very base of its trunk. The emancipated individual, who was both the producer and the product of capitalism, was disruptive to society, selfish, and an enemy to the community. Conversion to fascism was a revolt against interpreting the world from an individualist and materialist standpoint. Communism, in this light, was merely the last and latest form of materialism, the ultimate liberal heresy. The fascist philosophy imposed drastic restrictions on the ‘rights’ of the individual and the group. Capital was a public trust. Instead of the class-ridden state of the materialists fascism proposed the ethical state, the spartan virtues of whose inhabitants would be far removed from those of the capitalist entrepreneur or consumer. Philosophically, fascism represented a search, not for further economic development in new and more difficult international circumstances but for a point of economic equilibrium, a haven from the pressure of social and economic change.<sup>56</sup>

Berating liberal historians for dismissing the New Order as ‘windy rhetoric, a verbal disguise for conquest’, he also criticized Marxist historians – such as Wolfgang Schumann and Gerhard Lozek – for interpreting it as ‘the subjection and looting of the occupied territories by German bankers and industrialists in whose interests the war had been prepared and carried out.’<sup>57</sup> Alan Milward’s view was that

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<sup>54</sup> Milward (1970a), 295.

<sup>55</sup> Milward (1970c), 350.

<sup>56</sup> Milward (1970c), 338.

<sup>57</sup> Milward (1970c), 339 for the first quotation. The second is Milward’s own direct quotation from Schumann and Lozek (1964).

the conflicting strains of economic thought in National Socialism spanned the whole range from anti-capitalist, or even pre-capitalist, millenarianism to the ruthless advocacy of the businessman's right to dominate all economic policy. These gross differences of opinion were never better shown than in German economic policy in occupied countries.<sup>58</sup>

If *The New Order and the French Economy* had two main levels of analysis, it was only his analysis of German economic policies toward occupied France from 1940 to 1944 which found favor. All reviewers without exception praised Alan Milward's ability to analyze the existing evidence from that new perspective. The second level of analysis was not seen to be as successful as the first. Richard Tilly and Hans Umbreit, while acknowledging the wealth of data which Alan Milward had produced on the French economy, were not convinced that the New Order was a useful way to interpret the economic aspects of Nazi occupation policy in France.<sup>59</sup> Arthur Schweitzer was more critical: 'While the factual investigation is competently done, limited mainly by the inadequacy of available information, the same cannot be said for the efforts to interpret either the occupied economy or the Nazi empire.'<sup>60</sup> Indeed Schweitzer had also written a caustic review of *The German Economy at War*, and was not sympathetic to Alan Milward's apparent adventurism in formulating wider interpretations of National Socialism.<sup>61</sup> Schweitzer was not alone. Charles P. Kindleberger, one of the earliest reviewers of *The New Order and the French Economy*, found it 'futile' to use the French case to generalize about the benefits of military conquest. For Kindleberger, the controversy between liberal theory and the revolutionary doctrine of National Socialism was 'pressed too hard' and unpersuasively.<sup>62</sup> Urs Brand referred to the book's section on the liberal and fascist theories of the profitability of conquest as 'historical digression'.<sup>63</sup>

It has to be said that Alan Milward never shied away from an argument, and in his analysis of the operation of the Nazi economy during the war, he was taking on two very powerful theories, those of liberalism and Marxism at the same time. In trying to understand the theoretical underpinnings of the Nazi war economy and of the New Order for Europe he was anxious to avoid what he considered to be the dangerous complacency which their oversimplified views created. Many reviewers considered that his determination to understand the politics and economics underpinning Nazi policy in the Second World War in

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<sup>58</sup> Milward (1967a), 425.

<sup>59</sup> Tilly (1974) and Umbreit (1973).

<sup>60</sup> Schweitzer (1965), 126.

<sup>61</sup> Schweitzer (1973), 173.

<sup>62</sup> Kindleberger (1971). Milward's views on the liberal theory of war were also introduced in his pamphlet on the economic effects of the two world wars on the British economy, see Milward (1970b).

<sup>63</sup> Brand (1971), 202. Translation by the authors from the German original. The authors provide all translations from languages other than English.

some way indicated his tacit support for the Nazi regime. Two reviewers intimated that he would have welcomed the establishment of the National Socialist New Order. ‘Might an imposed economic order have been better for Europe than present bickerings and divisions?’, Arthur L. Funk asked rhetorically, after which he added, ‘Milward’s argument in favor of force as a possible (and presumably legitimate) method of imposing a supranational economic system is a tortuous one.’<sup>64</sup> Volker Wieland, in turn, saw ‘expressions which suggest a certain sympathy [of Milward] with National Socialism.’<sup>65</sup> Nothing could have been further from the truth, but it was easier to insinuate that Alan Milward might have had secret sympathies for the Nazis than to consider whether the National Socialist New Order in Europe might have been seen as a viable long-term solution to the socio-economic problems faced by Germany and the rest of Europe in the interwar period.

Although Alan Milward based his views of war on those of the nineteenth-century Prussian general, Carl von Clausewitz, rather than on the more fashionable game theory as developed by Thomas C. Schelling in 1960, his views were quite similar to those of Schelling. On the first page of his influential text Schelling had argued that ‘rational behavior’ is associated with morality and goodness, while ‘irrational behavior’ is associated with pathological behavior: ‘Among diverse theories of conflict [...] a main dividing line is between those that treat conflict as a pathological state [...] and those that take conflict for granted and study the behavior associated with it.’<sup>66</sup> Alan Milward was certainly among those scholars who operated on the assumption that rational behavior was ‘motivated by a conscious calculation of advantages, a calculation that in turn is based on an explicit and internally consistent value system.’<sup>67</sup>

Alan Milward wanted, through his research, to discover exactly why the Nazi system of Occupation had failed rather than accept the official version of events. In France the official explanation which had been carefully controlled since the end of the war was that it was the resistance of most French people to the occupation which was responsible for the defeat of Germany. This had received a near fatal blow in 1969 with the release in cinemas of the documentary film, *Le chagrin et la pitié* (*The Sorrow and the Pity*), which showed the speed of the collapse of the French state under German military pressure.<sup>68</sup> While this was

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<sup>64</sup> Funk (1972), 314 (all quotations).

<sup>65</sup> Wieland (1974), 865.

<sup>66</sup> Schelling (1960), 3.

<sup>67</sup> Schelling (1960), 4.

<sup>68</sup> The 1969 documentary film *Le chagrin et la pitié. Chronique d'une ville sous l'occupation*, by Marcel Ophüls, which was an account of ordinary life during the occupation, was shown in cinemas in France rather than on television as originally intended.

attributed to poor French military strategy and the deep political divisions within the Third Republic, the film also exposed the degree of popular support enjoyed by Marshall Pétain. This was reflected in the large numbers of French volunteers who were recruited to fight Communism both at the front and in the German armaments factories, as well as in the anti-British and anti-Semitic sentiments held by many – and not exclusively Vichy politicians – in France. Although what the documentary film portrayed was not dissimilar from what some French authors had already published in the 1960s, as with many of the accounts of the history of France in the period from June 1940 to August 1944, particularly if produced by foreigners, it was subject to the policy of a selective combination of memory and amnesia, a sort of ‘Vichy syndrome’.<sup>69</sup>

*The New Order and the French Economy*, which was published a few months after the release of the film, received few reviews in France and was not translated into French.<sup>70</sup> As a result it was neither debated nor perhaps read. If Alan Milward had shown that the conquest of France was profitable to the Third Reich and that there was extensive voluntary cooperation between many French businesses and officials with the occupying forces, his overall conclusion to the question of whether the New Order in France could have proved viable was that it was the behavior of labor during the occupation which diminished the importance to Germany of the acquisition of France:

The study of individual industries and the relative failure of German policies of exploitation suggests that that failure was due not only to the contradictions of German policy but also to the falling rates of labour productivity in the French economy. It is the behaviour of the French labour force during the war, and, indeed, the whole history of the French resistance movement, which assert that the economics of conquest cannot wholly be calculated in terms of cash.<sup>71</sup>

Indeed, Alan Milward was one of the first to make the distinction between the Resistance movement, which he did not consider had made a significant contribution to the outcome of the war, except in a few isolated cases, and the passive resistance of French labor which led to the general decline in French productivity particularly in 1944.<sup>72</sup> This distinction is one among many now accepted by historians who refer to ‘passive resistance’ as dissent to distinguish it more clearly from ‘Resistance’ as a political movement.<sup>73</sup> In using the term

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<sup>69</sup> Rousso (1991).

<sup>70</sup> The link between *Le chagrin et la pitié* and *The New Order and the French Economy* was first mentioned by Funk (1972), 313.

<sup>71</sup> Milward (1970a), 288.

<sup>72</sup> Milward (1970a), 295.

<sup>73</sup> Kershaw (2000), 183-218, discusses the debate over the meaning of resistance in Germany.

‘resistance’ to apply to both dissent and organized opposition, Alan Milward left himself open to considerable criticism. Kindleberger was quick to challenge him for sidelining the role of the resistance: ‘How much was the German eventual military defeat’ – he asked Alan Milward – ‘a result of invasion on the one hand, or the impossibility of holding down a conquered people on the other?’<sup>74</sup> Another reviewer was frustrated because Alan Milward did not investigate ‘the cost of conquest and the far greater cost of subjugation’ with as much emphasis and energy as he ‘applied to the calculation of [conquest’s] benefit.’<sup>75</sup>

What Alan Milward sought to assess in his hard-headed treatment of the contribution of the resistance to the defeat of Germany was the military value of the resistance. He had an opportunity to debate the issue with the recipient of one of the highest military honors which the French state could give, the *Croix de Guerre*, bestowed on the historian Michael R.D. Foot, Professor of Modern History in the University of Manchester, for his activities in the Special Operations Executive (SOE) in France in 1944. Since Foot had subsequently written extensively about the positive role played by the Resistance during the Second World War Alan Milward suggested to him that

[t]he wealth of historical study on the resistance movement in all countries, including Germany, has usually tended to dodge the issue of whether or not resistance was effective. That resistance was widespread, brave and well organized has been demonstrated over and over again. [...] of course there must come a point where resistance is the only conceivable strategy and the obvious example is that of a state or community, such as Poland or the Jews in 1939, face to face with virtual annihilation [but] does it necessarily follow that such resistance will have any strategic value however inevitable it may be?<sup>76</sup>

And he went on to argue:

The choice of resistance both as a tactic and a strategy, except in the extreme example of the threat of annihilation, is also a decision against other tactics and strategies. The correctness of the choice can be judged by, in the widest sense, its opportunity-cost; resources invested in resistance could always be deployed in a different way. But in this case the calculation of opportunity-cost must be more than a merely financial one. It must involve as far as possible all the factors including the psychological and social ones which go into the choice of a correct strategy. The history of the Second World War illustrates this excellently. There were in fact very few situations in those years when resistance was the correct strategy if the choice is assessed on economic grounds; in almost every case the resources could have been better invested elsewhere. But the social and psychological value of resistance was so strong as to make its choice sometimes the correct one.<sup>77</sup>

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<sup>74</sup> Kindleberger (1971), 161.

<sup>75</sup> Wenden (1972), 313.

<sup>76</sup> Milward (1975b), 188-189. Contrast with Foot (1975) which provided a much more favorable appreciation of the Resistance’s contribution.

<sup>77</sup> Milward (1975b), 190.

He gave two examples where resistance had clearly made a difference. The first was in sabotaging the mining of wolfram in France and the second was the attack on the heavy water plant in southern Norway. Both acts of resistance, he asserted, struck in areas of strategic importance and short supply for Germany. But his general conclusion was that ‘as an individual act resistance was liberating, satisfying and necessary; on a coordinated level it seems to have been seldom effective, sometimes stultifying, frequently dangerous, and almost always too costly.’<sup>78</sup> By 1986, as François Bédarida made it clear in summarizing what he saw to be the core of the Foot-Milward controversy, Alan Milward’s efforts to distinguish between economic, political, and military factors in order to clarify why Nazi Germany had been defeated had not been appreciated in France:

On an economic level, A. Milward believes that neither the German war machine nor the wartime strategy were seriously affected by the, albeit very costly, opposition of resistance organizations, except in the case of some very specific and timely operations. In fact, to reduce the effectiveness of the resistance solely to its military dimension is to completely misunderstand the very nature of the Second World War. In a conflict in which the psychological, ideological, and political factors are closely intertwined with the military and strategic factors, the confrontation between the Allies and the Axis must be analyzed in its entirety, without artificially compartmentalizing the various elements. If no one can deny that it was the defeat on the Eastern and Western battlefields that caused the collapse of Nazi Germany and its allies and that on their forces alone the clandestine movement would have been quite incapable of destroying the war potential of the enemy, such evidence can not devalue either the actual results of resistance action or the effectiveness of its contribution to the defeat of the Axis.<sup>79</sup>

In the years following the publication of *The New Order and the French Economy* a considerable amount of research was published which proved conclusively that the Vichy state officially collaborated with Nazi Germany, but the focus was almost entirely on the political aspects of that collaboration. According to the well-known business historian from the *École des hautes études en sciences sociales* in Paris, Patrick Fridenson, the ‘considerable gap in historical research’ between the politics and economics of the Vichy period is mainly due to ‘the feeling that this shameful moment in French contemporary history did not deserve research which would necessarily undermine French prestige.’<sup>80</sup> Outside France the most recent research carried out by a team of neoclassical economic historians into the German occupation of France has confirmed Alan Milward’s conclusions that the occupation was of

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<sup>78</sup> Milward (1975b), 202.

<sup>79</sup> Bédarida (1986), 86.

<sup>80</sup> Fridenson (2002), 259.

considerable importance to Germany economically. What Filippo Occhino, Kim Oosterlinck, and Eugene N. White argue is that the extent to which conquest can be made to pay depends on the degree of cooperation from the defeated country. France, they reaffirm, collaborated willingly, offering much more to Nazi Germany than was required, in the belief that a German-dominated Europe was preferable to one dominated by Great Britain. ‘The economic support of the Reich’s vassal states was crucial’, they argue, on account of Germany’s severe shortage of foreign exchange reserves to pay for vital imports of raw materials and labor shortage.<sup>81</sup> However, while they confirmed Alan Milward’s argument that the economic value of the occupation of France to Nazi Germany was very considerable, they stopped short of agreeing with his conclusion that ultimately the occupation could not have been sustained because of the falling rates of labor productivity in French industry and agriculture when the policies of occupation changed.

#### **4. *The Fascist Economy in Norway (1972)***

If the Nazi occupation of France was ultimately unsustainable because of the actions of French labor, was the occupation of Norway, a country which the Nazis felt was racially closer than France, any more successful, he asked. *The Fascist Economy in Norway*, published in 1972 and based mainly on the archives of the Economic Department of the *Reichskommissariat* – the highest governing body of the Third Reich in Norway –, as well as on those of the German Ministry of War Production which he had already consulted in London, in addition to many other sources, addressed that question.<sup>82</sup> One immediate consequence of his research was that the archives relating to the German occupation of Norway were moved from London to Oslo.

But once again, as in the case of his previous book on France, the reception of *The Fascist Economy in Norway* was mixed. While reviewers were ready in general to praise the author’s capacity to illuminate the actual operation of the economy of occupied Norway, they were reluctant to engage with his wider discussion of the nature of National Socialism. According to many, Alan Milward should have limited himself to detailing the facts, rather than elaborating on the theories supposedly underpinning them. ‘The word Fascist in the title is misleading’, wrote one reviewer, since what Alan Milward detailed was ‘the story of the Norwegian war economy, 1940-45, mainly as it served or (increasingly) failed to serve

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<sup>81</sup> Occhino, Oosterlinck, and White (2008), 5.

<sup>82</sup> Milward (1972).

German needs.<sup>83</sup> A French reviewer, Pierre Mougenot, commented that ‘we feel uncomfortable because we would have preferred the term “Nazi” to “fascist” [...] we would have liked to see the book entitled *The Nazi Economy in Norway*.<sup>84</sup> Michael F. Cullis struck the same note, regretting that Alan Milward had used the term ‘fascist’ in the title, rather than opting for something along the lines of ‘The New Order and the Norwegian economy’. He even suggested that Alan Milward’s insistence ‘point[s] to an underlying polemical, even ideological, purpose that is never made explicit’.<sup>85</sup>

Alan Milward was in fact quite explicit in his argument that in Nazi Germany economics could not be separated from the political and ideological nature of the regime, just as the political nature of the regime could not be understood without recognizing the nature of the economic problems which it faced. The term ‘fascist’ in the title was deliberately chosen to emphasize that in his view National Socialism, although it was the product of a long history of social tensions in Germany, was not something unique to Germany. Since it had parallels elsewhere in Europe he considered that it was fundamentally a form of fascism and needed to be understood as such. In the Preface to *The New Order and the French Economy* he had already stated that as he saw it,

fascism was no cancer in the body politic but a normal stage in the historical and economic development of Europe, and that it cannot be ultimately comprehended on a merely political level. Its form of economic expression and its form of political expression cannot be meaningfully separated, the final end of both was the New Order.<sup>86</sup>

The reorganization of the European economy into the New Order, on which ultimate safety for the National Socialist revolution depended, could only be imposed through force. The purpose of war, Milward insisted, and the purpose of the Nazi exploitation of European economies, was to fit them into the broader framework of the European economy based on fascist ideology.

Alan Milward’s argument in *The Fascist Economy in Norway* is straightforward. Even though Norway may have seemed better suited on racial grounds to be incorporated into the Nazi New Order this was misleading. Because it was, ‘of all occupied economies, the most open and the most dependent on international factor mobility’ it was in fact ‘the least suited

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<sup>83</sup> Ellersieck (1973), 458.

<sup>84</sup> Mougenot (1975), 484-485.

<sup>85</sup> Cullis (1972), 505.

<sup>86</sup> Milward (1970a), v.

to incorporation in the fascist system.<sup>87</sup> The invasion of Norway on 9 April 1940 was prompted by certain strategic needs, particularly to assure the inflow of iron-ore supplies from Sweden during the winter months and to prevent the Royal Navy from finding safe havens along the Norwegian coast.<sup>88</sup> But once the country had been occupied it had to be administered. The ultimate intention of German occupation policy was to exploit the country in Germany's interests and at the same time to force, 'in the name of the fascist revolution', its future pattern of economic growth to fit the needs of the *Grossraumwirtschaft*.<sup>89</sup> This was also the intention of some fascist theorists, chief among them the *Reichskommissar* Josef Terboven, who tried to impose fascist ideology on the Norwegian economy and society. One original feature of Alan Milward's book is the striking contrast between the theoretical place reserved for Norway in a future New European Order and the reality imposed by the needs of the war, particularly after 1941.

The evidence which he put forward was to prove the far-reaching nature of German planning for the economic and social restructuring of the Norwegian economy. The expansion of agriculture and fisheries and the development of Norway as a producer of raw materials and basic metals benefiting from cheap hydro-electricity were designed to retain population in the primary sector as well as provide food and crucial raw materials to the German population (and the European population in the longer term). This was to be accomplished, if necessary, at the expense of industrial expansion. The overriding aim was for Norway to become a primary producer with its industrial development wholly subordinated to German needs. It is within this framework that German plans for the industrialization of Norway are presented in the book. According to Alan Milward,

the evidence from German policy in Norway confirmed that the New Order was an attempt to force a particular philosophico-economic view of the world on to [Norway] as on to other European countries. That view of the world was anti-materialistic, antagonistic to economic growth, concerned with the creation of a society which would be stable enough to resist the hitherto relentless pressures of social change.<sup>90</sup>

He exposed the tensions between the interests of German businesses and those of the Nazi state and between German and Norwegian business interests. In line with his previous work on the German economy during the war and the occupation of France, he also showed that

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<sup>87</sup> Milward (1972), v.

<sup>88</sup> For the importance to Norway of Swedish iron ore, and the overall relative importance of the latter to Nazi Germany's armaments industry in 1940, see Milward (1967b).

<sup>89</sup> Milward (1972), 293.

<sup>90</sup> Milward (1972), 290.

whatever original plans the Nazis may have had in occupying Norway, they had to change them due to the circumstances of the war and the experience of occupation. In fact, *The Fascist Economy in Norway* is ‘a close and detailed analysis of what the Germans *planned* and what they actually *did* with their Norwegian conquest after 1940.’<sup>91</sup> The revolutionary National Socialists in the spirit of the New Order were more concerned with social engineering, with an emphasis on (the much idealized) Norwegian peasantry (and fishermen) and with a more limited emphasis on industrial expansion under German control. They soon met with insurmountable obstacles in trying to retain these ideological priorities. As in France, labor productivity was the main problem. In the case of Norway, the labor demands that the *Wehrmacht* requested for communication and defense construction diverted manpower from the primary sector and provided little room for social experimentation. From the winter of 1941-1942, with the end of the Blitzkrieg strategy, as elsewhere in occupied Europe, the Germans gave priority to the needs of a war of attrition against the materially much stronger Allies. ‘[A]fter the collapse of such strategy’, as Alan Milward had already established in the case of France, ‘the New Order could only be built by mobilizing the occupied economies [...] in such a way as to change the shape of the New Order itself.’<sup>92</sup>

The study of the Norwegian aluminum industry revealed the gap between Nazi plans and the political and economic conditions in Norway. In view of the need to develop and expand the German air force, immediate Nazi plans assigned to Norway an output target of 250,000 tons of aluminum when its actual production had been no more than 31,000 tons in 1939. The Nazi aim of making Norway a major European producer of aluminum was not shared by the German aluminum and other light metal firms who feared future Norwegian competition in view of the size of the planned investment. Nor was it shared by the *Wehrmacht*, which wanted immediate results even at the cost of depriving the *Luftwaffe* of its increased supplies of Norwegian aluminum in the future, nor by the Norwegian government which had its own economic demands.

It was the lack of attention which Alan Milward paid to the interests of the Norwegian firms themselves which was the main point of criticism of one reviewer: ‘[*The Fascist Economy in Norway*] shows only the occupying power’s policy, not that of the occupied state.’<sup>93</sup> Certainly, if judging by its title some readers might have been disappointed by the relatively short analysis of the Norwegian corporate state and business. As Helge Pharo

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<sup>91</sup> Mitchell (1972), 1105 (emphasis added).

<sup>92</sup> Milward (1970), 296.

<sup>93</sup> Loock (1973), 547.

commented, Alan Milward's research on Norway 'should be able to provide the starting point for further detailed studies of German economic policy in Norway, and also for studies of the Norwegian business relations with Germany during the war, a heretofore neglected field of research.'<sup>94</sup> Norwegian scholars have focused in particular on the expansion of Norwegian aluminum production.<sup>95</sup> They show how the Norwegian firms themselves welcomed the opportunity to expand aluminum output. Using Norwegian records to which Alan Milward did not have access forty years ago, they can document the willingness of Norwegian firms to exploit the opportunity which the Nazi plans seemingly offered them, an opportunity which included protecting themselves against any future competition in the sector.

Ultimately, as Alan Milward showed, the Nazi occupation of Norway failed since Norway produced few commodities that were of value to Germany and had been too integrated into the international economy to survive in a German-directed European economy. He maintained that '[t]here were only two possible ways of carrying out such an enormous project as the aluminium plan. One was to do it with the full and free consent of the conquered territory, the other to do it by ruthless and total subjection of it.'<sup>96</sup> The peculiar situation of Norway, occupied but ruled by its own fascists who very much depended upon their German counterparts while at the same time disagreeing with them, allowed for neither option.

Notwithstanding the failure of Nazi planning to make Norway contribute to German needs in the long term, it is evident that Norway had to pay a high price for meeting the German wartime needs in the short term:

The German exploitation of occupied Norway, like that of occupied France, was successful to a degree which most western economists would have denied was possible. The level of exploitation in each case was very similar and in each case very high. The standard of living of the occupied country was drastically reduced and its resources, capital, land, and labour were all ruthlessly diverted to German use. Seen in this light, German policy in Norway was a remarkable example of how far such policies can be carried out.<sup>97</sup>

German plans for Norway's future represented for Alan Milward the evidence which testified that the New Order was 'more than windy rhetoric'.<sup>98</sup> The problem which he faced and for which he was criticized by reviewers was that because the New Order never became a reality

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<sup>94</sup> Pharo (1973), 100.

<sup>95</sup> Frøland and Kobberød (2009).

<sup>96</sup> Milward (1972), 206.

<sup>97</sup> Milward (1972), 280.

<sup>98</sup> Milward (1970c), 339.

his research attributed to the German occupation policy a degree of rationality which was greater than seemed to be merited by a policy characterized by local improvisation.<sup>99</sup> Notwithstanding the seriousness of the purpose that Nazi planners pursued in France and Norway, the conclusion of Alan Milward's research into the occupation of Norway was that '[t]here was very little in fascist economic policy in Norway which offered much chance of converting the population to support for the fascist regime'.<sup>100</sup>

At the time economic historians showed little interest in the issues raised by Alan Milward's work on the Nazi occupation policies. This may be due in part to the fact that it was many years before economic historians became interested in the study of war at all (abnormal periods of economic activity). Economic history as a discipline, beginning in the United States in the 1960s, was increasingly moving in the direction of cliometrics. With the expansion of what was then called the 'New Economic History', economic historians became increasingly interested in applying econometric techniques to the wealth of new economic data covering long time periods which was being generated. Their exclusive dependence on neoclassical economic theory to explain historical change left little room for the study of a period in recent history when neoclassical theory was of little use.<sup>101</sup> In Britain and continental Europe where the New Economic History was slower to develop, historians focused on the politics of war and occupation but showed little appetite for following what was seen to be the politically dangerous path opened up by Alan Milward of assessing the occupation of Europe in the economic and ideological terms defined by the Nazis.

## ***5. The Economic Effects of the World Wars on Britain (1970)***

Alan Milward started his career as an economic historian in Britain at a time when the subject, along with all the social sciences, was expanding. In fact in the boom years of the 1960s the British government decided to invest in building six new universities. It was in one of these new universities, the University of East Anglia (UEA) that he sought to advance his academic career. Within a few months of arriving in 1965, however, he received an invitation from Stanford University to spend the 1966-1967 academic year in the Economics

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<sup>99</sup> Tilly (1974) and Umbreit (1973).

<sup>100</sup> Milward (1972), 300

<sup>101</sup> Zamagni (2010).

Department there. On returning to UEA, he was happy to accept an offer from Stanford to become a tenured associate professor of economics starting in 1969.

While he was at UEA and working on *The New Order and the French Economy* he received an invitation from his former colleague in Edinburgh University, Professor Michael W. Flinn, to write a pamphlet on the effects of the two world wars on the British economy. This was to be part of a new series which The Economic History Society was publishing to present the results of the ever-expanding research in the subject in an accessible form. The invitation provided Alan Milward with an opportunity to think about the impact of war from the perspective of a victor in both world wars. The short pamphlet, published in 1970 with the title *The Economic Effects of the World Wars on Britain*, was the first time that he focused his writing on the British economy.<sup>102</sup> Despite the fact that the aim of the initiative was to provide ‘a balanced summary rather than an exposition of the author’s own viewpoint’, many of the issues raised in this short pamphlet (only 42 pages long) provide us with an understanding of Alan Milward’s personal approach to the history of twentieth century Europe: ‘What changes in the economy have historians and economists laid to the account of the two world wars? And what changes may justly so be laid?’<sup>103</sup>

With the argument that the system of state control or intervention in the economy in Britain had already been dealt with adequately for both wars, he was to focus on the long-term changes produced by the two wars on Britain. This justification fitted well with his own interpretation that it was the long-term changes generated during the two wars which were the more significant. His conclusion was that the large scale transformations which the world wars produced on Britain, and particularly on the international framework in which the national economy was to operate after both wars, could not be properly assessed by focusing only on the ‘cost’ of war.

The starting point of Alan Milward’s analysis was the liberal theory of war. To those who had read *The German Economy at War* and *The New Order and the French Economy* this was familiar territory. As he explained, the liberal theory of war, the child of the Enlightenment, saw war as ‘an almost unmitigated disaster’ and as ‘a loss to the economy, of cash, of production, of capital and of people’ the consequences of which were not limited to the duration of the war but also impacted years later in terms of depression or the late adjustment to the inflationary tensions inevitably produced by war-time financing, as in

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<sup>102</sup> Milward (1970b). The same pamphlet was reprinted in 1973 with a more specific title, *The Economic Effects of the Two World Wars on Britain*, and a slightly longer second edition was published in 1984. All subsequent references to this pamphlet refer to the 1973 reprint.

<sup>103</sup> Milward (1973), 9.

1920.<sup>104</sup> That the theory was also seen to have a moral dimension was illustrated by him in quoting the budget speech made by the then Chancellor of the Exchequer, William Gladstone, in the British House of Commons on the eve of the Crimean War: ‘The expenses of a war are the moral check which it has pleased the Almighty to impose upon the ambition and the lust of conquest that are inherent in so many nations’. This, however, as Alan Milward with his customary irony pointed out, ‘did not absolve the public from the duty to suffer the same moral chastisement when resisting an aggressor.’<sup>105</sup> Leaving conventional morality aside, the challenge for those upholding the liberal theory of war was to measure the extent of the loss in terms of output, people, cash, and capital caused by the war and ultimately to make the vanquished pay for the cost of the war.

The most difficult calculation for the cost of war was to fix a financial figure to the millions of people killed and maimed in war, in other words to the ‘human capital’ lost. This was a debate which after the Second World War, because of the holocaust of the Jews, could not be confined within the boundaries of rational accounting since it turned out to be considered, essentially, a moral dilemma. How could anyone dare, Wieland had already asked Milward, to measure the costs of the war in terms of human beings?<sup>106</sup> As Alan Milward explained, it was a French actuary, Alfred Barriol, who, on the eve of the First World War, had devised a method of calculating the cost of war which came to be adopted in the final reckoning after that war. Barriol had quite dispassionately worked out the different value of a dead soldier from many countries basing the differences on the cost of his education and training as well as his future productive capacity. ‘The differences in value’, Alan Milward explained, ‘represent roughly the differences in the level of economic development of the countries concerned, the general conclusion being that the effect of war on a highly developed country such as Britain was likely to be much more serious than on an under-developed country.’<sup>107</sup> Although Barriol’s methodology was adopted after the First World War in Britain and elsewhere, it was found to be flawed in so far as it ignored the very wide differences in class which existed in the British armed forces and which made all the assumptions about average cost of education, training, life expectancy, future employment, and productive capacity quite suspect. Also, the wide changes in purchasing power and in the relative prices of the different currencies, apart from the very concept of ‘war expenditure’ in budgetary terms, made it very difficult to calculate the exact cost of a war. But it was not only

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<sup>104</sup> Milward (1973), 11 (quotations) and 12.

<sup>105</sup> Milward (1973), 12 (quotations).

<sup>106</sup> Wieland (1974), 865.

<sup>107</sup> Milward (1973), 14.

an academic problem since the demands for reparations from Germany after the First World War, which were to have such disastrous consequences for Germany and the rest of the world, rested on making just such a calculation.

In Britain, it was not the total cost of the war but the differential impact of the wars on the British economy and society which, Alan Milward observed, was to dominate academic debate.<sup>108</sup> By measuring the impact of the wars on different industries and on different groups in society, war was not seen only as a loss but, in certain cases, as producing some gains:

Indeed the events of the First World War, more than anything else, dealt a death-blow to the classical liberal tradition. The introduction of conscription, the full-time employment of a large part of the population that had not previously experienced regular employment, the beginnings of aerial bomb attacks on civilians, the Allied blockade and Germany's unrestricted submarine warfare directly involved a far larger proportion of the population in the war than in other modern wars. In this light, the liberal interpretation seemed insufficiently comprehensive to explain satisfactorily the impact of war on the economy. War was not only a loss, it was also a force for change, change which in some cases might be construed as gain.<sup>109</sup>

He was to contrast how war was perceived and interpreted in Britain with the United States in this respect. Whereas in Britain, after the First World War, social scientists began to show a greater concern with groups and with society as a whole than with individuals, and social thought moved away from 'mechanical accounting' to 'less strictly defined aspects of the human condition', in the United States, the prevailing view as late as 1940 was to consider the main effect of war to be 'its tendency to promote economic instability and to produce either a downturn in the trade cycle or a severe crisis outside the normal oscillations of that cycle.'<sup>110</sup> Some credit for the change in British perceptions of war was, he suggested, due to the careful statistical analysis of the economist Arthur L. Bowley whose work on the effects of the First World War 'are a fine example of the superiority of research over opinion.'<sup>111</sup> It was this belief in the overwhelming value of research which underpinned Alan Milward's unflagging commitment to it and his contempt for opinion which was not backed up by research. Bowley was interested in measuring the effect of the First World War on income distribution and savings and identified three trends in particular: the tendency of the war to eliminate 'remediable poverty', to diminish 'excessive wealth', and to lead to 'a more equal distribution of incomes'. 'Wise words', said Alan Milward, but he felt that

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<sup>108</sup> Milward (1973), 14-16.

<sup>109</sup> Milward (1973), 16-17.

<sup>110</sup> Milward (1973), 17.

<sup>111</sup> Milward (1973), 17. Bowley (1930).

Bowley made little of one force which has since received much attention, which was certainly present during the First and Second World Wars, and which operated in such a way as to cause a permanent change in the structure of jobs within the factory and thus in the structure of the wage pattern. This force was the tendency of certain industries to move to a much higher level of productivity than in peacetime.<sup>112</sup>

Not only did the two wars stimulate scientific and technological discovery and lead to the development of new industries, such as the whole of the aircraft industry which had scarcely existed in 1914, but the pressure of producing on a much greater scale than in peacetime ‘led to new methods of doing old jobs, new methods of factory layout, new methods of management and more intensive mechanisation.’<sup>113</sup> It led to unskilled workers and women replacing skilled and semi-skilled workers. Women, he concluded, became a new industrial proletariat.<sup>114</sup>

If Alan Milward drew on the work of economists to measure changes in the British economy caused by the wars, he looked to sociologists, Stanislaw Andrzejewski and Richard M. Titmuss in particular, to explain the major changes in British society.<sup>115</sup> Here the debate focused on whether the two wars had drawn British society closer together, creating a new degree of social unity which found its expression in the establishment of the welfare state after the Second World War, or whether different groups participated in the war effort to varying degrees and therefore had different amounts of influence over policy after the war. Titmuss, for example, argued that the provision of social welfare for all, as opposed to the restriction of provision to specific groups such as widows or orphans, was a direct consequence of both the greater needs of the state in the Second World War and the democratic effect of war on society. If the population as a whole shared the war suffering – ‘[t]he bomber did not discriminate’ among particular groups or classes –, the population as a whole should benefit after the war from a more democratic and cohesive society.<sup>116</sup> This was a view to which the social historian Arthur Marwick subscribed. For Marwick the two world wars had created greater homogeneity between social classes in Britain, a trend which was reinforced by technological developments in methods of communication, such as the motor car and public broadcasting in the interwar period, all of which tended to draw society together.<sup>117</sup> On the other hand Andrzejewski emphasized the differential impact of war on

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<sup>112</sup> Milward (1973), 33.

<sup>113</sup> Milward (1973), 34.

<sup>114</sup> Milward (1973), 36-37.

<sup>115</sup> Andrzejewski (1954) and Titmus (1950) and (1958).

<sup>116</sup> Milward (1973), 22 (quotation).

<sup>117</sup> Milward (1973), 23. Marwick (1965) and (1968).

society. In his *Military Organisation and Society* he developed the idea of a ‘military participation ratio’ based on the theory that there was some specific connection between the number of people required to fight in a war and the degree of social welfare provided by the State.<sup>118</sup>

These views did not go unopposed. Philip Abrams, for instance, argued that the ‘military participation ratio’ did not imply any automatism in social change: any social group involved in the war would have to make sure to force upon policy-makers its demands for change and reform.<sup>119</sup> In line with Abrams, Alan Milward’s own view was that certain groups whose services became much more important in war were able to use this opportunity to improve their position more rapidly than it had been improving in peacetime and to retain their advantages in the long run after the wars. The change in the position of the farming sector was one such example. In general he felt that both Titmuss and Marwick exaggerated the extent of social unity produced by the wars, citing as evidence the fact that ‘it was during, not after [the Second World War], that the practice of rearranging financial affairs so as to pay as little as possible of the tax burden developed on a large scale.’<sup>120</sup>

However what struck him most forcefully was that the social and economic effects of both wars on Britain were not very great, and were certainly not on the scale of the changes experienced in other European countries. Indeed he went even further and argued that it was only by recognizing the nature of the changes which the world wars had produced outside Britain that the impact of the wars on Britain could best be understood. The international indebtedness that Britain suffered as a consequence of the foreign loans which it received to finance its war efforts both in 1914-1918 and 1939-1945 produced more far-reaching consequences than any of the internal changes that the world wars had produced on Britain. It changed the relationship between Britain and the rest of the world, including the United States and India, as much as it disrupted the central role played by Britain in the international economy since the mid-nineteenth century. The readiness to impose import-controls during the Second World War and, most particularly, to retain them long after the end of military hostilities ‘reflected as much as anything else the greatly changed position of Britain in the international economy’ that had occurred since 1914.<sup>121</sup> Perhaps the most drastic effect on Britain of the two world wars was that Britain changed from being a structural creditor on a vast scale to being a structural debtor on the same scale. ‘The consequences of Britain’s

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<sup>118</sup> Milward (1973), 21-23.

<sup>119</sup> Milward (1973), 22-23. Abrams (1963).

<sup>120</sup> Milward (1973), 39-41.

<sup>121</sup> Milward (1973), 44.

international indebtedness were much more far-reaching than those of the domestic indebtedness which [some authors] bemoaned.<sup>122</sup> In 1970, Alan Milward asked rhetorically:

Were not the effects of the world wars on the international economy more serious for the British domestic economy than their effects on the purely domestic scene? There has been very little historical discussion of this question. The explanation might lie in the still rather parochial nature of economic history studies in this country, or in the fact that many of the contributions to the debate here considered have been made from the sidelines by scholars pursuing some other discipline. The unfortunate result is that this particular aspect can be treated only very briefly in this pamphlet, but the size of its treatment should not be taken as an indication of its importance.<sup>123</sup>

The changes, outside Britain, which he considered to have been the most significant were that:

[t]he world of the gold standard could never be restored after 1918. The immense distortion of currency relationships, of which the British inflation was but a pale reflection, the movement away from liberalism in international trade and domestic policy, of which the similar movement in Britain was also but a pale reflection, the creation of numerous small states with high tariffs, especially in Europe, all led to the emergence of a new and less satisfactory pattern of trade and an inadequate system of international economic arrangements. [...] The ultimate result was the emergence of an absolutely anti-liberal economic creed in certain trading countries, Fascism, which led them to accept the final and most drastic implications of the difficulties in international trade caused by the First World War and its economically disastrous peace treaties and to deny any relationship between economic growth and trade. The Second World War was a war against this particular political, social and economic ideology, and one of its major results was that the victors established a set of quasi-liberal international economic institutions whose purpose was to bring order out of the supposed international chaos of the inter-war period by re-establishing an acceptable system of international trade and payments.<sup>124</sup>

It was an understanding of the changes to the international economy resulting from both world wars, but particularly the Second World War, which was to capture his intellectual energy for many years. But it was to share space with another line of enquiry: how to explain the nature and causes of the economic development experienced by most continental European countries in the nineteenth century. Here again the influence of a former colleague from Edinburgh University, the economic historian S. Berrick Saul, is evident.

## ***6. An economic history of continental Europe 1780-1914 (1973-1977)***

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<sup>122</sup> Milward (1973), 46.

<sup>123</sup> Milward (1973), 49.

<sup>124</sup> Milward (1973), 49.

It was while they were both teaching economic history at Edinburgh University that Berrick Saul, as a professor, and Alan Milward, eleven years his junior as a lecturer, were quite independently disappointed with the available textbooks. At that time all the books written in English about the economic development of continental Europe in the nineteenth century, of which there were few, were based either implicitly or explicitly on a comparison with the experience of either Britain or the United States.<sup>125</sup> And all, whether they were based on neo-classical or Marxist theory, saw nineteenth-century capitalist development as a global phenomenon. Skeptical of the explanatory value of emphasizing the similarities rather than the differences in the nature of economic development, Milward and Saul set out together to write a text book which would analyze the nature of the European experience by focusing on each individual economy.

The result of their collaborative effort was the publication of two voluminous studies of the ‘long’ nineteenth-century development of the European economies.<sup>126</sup> The two volumes could and should be taken as a two-volume textbook on economic development in continental Europe covering the period from 1780 to 1914. The purpose of what was unanimously recognized as a daunting task was twofold: firstly, to set down a factual account of the process of economic development in those economies, about which so little then was known, and secondly, on the basis of those facts, to see whether there were common economic and social patterns in the European development process. It was, therefore, not until the last chapter of the second volume that they drew their general conclusions about the nature of growth and development. The fact that the second volume was published four years after the first (due to editorial problems linked to the actual size of what was expected to be a one-volume textbook for students) meant that the readers of the first volume, *The Economic Development of Continental Europe 1780-1870*, were obliged to draw their own conclusions. Indeed, as Professor Saul confirms, this was, exactly their intention. Although the book was written entirely for students, it was to reach wider audiences, which included economists and many future representatives of the New Economic History for whom an underlying theory was seen as essential for explaining the evidence drawn from history. Since Milward and Saul deliberately avoided any such theoretical statement, they were left open to the sort of criticism leveled by Douglass C. North, the Nobel Prize winning economist, who complained

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<sup>125</sup> Good examples of the main literature at that time in the field were Rostow (1960) and Gerschenkron (1962). It was not until 1973 and 1975 that Cipolla’s *The Fontana Economic History of Europe*, Vol. 3 *The Industrial Revolution* and Rostow’s *How it all Began. Origins of the Modern Economy* were published respectively.

<sup>126</sup> Milward and Saul (1973) and (1977).

about ‘the vast sea of facts and figures only loosely organized in [a not] explicit framework.’<sup>127</sup>

The explicit emphasis of their research was on the impact on European societies of the great changes taking place in national economies throughout the nineteenth century. Convinced that economic development constituted ‘the very basis of change in modern society’, they set out to measure the increase in the factors of production and their deployment in a more productive way, which produced sustained increases in income, output, and welfare.<sup>128</sup> Subscribing to no particular model of economic development, they wrote

[w]e have deliberately used no single model of analysis because it was obvious to us that the variety of experience was so vast that to attempt to place the process of European development within a single framework would involve an unacceptable distortion and simplification of historical reality.<sup>129</sup>

The existing models of economic development – such as those of Marx, Lenin, and particularly Rostow and Gerschenkron – were seen to be relevant but inadequate for the task to which they were committed. In their view, there was no model of European economic development in existence which actually matched the rich and varied reality of the European experience. What they concluded was that each country followed its own unique path to development based not only on its particular endowment of natural resources but more importantly on its social and institutional structures which, they argued, determined a country’s degree of receptiveness to change, including technological change:

It is indeed the basic tenet of our work that processes of development would vary more widely in accordance with national historical backgrounds than with anything else. Countries with different structures, in different geographical circumstances, with different timing of change, were bound to have different patterns of development. It is for this reason above all that we have paid scant regard to the thesis of the so-called *globalité*, or unity, of European development. The fact that natural resources such as coalfields and forests spanned political frontiers gave an international dimension to the growth experience, but the differences were far more important than the similarities. Indeed, it might well be argued that eighteenth-century society was more pan-European than it was in the nineteenth.<sup>130</sup>

In their view, the almost exclusive emphasis of many economic historians on the role of industrialization in economic development did not fully explain the major changes which had taken place in European economies and societies as a whole since the late eighteenth

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<sup>127</sup> North (1974), 910.

<sup>128</sup> Milward and Saul (1973), 20-21 (quotation 20).

<sup>129</sup> Milward and Saul (1977), 518.

<sup>130</sup> Milward and Saul (1977), 526.

century.<sup>131</sup> Their insistence on the importance of understanding the social, political, and institutional context in which economic changes were taking place was to distance them increasingly from the direction in which economic history as a discipline was moving from the 1960s onwards. Located in departments of economics in the United States, the New Economic History was using the tools and techniques of economics rather than those of history to explain the past. For Milward and Saul, quantitative data should both illuminate and be explained by the social, political, and cultural context of each single historical experience. In other words, as Rostow himself expressed it, ‘the authors belong to [an] intellectual tradition [...] which, while using quantitative data, emphasizes the uniqueness of the historical cases in their political, social, geographic, and institutional settings.’<sup>132</sup>

In Alan Milward’s view data compilation and quantitative sophistication should not be a substitute for socio-political explanations but should be placed within the framework of such explanations. His dissatisfaction with developments in the discipline of economic history was already apparent while he was at Stanford University, which he shared with his co-author Saul who was visiting on a one-year Ford fellowship. As Alan Milward prepared to leave Stanford and the United States in 1971 to fill a new chair in European Studies at UMIST, he set out his views in a long letter to the Director of the Center for International Studies:

At the present moment economic history in the United States is undergoing a minor resurgence in the form of ‘The New Economic History’. This essentially consists in applying econometric methods to historical problems. [...] Its proponents sometimes tend to claim that it supersedes previous methods of teaching and research (a rather unsatisfactory attitude for historians). This is not at all the case, it is simply one more valuable research weapon amongst many in the economic historian’s armory. Unfortunately it is a weapon which is particularly pleasing to departments ‘training’ professional economists. The development of the ‘New Economic History’ can only improve the quality of research in the subject. But if the object of teaching economic history is to broaden the knowledge and outlook of students (particularly students of economics who are in some ways dreadfully ignorant) ‘The New Economic History’, however pleasing it may be to economics departments, is not especially satisfactory. Similarly, if high quality research in economic history is to be produced it will not be produced by a concentration on these ‘new’ methods alone, especially if the graduate students who undertake it have previously only had the very narrow education which economics graduates receive. [...] The teaching of economic history is bound to prosper where economists become more interested in problems of the real world rather than their own mental world.<sup>133</sup>

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<sup>131</sup> Milward and Saul (1973), 23.

<sup>132</sup> Rostow (1978), 727.

<sup>133</sup> Excerpt from Milward’s letter to Professor Carl Spaeth, 3 June 1971; private papers of Alan S. Milward.

Notwithstanding Milward's own views about the New Economic History revolution, one of its protagonists – as co-editor with Douglass North of *The Journal of Economic History* in the early 1960s and future president of both *The Economic History Association* and *The Agricultural History Association* in the 1970s –, Professor William N. Parker, saw great merit in the Milward-Saul enterprise: 'Others have talked about comparative economic histories; they have written them. Others have promised to link the new income and output data to the literary accounts; they have provided the integration. [...] Surely economic historians should not complain.'<sup>134</sup> This was no little compliment coming from one of the chief pioneers of the systematic use of quantitative data and statistical methods; Parker shared with Milward, and Saul a view of the purpose of the new quantitative approach in economic history.<sup>135</sup>

The choice of the year 1780 as the starting point of Milward and Saul's economic history may have been 'an arbitrary one', but it served to describe European society and its modes of production before the French revolution.<sup>136</sup> The first chapter of the eighteen-chapter two-volume work is an analysis of the kind of European society – the *ancien régime* or the old regime – that was about to be subject to a profound change due to the French Revolution. But 1780 was also considered at the time to be the starting-point for another revolutionary process, the Industrial Revolution, which marked a turning-point in European economic and social history. 'The coincidence in time' between the economic, social, and political changes spreading from both revolutionary events 'finally persuaded' them to begin their analysis on the eve of both.<sup>137</sup>

If their main objective was to explain the process of change, the distinctive feature of their interpretation was to stress that change was a gradual and not a sudden revolutionary process, that it was not limited to one sector of the economy, as the term 'industrial revolution' used to describe the changes taking place in England implied, and that each country had to find its own path to change and development. What they concluded was that there could be no economic development without a prior or concurrent change in the agricultural sector, however slow, and conversely that 'the simple pressure of industrial development was never of itself enough to force significant change upon agrarian society.'<sup>138</sup> Their reduced emphasis on the industrial character of 'industrial revolutions', which they

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<sup>134</sup> Parker (1978), 800.

<sup>135</sup> Wright (2007).

<sup>136</sup> Milward and Saul (1973), 19.

<sup>137</sup> Milward and Saul (1973), 20.

<sup>138</sup> Milward and Saul (1977), 530.

compensated for with a greater insistence on the significance of growing efficiency in agriculture and service activity, was convincing to many scholars.<sup>139</sup>

Milward and Saul saw the continental ‘industrial revolutions’ more as a long-term process of change toward economic activities involving higher productivity than sudden, abrupt, revolutionary phenomena. The speed with which this new form of economic activity was established in different European countries was seen to depend on their ability to respond to the forces of change and their willingness to meet the associated social costs. Social rather than technological factors ultimately determined the rate of growth in the eighteenth and nineteenth centuries. The scholarly approach of Milward and Saul owed little to the entrepreneurial approach of Joseph Schumpeter:

The historical evidence presented here [...] strongly suggests that in explaining European economic development much more emphasis should be given to the role of demand. The role of inventiveness and of the heroic entrepreneur [...] was of little importance compared to the development of the market. [...] [T]he evidence suggests that differences in demand were more important in determining the nature and the complex pattern of European economic development than differences in supply.<sup>140</sup>

A second distinctive feature of their work was their interest in the interaction of politics with economics. As they wrote

[i]t is often argued that the most powerful dissolvent of the eighteenth-century economic structure was the tremendous social change which accompanied industrialisation. [...] Such an argument would suggest that it was the events of the industrial revolution in Britain which changed the structure of eighteenth-century European society by making industrialisation necessary.<sup>141</sup>

Such an argument, they complained, represented ‘a dreadful simplification of history.’ Many countries resisted adopting the new technologies simply because ‘their societies were incapable of assimilating such changes.’ In their view ‘[a] much more powerful dissolvent of the society of the old régime was the series of political events in France between 1789 and 1815, the French Revolution, the counter-revolution and the reign, both as king and emperor, of Napoleon Bonaparte.’ Even if the French Revolution ‘did nothing to change the economic base of society [...] it did create a society in which such economic changes were much

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<sup>139</sup> See for example, Ashworth (1978), 349.

<sup>140</sup> Milward and Saul (1977), 516.

<sup>141</sup> Milward and Saul (1973), 248.

easier.<sup>142</sup> Milward and Saul show this in their detailed analysis of France, of those countries which shared the French experience of industrialization (Germany, Italy, and Switzerland), as well as of those which combined industrial change with the institutional changes brought about during their occupation in the Napoleonic era. But what they showed was that whatever changes Napoleon imposed on continental Europe they were reversed after 1815. This led them to the further conclusion that change could not be imposed upon countries from outside either through force or by applying foreign institutions, laws, or models.

The ‘continental system’ erected in 1806, after Napoleon’s conquest of Prussia was meant to become a protective system for French industry which would encompass most of the continental European market. ‘It was partly an automatic response to the loss of the colonial trade in wartime,’ Milward and Saul wrote, ‘partly a policy of economic warfare against Britain and partly a plan for the development and encouragement of French industry. [...] [I]t is fair to categorise it as an attempt to reserve the whole of Europe for French manufactured goods while using it as the prime source of supply of raw materials to France.’<sup>143</sup> In similar language to that used by Alan Milward when referring to the *Grossraumwirtschaft* basis of the New Order in his earlier work, they continued their analysis of the continental system by saying:

Military occupation by the French was primarily a form of economic exploitation of the occupied territories for the benefit of the French treasury. The ties of political sympathy between the small groups of revolutionaries who created the Helvetic Republic in Switzerland and the Batavian Republic in the United Provinces and the revolutionaries in France did not long survive the reality of a military occupation of this kind.<sup>144</sup>

After the pan-European changes introduced by the French Revolution and Napoleon’s continental system, it was the national framework, with its highly individual political and social systems which, they argued, determined the nature of economic development until 1914. Economic development was determined by the different ways in which factors of production were combined in each country. Development was a national rather than a global phenomenon. Because Milward and Saul were arguing against an entrenched body of opinion which saw capitalism as a global phenomenon in the nineteenth century they needed to prove through detailed studies of almost every country in Europe that each country had followed its own path to economic development. This is the reason why the Milward-Saul volumes are a

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<sup>142</sup> Milward and Saul (1973), 250 (for all quotations).

<sup>143</sup> Milward and Saul (1973), 268.

<sup>144</sup> Milward and Saul (1973), 290.

collection of country case studies which if they reveal some features common to most countries they are even more revealing of the significant differences.

Milward and Saul's economic history of continental Europe 1780-1914 was above all 'an able synthesis' of the stock of knowledge that economic historians had generated at the time.<sup>145</sup> Although there were other compilations, the Milward-Saul volumes were regarded by many as particularly successful, not only for the superficial reason that the style was more uniform than in other multi-authored projects but also because they often brought a fresh interpretation to existing knowledge. Thus, in the case of France, they rejected the commonly-held view that the nineteenth-century French economy was in some sense backward. Indeed, they argued that from a strictly continental standpoint, by comparing the French economy with the rest of the continental economies rather than with Britain and the United States, France appeared as the largest and most dynamic economic power on the continent, at least, up to 1870:

More than other developed economies France revealed by 1870 the relentless force of historical change in promoting economic development while showing, in spite of the Revolution, over how long a time that historical change must necessarily take place. It was both this process of historical change and the Revolution itself that caused French institutions to be so much copied abroad. Other developing countries felt they could cheat history, or perhaps omit some of it, by borrowing from a land where so much social and economic change had taken place. By lifting institutions from France and incorporating them in their own structures they tried forcibly to modernize their own societies and speed up their own histories. Such attempts were seldom successful because to produce such institutions France had had herself to undergo so violent and profound a revolution. The temptation was still very great and it makes the economic history of France an integral part of that of all other European lands.<sup>146</sup>

And Milward and Saul were determined to cover all these other European lands. Parker was impressed by the scale of the undertaking which

travels not only through England's neighbours and trading partners on the Continent, but through every country from Lapland to Sicily, and the Bay of Biscay to the Urals. Only Portugal, Andorra, Liechtenstein, Montenegro and Turkey in Europe have been left untouched. And this was done by a pair of scholars, not in an edited and uneven multi-authored collection or in a huge foundation-supported series but in a single two-volume work of dimensions and price that permit use as a text.<sup>147</sup>

They paid particular attention to the Low Countries and the main Scandinavian countries demonstrating that in small countries small-scale production in both agriculture and industry

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<sup>145</sup> Cameron (1978), 712.

<sup>146</sup> Milward and Saul (1973), 362.

<sup>147</sup> Parker (1978), 800.

had the advantage of being able to adapt quickly to changes in the international economy so that despite the differences in resource endowment, access to transport, industrial and agrarian history, or the natural size of its domestic market, any nation could find ‘something to do’ in terms of income growth.<sup>148</sup> In fact as Simon Kuznets calculated, the rate of growth of national income of these smaller nations – Belgium, Denmark, the Netherlands, Norway, Sweden, Switzerland, and Saxony and Würtemburg and Baden in Germany – was between fifteen and twenty-five per cent per decade in the period 1850-1900.<sup>149</sup>

In an essay written in 1979 Alan Milward discussed the importance of change in the agricultural sector for economic development in nineteenth-century Europe.<sup>150</sup> But although he could see a general pattern emerging in which the primary sector was able to respond to stimuli from other sectors and then interact with other sectors in such a way that productivity levels were driven up, he was very reluctant to define it as a model for development which could be copied in less successful economies. Indeed, Iceland made the mistake of trying to follow the very successful example of Danish agricultural change in the nineteenth-century but found that the Danish model did not travel.<sup>151</sup>

In spite of their considerable evidence that there was not one common path to economic development in Europe but many different paths the critics were not convinced. Many scholars continued to insist that the central feature of modern European history was the unity of the experience in terms of the development of nationalism along with industrialization which marked Europe out from the rest of the nineteenth century world, more than its diversity. This was a view shared by the Marxist historian Eric J. Hobsbawm, who thought that ‘[p]erhaps there is more to be said for seeing capitalist development as a global process than this book allows.’<sup>152</sup> Nevertheless, Hobsbawm saw certain advantages in approaching the subject from the standpoint adopted by Milward and Saul, since in their belief that processes of development varied essentially in accordance with national historical backgrounds, they could also stress ‘growing regional disparities within as well as between member states’. But for Hobsbawm the ‘compare and contrast’ method of Milward and Saul stopped them from seeking ‘general patterns of European or global economic change.’<sup>153</sup> Striking the right balance between global, national, and regional approaches was as difficult then as it is today. Some, like Sidney Pollard, challenged the national approach arguing that

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<sup>148</sup> Parker (1991), 84.

<sup>149</sup> Kuznets (1965), table 2.5, as referred to in Parker (1991), 84.

<sup>150</sup> Milward (1979).

<sup>151</sup> Jónsson (1992).

<sup>152</sup> Hobsbawm (1978), 693.

<sup>153</sup> Hobsbawm (1978), 692 for both quotations.

economic development was a regional rather than a national process.<sup>154</sup> Milward and Saul agreed that regional inequality was a research question ‘of vital importance’ not only in the twentieth century, but also in the nineteenth century, when ‘examples of extreme regional inequality [...] were normal rather than exceptional’; but they argued that it was most probably produced by a pattern of national economic change which failed ‘to make substantial improvements in income in regions which remained essentially agricultural.’<sup>155</sup> Thus in their view nation-states provided a better theoretical framework for historical analysis than regions. How, Milward asked years later, was a region to be defined?

The nation defined itself in history as the social unit by its frontiers with their attendant controls, by its government with its particular policies, and by collecting data relating to the territorial area defined by the frontiers. The collection or reconstruction of satisfactory regional data relating to the past is almost impossible and for both the past and the present the meaningfulness of such data is often questionable.<sup>156</sup>

If for most of the nineteenth century France represented a model for economic growth and modernization, however inappropriate that model was for other countries, ‘by 1914 Germany had displaced France as the most powerful of the continental economies’.<sup>157</sup> This was certainly not without consequences for the entire continent:

Seen in perspective the successful development of the German economy was the decisive phase in the development of the continent. By its geographical situation, by its close economic connections with the neighbouring economies, by the relative unimportance until the last two decades of its extra-European connections, Germany was the most European of the major economies. The centre of the continent had now achieved the same level of development as the western periphery. What was more, by its size and power the German economy now dominated intra-European exchanges. The view was already widely held by liberal economists in Germany that the European economy would have to be dominated by the national German economy if the German economy was to find its own domestic equilibrium and that this would mean that a new European economic structure would have to evolve. Conservative and nationalist circles took the view that this ‘new economic order’ guaranteeing Germany’s economic and social equilibrium would have to be created by force. Few believed that the future nature of the German economy could now be determined without determining the nature of the economy of the whole continent. In our century this has proved to be so.

It was not, however, only the fact that the development of the German economy demanded fundamental political and economic adjustments by the other European powers which commanded the interest of contemporaries and still commands the interest of historians and economists. It was also that the events in Germany seemed to indicate more clearly than those elsewhere what the future nature of European capitalist society would be. Whereas in the early nineteenth century economists, statesmen and social reformers in the less developed countries in

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<sup>154</sup> Pollard (1981).

<sup>155</sup> Milward and Saul (1977), 65 and 64 (for the two quotations respectively).

<sup>156</sup> Milward (1985a), 163.

<sup>157</sup> Milward and Saul (1977), 17.

Europe sought for clues to the future of their own society by analyzing that of Britain and France, by the end of the nineteenth century this interest has rightly become focused on Germany [...]. The locus of economic power and interest in Europe had shifted as decisively as it had during the sixteenth century.<sup>158</sup>

This was the beginning of the ‘German question’ which dominated twentieth century Europe and beyond. It was through his research on Germany in the twentieth century that Alan Milward was to develop his implicit theory of historical change.

The pioneering work of Milward and Saul on the economic development of nineteenth-century Europe and their fundamental thesis that there was not one pattern of development but *patterns* of development was to stimulate considerable interest among economic historians in the subject.<sup>159</sup> But it was not only economic historians who were interested. When the theory of economic development became one of the primary spheres of interest for economists, an unusual dialogue between the two disciplines was generated. That such a dialogue was possible was explained by Kocka and Ránki in the way that each discipline had changed in the postwar period: economics having ‘lost its image established in the nineteenth century as a purely abstract science, [while] history writing has changed its value system as well and moved slowly from ideographic descriptions to generalization and abstraction.’<sup>160</sup> Invited to comment on a set of articles on the character and role of theory in the research and writing of economic history, which had originally been presented as papers at the eighth international economic history congress in Budapest in 1982 (at which Alan Milward had also co-organized a session on agriculture and food supply during the Second World War), Milward remained critical of both disciplines:

Any economic theory which is to be of general value in historical analysis must be dynamic. It must explain the process of change. Most economic theory does not. What is more, much economic theory, like that which assumes a closed economy, as well as a large part of international trade theory, applies to situations so absolutely a-historical as to have virtually no value even as a methodological tool.<sup>161</sup>

It was clearly the task of economic historians to explain long-run social and economic change. But here too he was critical of economic historians who used the logical propositions of neoclassical economics as a methodological tool for explaining the process of economic development. In the final passages of *The Development of the Economies of Continental*

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<sup>158</sup> Milward and Saul (1977), 65-66.

<sup>159</sup> See for example, Trebilcock (1981) and Sylla and Toniolo (1991).

<sup>160</sup> Kocka and Ránki (1985), 7-8.

<sup>161</sup> Milward (1985a), 157.

*Europe 1850-1914*, which in fact was the concluding section of the Milward-Saul textbook on the economic history of continental Europe in 1780-1914, we read:

The historical evidence [...] suggests that there has been much too close an identification in European history between industrialisation, modernisation and economic development. At the heart of this misconception lies the idea of the ‘industrial revolution’, that the fundamental process of economic and social change in modern history is related to a cataclysmic change in the mode of industrial production. The greatness of Marx comes from the way in which he was able to elaborate the profound consequences of this change and in so doing develop a powerful analytical tool for explaining the process of development on a wide but unified historical, political and economic front. But subsequent model builders have been unable to escape entirely from this view of economic development even when they have been mainly concerned to refute Marx’s conclusions.<sup>162</sup>

Within this category of ‘cataclysmic change theories’ which he rejected, Alan Milward referred not only to Marx but also to Rostow and Gerschenkron. His personal views on the matter had not changed ten years later: ‘Almost all the theories of historical change [...] concentrated on a central transformational period in the history of the social unit in question, when some form of cataclysm changed irreversibly its economic structure and social characteristics.’<sup>163</sup> All, he argued, failed to explain the process of historical change in many countries. Such a process, he maintained, was gradual rather than cataclysmic, depended on change in the agricultural rather than in the industrial sector as the motor for development, and depended on central government action to remove the obstacles to change.<sup>164</sup> Alan Milward himself went on to consider other theories to explain economic change, considering the value of growth theory in particular:

The attraction of growth theory was not merely that it set aside the concept of a central transformational experience and declared the whole time-span of historical change to be an equally interesting field for enquiry, but also that it allowed economic history, at least initially, to return to an explanatory base constructed by fitting together in different permutations the familiar ‘factors’ of neoclassical analysis.<sup>165</sup>

However without a very detailed historical analysis on a case-by-case basis he found growth theory unable to answer the most fundamental question of *why* factors were combined in such a way as to lead to economic growth. Indeed, he argued, had growth rates in the developed world not been so high in the 1950s and 1960s, growth theory would not have exerted the

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<sup>162</sup> Milward and Saul (1977), 536.

<sup>163</sup> Milward (1985a), 158.

<sup>164</sup> Milward (1985a), 159-164.

<sup>165</sup> Milward (1985a), 160.

influence which it did.<sup>166</sup> How should economic history fill the theoretical stagnation in which it found itself, he asked. Rather than join ‘that avidly-conservative school, now coming into fashion again, which regards history as no more than a genteel, humanistic exercise which tells us something about some people and some events, but can tell us nothing about society as a whole’, he felt that perhaps almost any theory was better than none.<sup>167</sup> It is interesting in this respect to quote North’s views ten years after Alan Milward had published his criticisms of neoclassical and Marxist theories:

Economic history is about the performance of economies through time. The objective of research in the field is not only to shed new light on the economic past but also to contribute to economic theory by providing an analytical framework that will enable us to understand economic change. A theory of economic dynamics comparable in precision to general equilibrium theory would be the ideal tool of analysis. In the absence of such a theory we can describe the characteristics of past economies, examine the performance of economies at various times, and engage in comparative static analysis; but missing is an analytical understanding of the way economies evolve through time.

A theory of economic dynamics is also crucial for the field of economic development. There is no mystery why the field of economic development has failed to develop during the five decades since the end of the Second World War. Neoclassical theory is simply an inappropriate tool to analyze and prescribe policies that will induce development. It is concerned with the operation of markets, not with how markets develop. How can one prescribe policies when one doesn’t understand how economies develop? The very methods employed by neoclassical economists have dictated the subject matter and militated against such a development. That theory, in the pristine form that gave it mathematical precision and elegance, modeled a frictionless and static world. When applied to economic history and development, it focused on technological development and more recently human capital investment but ignored the incentive structure embodied in institutions that determined the extent of societal investment in those factors. In the analysis of economic performance through time it contained two erroneous assumptions: first, that institutions do not matter and, second, that time does not matter. [...] We do not have [...] a theory [of economic dynamics comparable to general equilibrium theory].<sup>168</sup>

That neo-classical growth theory continues to retain its influence in the absence of such theoretical breakthrough is evidenced in the multi-authored 2010 *Cambridge Economic History of Modern Europe*, funded by the European Union, in which the economic growth of Europe in the nineteenth century is seen as a pan-European process, and not as separate national paths defined by different national institutions and different national histories. While the authors accept the Milward and Saul argument that growth was a gradual process rather than a cataclysmic one by explaining it in pan-European terms they fail to provide adequate

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<sup>166</sup> Milward (1985a), 161.

<sup>167</sup> Milward (1985a), 164.

<sup>168</sup> North (1996), 342-343.

explanations for the continuing backwardness in the nineteenth century of some countries on the periphery of Europe, such as Portugal and Greece.<sup>169</sup>

## 7. *War, Economy and Society* (1977)

It was an invitation from Germany, where his research was of most interest, to write an economic history of the Second World War as part of the series of books on the ‘History of the World Economy in the Twentieth Century’ under the overall direction of Professor Wolfram Fischer, which gave Alan Milward an opportunity to return to the subject of the Second World War and to consider its role as an engine of change.<sup>170</sup> Originally published in German, *War, Economy and Society* was to be a reassessment of his own research on the war in Europe combined with the research of those who had worked on the war in the Pacific.<sup>171</sup> No single scholar had dared to write an economic history of the Second World War from a global perspective before and no scholar, apart from György Ránki whose book was published posthumously in 1993, was to dare to do so again.<sup>172</sup> At forty years of age, with the right combination of ambition, knowledge, and youth, Milward rose to the challenge.

In his preface, Alan Milward openly admitted to doubts that it was possible to write an economic history of the Second World War, partly because of how little was known of the economic history of the Soviet Union (in spite of 15,000 Russian volumes written on the Second World War) or indeed of Italy during the period. But, in attempting to write about the Second World War from the perspective of all participants, he was unrepentant in his focus on the economics of war:

If there are any as infuriated as myself by the seemingly countless works on military history in which armies and navies come and go, commanded by greater or lesser figures deciding momentous historical issues, and nothing is said of the real productive forces which alone give such events meaning or, indeed, make them possible, they will surely sympathize with my attempt to simplify by looking at the war as an economic event.<sup>173</sup>

It was in his writing about Germany, the occupation of Europe, war as strategy, its impact on labor and on agriculture that he was most authoritative. In many other areas he was constrained by the absence of data or of sufficient research done by others. As a reference

<sup>169</sup> Broadberry and O'Rourke (2010).

<sup>170</sup> Milward (1977) was the fifth volume of this collection.

<sup>171</sup> Milward (1977).

<sup>172</sup> Ránki (1993).

<sup>173</sup> Milward (1977), xii.

work Milward's survey was intended to remain provisional until further specialized studies, particularly on Italy, Japan, and the Soviet Union would provide reliable data on which to build a new and more accurate historical narrative. It was over twenty years before a complete multi-authored reassessment of the wartime economic experiences of the major powers directed by Mark Harrison was to appear.<sup>174</sup>

One of the central questions which Alan Milward raised in his book was whether the Second World War would lead to the disaster which was widely predicted by the western powers and involve 'a heavy loss of human beings and capital, acute and prolonged inflation, profound social unrest, and almost insuperable problems, both domestic and international, of economic readjustment once peace was restored' or whether 'it lay in the hands of government to formulate strategic and economic policies which could to some extent determine whether or not a war would be economically a cause of gain or loss.'<sup>175</sup> This was very much how Keynes had formulated the question in his 1940 publication *How to Pay for the War* in which he wrote that a properly managed war economy could generate much beneficial social change to counteract the unavoidable cruelties and miseries. Years later, Milward would explain:

The Second World War became for Keynes one more historical accident which he sought to use to further his mission to rescue liberal capitalism. The insights into the relationship between war and social change which this way of thinking offered changed the historiography of war. Out went public finance, battles, and the accountancy of loss as the prime subjects of scholarly attention. In came production planning, technological innovation, improvements in the living standard of particular social groups, and growth accountancy.<sup>176</sup>

This was the approach used by Alan Milward in *War, Economy and Society* but his objective was not to 'rescue liberal capitalism' but to understand the more profound ways in which the lessons of the war had led to the replacement of liberal capitalism in Europe after the war. On the one hand, he dealt with the traditional economic analysis of war (its cost and overall burden for postwar recovery, as well as the technological spin-offs) and, on the other, he presented the innovative and creative effects of war; the 'positive' economic effects – a controversial terminology which he retained even though he had been criticized for using it in *The Economic Effects of the World Wars on Britain*. His primary concern was with war as an economic process, an engine for change and in some cases for progress, and a turning point in

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<sup>174</sup> Harrison (1998).

<sup>175</sup> Milward (1977), 16-17.

<sup>176</sup> Milward (1994), 669.

the economic and social history of many countries. Given the frequency of war, Alan Milward refused to see it as an abnormality.<sup>177</sup>

His initial view of the German war economy remained unaltered by the histories subsequently written by scholars in the Democratic Republic of Germany and the Soviet Union which saw fascism as ‘a stage of capitalism in decline, when it can survive only by a brutal and determined imperialism and through a monopolistic control over domestic and foreign markets by the bigger capitalist firms backed by the government.’<sup>178</sup> Indeed, he reaffirmed his argument that the National Socialist movement was

driving towards a different horizon from that of the business world, a horizon both more distant and more frightening. It was in some ways a movement of protest against modern economic development and became a centre of allegiance for all who were displaced and uprooted by the merciless and seemingly ungovernable swings of the German economy after 1918. National Socialism was as much a yearning for a stable utopia of the past as a close alliance between major capital interests and an authoritarian government.<sup>179</sup>

Nor was he convinced by Timothy W. Mason’s argument that Hitler was forced to go to war in 1939 in order to solve a domestic political crisis arising from the squeeze in living standards due to the expenditure on armaments:

[I]t is hard to make out a case that the Nazi economy was in a greater state of crisis in the autumn of 1939 than it had been on previous occasions particularly in 1936. Most of the problems which existed in 1939 had existed from the moment full employment had been reached, and some of them, on any calculation, could only be made worse by a war – as indeed they were.<sup>180</sup>

Building on his rejection of both the Marxist (orthodox and revisionist) and the liberal theories of fascism, he developed his own understanding of the Second World War, seeing it as a policy based on a ‘strategic synthesis’ of each country’s vital interests and which ultimately brought both losses and gains:

The construction of a correct strategic plan requires a correct assessment of the potentiality of the economy for waging war. But warfare is not simply an economic event and a strategic plan is a synthesis of all other factors which it is necessary to take into account, political, military, social and psychological. The more factors which are correctly assessed the greater its chances of success. [...] The economy does not in wartime function in the vacuum in which it often seems to be considered by economists and strategists alike. It functions in a complicated mesh

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<sup>177</sup> Milward (1977), 3.

<sup>178</sup> Milward (1977), 10.

<sup>179</sup> Milward (1977), 13.

<sup>180</sup> Milward (1977), 14. Mason (1966) and (1972).

of social, military, political and psychological considerations which are as much and perhaps more constraining in wartime than in peacetime.<sup>181</sup>

He drew a distinction between an ‘economy’s absolute potential for warfare’ and ‘a more useful and operative’ concept (in most cases), whereby such potential ‘may be defined as the extent to which economic priorities must be re-ordered as to attain the desired strategic objectives.’<sup>182</sup> Therefore the ‘correct strategic synthesis will be that which only makes exactly those demands on the economy which are sufficient to achieve the strategic purpose.’<sup>183</sup> Thus Germany’s drive to war in 1939 took account of the political and economic situation in which National Socialist Germany found itself. As Alan Milward summarized this situation, the First World War had shown that long wars were self defeating; thanks to the Treaty of Versailles Germany was surrounded by a ring of weaker powers, which in Hitler’s view included the Soviet Union, which could be broken either through force or the threat of force; too thorough a commitment of the economy to war would have reduced the diplomatic and strategic flexibility which Hitler needed; the Blitzkrieg strategy, by reducing the amount of administrative friction, suited the working methods of the National Socialist party very well; it suited the domestic political situation and social policies of the party in as much as it could not count on the support of a majority of the population and therefore had to win its allegiance through bringing an improvement in its living standards; and finally it corresponded to the economic realities of Germany’s position since the Treaty of Versailles. This economic reality, as he spelt out was that

within its post-Versailles frontiers Germany was no longer economically a great power in the sense in which the United States was and had control over less raw materials and labour than in 1914. Coal was the only raw material essential for war with which Germany was well-endowed. She had no natural rubber and no oil supply. Her armaments industry depended on an extremely high annual quantity of imports of iron ore from Sweden. She had practically no domestic supply of non-ferrous metal ores such as chrome, nickel, tungsten, molybdenum and manganese, essential for the manufacture of armour plate. Copper and tin supplies depended on imports. Many of these vital imports came from outside Europe, and could not be provided within the German trading bloc. A strategy which implied a continued high level of imports of such materials had to be avoided. The *Blitzkrieg* strategy however could be based on stockpiles of raw materials adequate for a short campaign [...] Where stockpiling could not serve the purpose, as in the case of oil, investment was directed towards producing high-cost synthetic products.<sup>184</sup>

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<sup>181</sup> Milward (1977), 19.

<sup>182</sup> Milward (1977), 19-20.

<sup>183</sup> Milward (1977), 21.

<sup>184</sup> Milward (1977), 28-29.

Thus, as Paul M. Hohenberg summarized it, ‘the Blitzkrieg made sense in the context of Germany’s position, and it led to certain economic choices regarding the development and production of armaments and other matters, from material supply to labor mobilization.’<sup>185</sup> These sets of choices proved dysfunctional after the Blitzkrieg failed, but at that point, as Milward argued, no alternative strategy held much promise to the German cause in any event.

Alan Milward then applied the same ‘strategic synthesis’ argument to the other powers, omitting France and the Soviet Union since no research had been done on their rearmament or strategic planning. Thus, he showed that British strategy was based on giving

priority to the production of the most technologically sophisticated and the most costly of available modern armaments, the larger planes and warships. [...] it was a decision taken with an awareness that the economic resources of Britain could not match those of the possible aggressors and that an adequate defensive strategy could only be sustained by capitalizing on the major advantages of a highly developed economy, research, innovation and modern productive methods.<sup>186</sup>

But it was always assumed that Britain would be able to draw on the resources of the Empire and the Commonwealth and ultimately ‘within financial and legal limits the economic resources of the United States could also be drawn on.’<sup>187</sup> As far as the United States’ own strategic thinking was concerned, he argued that

from September 1940 onwards the United States was moving towards acceptance of a strategy in which, if she were involved in war, the war would be won through industrial production. The strategic assumption was that over a long period of time the United States must ultimately be victorious if war came to a battle of production, however that production was deployed. And there were powerful arguments for deploying American production in the hands of the Allies.<sup>188</sup>

The detailed consideration of the strategies which the major belligerents pursued (or sought to pursue) showed ‘how wide the number of effective economic strategies’ was.<sup>189</sup> The choice of economic strategy made in 1940 was to have far-reaching consequences for the postwar world:

The great increases of production in the United States, the changes in the world trading system, the revival of trade and production in the underdeveloped world, the structural changes in the

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<sup>185</sup> Hohenberg (1978), 547.

<sup>186</sup> Milward (1977), 40.

<sup>187</sup> Milward (1977), 42. This argument has recently been repeated in Edgerton (2011).

<sup>188</sup> Milward (1977), 50.

<sup>189</sup> Milward (1977), 53.

European economies, did not have their origins in 1945 but in 1940. They were the result of the particular economic strategic choices made by the powers in the face of war.<sup>190</sup>

The conclusion therefore was that there were ‘no economic priorities peculiar to a “war economy”’.<sup>191</sup> The range of options was wide and governed by a multiplicity of factors, some internal, some external. ‘Nevertheless certain common economic problems did emerge’ quite irrespectively of the strategic synthesis adopted and it was to the role of each of these – production, bureaucratic direction and conduct of the economy, the economics of occupation, technology, population and labor, agriculture and food, and economic warfare – that he devoted specific chapters.

In Alan Milward’s view the economic potential of the belligerents depended on output, and the battalions that counted most were those on the production line and in the fields. Total available resources came from domestic production and trade, or through the occupation and exploitation of conquered land. He maintained that the contribution made by conquered European countries to the German productive effort was considerable. Even if not every conquered territory was profitable he showed that ‘the conquered territories as a whole were.’<sup>192</sup> Their value lay both in the cash which they transferred to Germany, as well as the production of strategic materials and agricultural output which they were able to offer. Ultimately, though, the occupation was unsustainable with Nazi Germany collapsing economically before it was defeated militarily.

If the National Socialist racial policies distinguished the Second World War from the First, making it very difficult to talk about any positive aspects of the war, he did nonetheless argue that the impact of the war on employment and on the movement and productivity of labor did have a positive dimension. As he showed, in all the western countries, the prewar unemployed were now employed ‘not short-term as in the First World War’ but in activities linked to ‘an economic change which would last for a quarter of a century.’<sup>193</sup> The United Kingdom, which was the only country where the government took full powers to conscript women, was also the country in which women accounted for the largest increase in employment. This contrasted sharply with Germany where in spite of ‘the insatiable demand for labour [...] the social ideas of the National Socialist party prevented any fuller

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<sup>190</sup> Milward (1977), 54.

<sup>191</sup> Milward (1977), 54.

<sup>192</sup> Milward (1977), 137.

<sup>193</sup> Milward (1977), 219.

mobilization of women'.<sup>194</sup> Because of the Nazi attitude to women, Germany's labor demand could be met only by the employment of foreigners: 'The war began the influx of immigrant labour into the central manufacturing core of Europe which was also to be one of the most economically significant aspects of the post-war world.'<sup>195</sup>

Another lasting effect of the wartime production effort was the increase in the productivity of labor and capital but, as he showed, this was true only in those industries where 'substantial technological and organizational changes could be made'.<sup>196</sup> It was only then that the benefits derived from investment in new plant, economies of scale, the exchange of information and the will to win the war were able to come into play. But in sectors such as coal-mining, where labor productivity levels had been in decline, 'no amount of goodwill could improve the position'.<sup>197</sup> The shortage of labor, a fact of life everywhere apart from in the United States where it was not apparent until 1944, led to increases in overtime pay and thus income, to a greater concern for pay differentials within the workplace, but more generally to important shifts in social aspirations and political opinions. All these changes, he maintained, 'went far towards making the post-war economic world a very different one from that of the 1930s'.<sup>198</sup>

One unforeseen consequence of the increases in earned income was that demand for food increased. The two countries, the United Kingdom and Switzerland, which faced the greatest challenge in organizing food supplies to meet this demand during the war on account of their dependence on imports, achieved in his view the most remarkable success. British success, which lay in increasing the total net output of calories from British agriculture from 14,700 million in 1938-1939 to 28,100 million in 1943-1944, whilst conserving shipping space, was due, as he demonstrated, to the conversion from livestock to arable farming and to the new support prices and firm markets guaranteed by the state both during and after the war.<sup>199</sup> The situation facing German agriculture was very different:

The National Socialist party had inherited a situation in which German agriculture, which still employed 26 per cent of the labour force in 1939, closely approached the desired goal of self-sufficiency. But the strategy of territorial expansion meant that this goal had to be achieved for a larger area of Europe. Planning was not on a national but on a continental scale and where

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<sup>194</sup> Milward (1977), 220.

<sup>195</sup> Milward (1977), 221.

<sup>196</sup> Milward (1977), 230.

<sup>197</sup> Milward (1977), 230.

<sup>198</sup> Milward (1977), 235-244 (quotation 244).

<sup>199</sup> Milward (1977), 249-251.

agricultural production did not suffice to meet the future needs of Greater Germany the solution was sought in a restructuring not of Germany's but of Europe's agriculture.<sup>200</sup>

The purpose of the bilateral trade agreements which Germany had signed with the countries of south-eastern Europe in the 1930s were the foundations for guaranteeing strategic safety for German food supply. But since the foundations of the *Grossraumwirtschaft* were to be built in Russia '[t]he stage was already set for a profound clash of political ideas about the nature of human society to be fought out in terms of agricultural policy as collective agriculture came into collision with the National Socialist idea of a society of peasant freeholders.'<sup>201</sup> It was the impact of the war on agriculture just as much as on industry which meant that the Second World War was a force for change. The full importance of the changes in agriculture which stemmed from the war and which in the Second World War were very different from the First World War was a subject which he felt was often overlooked by historians. In western Europe farmers

realized after 1942 that the new marketing and price structures [imposed by the Vichy regime] were only temporary because Germany would lose the war. The investment climate for European farmers was very poor. They were being asked to change their operations to meet what they perceived as only a temporary situation and patriotism combined with commercial wisdom to make them resist German pressures. Their reluctance to invest was greatly reinforced by the immediate economic difficulties which European agriculture experienced throughout the war.<sup>202</sup>

Therefore, Alan Milward concluded that, in spite of

the inherent tendency of war to raise both the output and the productivity of agriculture, the complicated realities of the war reduced both. One result of the Second World War was to reduce the world's total available food supply and make it difficult for world agriculture to regain its former output levels. Of the main outputs of agriculture only grains were still produced in quantities close to the pre-war levels. The devastation of battles, the deterioration of capital equipment, the loss of labour (for large numbers of former agricultural workers were either unable or did not choose to return to their previous employment), the loss of draught animals and the delays in retooling factories to produce agricultural machinery all played their part. And even in countries where output had gone up, a certain percentage of this rise had been due to a concentration on short-term gains which, because of soil exhaustion, could not be sustained in peacetime.

As incomes improved and people's expectations rose it became clear that the war had been the turning point between the apparent food surpluses of the 1930s and a new situation in which, in terms of human expectations, food shortage was to become a permanent feature of the post-war world.<sup>203</sup>

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<sup>200</sup> Milward (1977), 259.

<sup>201</sup> Milward (1977), 263.

<sup>202</sup> Milward (1977), 268-269.

<sup>203</sup> Milward (1977), 293.

The opportunity to debate the impact of the Second World War on the agricultural sector at the International Economic History conferences held in Edinburgh in 1978 and in Budapest four years later led to a highly acclaimed book which Alan Milward edited with Bernd Martin.<sup>204</sup> The first comparative study of its kind, it revealed the very different impact which the war had on agriculture in the western and eastern hemispheres, but also the great differences between western and eastern Europe. It was the further knowledge about the impact of the war on agriculture in western Europe which was of greatest interest to Alan Milward in his search to understand the changes brought about by the war.

In western Europe the increase in the demand for foodstuffs put an end to the agricultural stagnation that had characterized the prewar period. The war increased farmers' incomes in almost every country, gave birth to forms of public intervention that were on the whole perceived as successful and thus difficult to put aside when hostilities ended, undermined the social position of elites opposed to the modernization of the primary sector, and speeded up the rationalization of units of landholding. When in the immediate postwar years the demand for food remained high and world production levels stayed low, the role of food producers had to be recognized by policy-makers. In the six years that it took for agriculture in western Europe to regain prewar levels of output, farming producer organizations were able to exploit their power over governments and to define the terms for intervention in west European agriculture which were to last for many years. The Second World War, both Martin and Milward wrote in their preface, accelerated the 'speed of social and political change in the agricultural sector'.<sup>205</sup>

If agriculture provided an example of how state intervention in the economy could have positive results Milward drew the more general conclusion that in an economic sense, 'the legacy of the war was a consciousness that the economy could be directed into the desired channels, some knowledge of how to direct it, and the acquisition of a great store of facts about the economy'.<sup>206</sup> A subtle argument underlying his wide comparative view was that democracies might well be unprepared to wage war, but once they are at war they are much more successful in organizing themselves in order to win the war. Germany and Japan, 'the two belligerents who decided to use war as an instrument of economic gain', concluded Neal

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<sup>204</sup> Martin and Milward (1985).

<sup>205</sup> Martin and Milward (1985b), 1.

<sup>206</sup> Milward (1977), 130.

after reading *War, Economy and Society*, ‘found that the same political forces that led to the decision for war also prevented the rational organization of their wartime economies.’<sup>207</sup>

It was not until the 1980s that Alan Milward’s understanding of German policy during the Second World War, particularly his interpretation of the Blitzkrieg strategy, came under attack from a new generation of historians in Germany and Britain. In Germany, Ludolf Herbst, arguing from a political standpoint, claimed that the Blitzkrieg was the invention of historians and had never existed.<sup>208</sup> At the same time, in Britain, Richard J. Overy was arguing that from an economics perspective

the concept of *Blitzkrieg* economics [...] in most respects [...] does not fit with the actual facts of German economic life between 1936 and 1942 [...] Hitler’s plans were large in scale, not limited, and were intended for a major war of conquest to be fought considerably later than 1939. The fact that the large armament failed to materialize was not due to any *Blitzkrieg* conception, but to the fact that economic preparations were out of step with the course of foreign policy; a dislocation that was exacerbated after 1939 by a combination of poor planning, structural constraints, within German industry, and weaknesses in the process of constructing and communicating policy. The intention was large-scale mobilization. Hitler’s object, in the long run, was European conquest and world hegemony.<sup>209</sup>

Where Milward argued that Hitler chose to launch a war in 1939 because it fitted the strategic synthesis of Blitzkrieg, Overy denied that the Blitzkrieg as a strategy had ever existed; it had been invented *a posteriori* by historians.<sup>210</sup> Instead of a synthesis between economic and political objectives, Overy argued that there was in fact a disjunction. The crux of the matter thus lay in the explanation of Alan Milward’s early-1942 turning point. According to Overy, the increase in arms production after 1942 was not due to any specific decision but to the natural maturity of the heavy investment in war-related industry since 1936.

But Overy’s views failed to convince many historians. Harrison and Mark Roseman continued to accept the Blitzkrieg thesis.<sup>211</sup> So did Marwick and Clive Emsley, while lamenting that ‘[l]ike most historians challenging an orthodoxy Overy does tend to make his target appear rather less substantial than it was: Alan Milward’s original research in this area was both pioneering and persuasive.’<sup>212</sup> Ránki also agreed that the Blitzkrieg strategy ‘corresponded to the economic realities of Germany’s position. I regard this’, he wrote, ‘as

<sup>207</sup> Neal (1978), 441.

<sup>208</sup> Herbst (1982).

<sup>209</sup> Overy (1982), 272-273.

<sup>210</sup> Overy (1994), 254.

<sup>211</sup> Harrison (1988), 173; and Roseman (1988), as reprinted in Emsley, Marwick, and Simpson (1990), 302-303.

<sup>212</sup> Marwick and Emsley (1990), 19.

the most decisive point in the discussion.<sup>213</sup> Ian Beckett considered that the Milward-Overy debate was unsettled.<sup>214</sup> As far as Alan Milward himself was concerned, Overy's arguments could not be proven: 'If, in order to give a definitive answer to this problem, we must know exactly what Hitler's personal intentions were,' he was to write in 1995, 'then the debate will never end, for it is unlikely that we will discover much that is new.'<sup>215</sup> Indeed, in spite of the new research produced after the publication of *War, Economy and Society 1935-1945* in 1977, he did not feel the need to update the volume for its paperback editions in 1979, 1984, or 1987 (see Appendix Two of this volume) or, by the mid-1990s, to alter any of his main theses on the war economies.<sup>216</sup> At that time, Alan Milward concluded that greater accuracy in production indexes for the major combatants had permitted refined comparisons of their strategic choices leading to the minor change that

the long-running historical argument over whether there was a sharp contrast in the period 1938-42 between Britain's commitment to total war and Germany's avoidance of that commitment through the choice of a more flexible Blitzkrieg strategy ought properly to be limited to the years 1940-1.<sup>217</sup>

In 1998 Werner Abelshauser pronounced that both Milward and Overy were wrong. Characterizing Milward's Blitzkrieg synthesis as a 'peacetime economy in war' (*friedensähnlichen Kriegswirtschaft*, a term coined not by Milward but by Speer's chief statistician, Rolf Wagenführ) was just as misleading, he said, as Overy's 'war economy in peacetime'.<sup>218</sup> The National Socialist economic system, according to Abelshauser, had elements of both wartime and peacetime economies. The war economy had to contain elements of a peacetime one in order to stabilize the political system, but they were not intentional. In fact, he argued, a decision for a war economy was taken early on but it was not implemented until 1942. 'This explains', he said, 'for one thing, the "production miracle" under the auspices of Armaments Minister Albert Speer after 1942, which was made possible by stepping up the war economy'.<sup>219</sup> In 2001, Raymond E. Frank Jr., contrasting Milward's and Overy's theses, concluded that making sense of their conflicting views is 'difficult for those less familiar with the subject' since their 'disagreements as to facts and differences of

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<sup>213</sup> Ránki (1993), 64.

<sup>214</sup> Beckett (1988), 36.

<sup>215</sup> Milward (1995a), 182. The latter provides a useful summary of the theses presented in Milward (1977).

<sup>216</sup> Overy (1991), 158, expressed disappointment with Milward's unwillingness to update his 1977 'classic'.

<sup>217</sup> Milward (1994), 670.

<sup>218</sup> For Wagenführ's concept see Deutsches Institut für Wirtschaftsforschung (1954), 25.

<sup>219</sup> Abelshauser (1998), 150-151.

interpretation' remained unsettled.<sup>220</sup> One of Alan Milward's former students, J. Adam Tooze, who had written his doctoral thesis on official statistics in interwar Germany, challenged Abelshauser's conclusion by analyzing the economic statistics compiled by Wagenführ, which Alan Milward in his 1964 *EHR* article had cautioned would probably have underestimated the scale of armaments production in the period 1938-1942 and overestimated them after that date. Tooze showed that his supervisor's caution was justified and that the statistics grossly understated the level of armaments production in 1939 and the level of labor productivity in armaments-producing industries.<sup>221</sup> Rejecting the argument of Overy and Abelshauser that Hitler had not planned to go to war in 1939, Tooze, like Milward, argued that the decision to go to war in 1939 was planned.

In the most recently published work on the topic which we have found, Jonas Scherner maintains that at least two questions, namely 'How well was the German economy prepared to wage war at the end of the 1930s?' and 'How fast did it mobilize at the beginning of the 1940s?' remain controversial.<sup>222</sup> Even though Scherner questions 'the older *Blitzkrieg* account', it is apparent that the new statistical evidence which he produces, which was not available to Alan Milward in the early 1960s, does not invalidate his conception that the economic policy designed in Germany in the 1930s was derived from the specific nature of the Nazi party and the German economy. The fact that the new statistical evidence proves that the investment boom beginning in 1936-1937 was higher than Alan Milward was able to acknowledge at his time of writing and consequently reduces the gap between the 'armaments miracle' of 1942-1944 with respect to 1938-1939 production levels, confirms rather than questions the crux of Alan Milward's argument that, however extensive Germany's preparations for war were in 1939, the intention of Hitler and the Nazi party leadership was not to increase it substantially in order to avoid the social and political disturbances that a total-war effort would have provoked.

It seems that a basic disagreement between Alan Milward and other scholars revolves around the question of whether rearmament was conceived for total war. Alan Milward argued that the level of German rearmament reflected the structural limitations of the German economy and the political limitations of the Nazi state. By planning a series of wars which would expand the territorial base and provide new resources, Germany would not necessarily confront the combined might of the USSR, the United States, and the British Empire at the

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<sup>220</sup> Frank (2001), 482-485.

<sup>221</sup> Tooze (2005).

<sup>222</sup> Scherner (2010), 433.

same time. Where many see Nazi Germany as an evil power intent on provoking an irrational world war, Alan Milward described a strategy which in the ideological vision of National socialism was a comprehensible answer to the socio-economic problems facing Germany but one which turned out to be unworkable. The strategy which had led to German control over most of continental Europe by 1941 had to be changed in view of the unexpected resistance of the population of the USSR and the unexpected military power that the Soviet Union was able to generate after the German invasion. Once it was changed it lost its ‘strategic synthesis’ so that Nazi Germany collapsed economically before it was defeated militarily. These differences in how the Second World War was interpreted were to lead to very different interpretations of the postwar period as well. Those who argued that Nazi Germany had to be defeated militarily because it did not collapse economically were to argue that the postwar arrangements to integrate west Germany into Western Europe were primarily about security because the Nazi occupation of Europe had been an economic success. Germany could unite Europe by force unless it was prevented from doing so by integrating it into the institutional structure of a united Europe. Alan Milward argued that the Nazi occupation of Europe, while initially quite successful, had ultimately failed because the Nazi system was no more successful than the liberal system which it replaced in addressing the socio-economic problems of continental Europe. The lesson of the Second World War was that Germany could not unite Europe by force.

Alan Milward concluded *War, Economy and Society* by arguing that the most serious legacy of the war, the one which made the problems of economic reconstruction ‘so difficult to solve in spite of the rapid recovery of output in the separate national economies’, was its ‘redistributive effects [...] not its “cost”’.<sup>223</sup> In the United States economic activity increased by more than fifty per cent between 1939 and 1945 (expressed in 1939 values) – an unprecedented increase over so short a period of time – and consumption by twelve per cent, which altogether led to an historically high standard of living. That country suffered no physical damage and the loss of life, while to be regretted, was comparatively low (around three hundred thousand lives as opposed to over twenty million in the Soviet Union). Average levels of industrial productivity rose by twenty-five per cent due largely to the fact that factories were operating, for the first time since 1929, at full capacity. In the United Kingdom national income expanded by sixty-four per cent; in Germany it had expanded by

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<sup>223</sup> Milward (1977), 336.

ten per cent until 1943 and then declined. It fell in the Soviet Union, Italy, and Japan. In full recognition of all the difficulties of defining and then calculating that part of production which was specifically for war purposes, Alan Milward suggested that in Britain and the United States it was between forty-five and fifty-five per cent, in Germany and the Soviet Union between sixty and seventy-five per cent, and in Japan between thirty-five and forty-five per cent. Ultimately, the Allied victory was due to the fact that the Allies were able to produce more armaments than the Axis powers. This was achieved not through any major changes of political or economic power but simply by the modern bureaucratic state clearly defining its priorities and assuming sufficient controls over the domestic economy and over trade to achieve those priorities. The rapid transformation during the war of the economies of the United Kingdom and the United States showed what could be achieved in advanced economies over a short period of time.

But Allied victory was also due to the United States transferring to Britain and the Soviet Union, under lend-lease arrangements, armaments on a scale which was never fully admitted. It was the Allied counterpart to what Nazi Germany had forcibly extracted from its occupation of European countries. Even though Germany had benefited considerably from its occupation of western European countries, particularly from France, the Netherlands, Denmark, and Belgium, its occupation of eastern European countries, which were to have provided Nazi Germany with its *Lebensraum* or ‘living space’, had not been beneficial economically. In some cases, most notably Greece, the cost to Germany of the occupation was greater than the benefit. Finally, it was due, as Alan Milward argued, to the Allies being able to mobilize their domestic populations by offering them the hope of a better world after the war, one of increased employment opportunities, higher living standards, and a system of social protection organized by the state in contrast to the racist and paternalistic family model of Nazi Germany. In both Britain and the United States, he said, ‘[p]eople’s new aspirations were built on nothing more than a job and more money, because for most people in both economies these had been the real economic changes in the war.<sup>224</sup> Winning the allegiance of the population was of paramount importance.

Whether there was any automatic connection between the demands made by the state on its citizens during a war in which human resources were fully mobilized and social change after the war, Alan Milward was more cautious:

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<sup>224</sup> Milward (1977), 343.

It is tempting to argue that the consequences of ‘total war’ must always be to produce a significant volume of social change because the state must retain the allegiance of its citizens, and the greater the demands it makes on them the more they will seize the opportunity to make demands on it. But this process depends on the governmental arrangements and it would be nearer the truth merely to say that the economic, social and psychological experience of war produces a change in the climate of social consciousness. [...] [S]ocial equality was now more widely accepted as a desirable end.<sup>225</sup>

For the governments of the United States and the United Kingdom fulfilling their domestic objectives in the postwar world was seen to depend on the reconstruction of an international economic system which would increase the level of world trade and, as Alan Milward said, avoid ‘[t]he self-adjusting mechanisms of the pre-1914 gold standard [which] had operated through creating periodic deflation and unemployment.’<sup>226</sup> The main outlines of such a system were finally agreed at an Allied conference which took place in Bretton Woods, a small town in New Hampshire, in July 1944. What was to become known as the ‘Bretton Woods system’ was an international exchange system which, like its two predecessors, the gold standard and the gold exchange standard, was based on the principle that currencies should be freely convertible into gold at a fixed rate of exchange. One innovation was that governments should have the facility to borrow over the short term from a newly created international pool of currencies, the International Monetary Fund (IMF), which would in principle mean that they would not have to deflate domestic demand or devalue their currency in the event of a deficit in their balance of payments. A second innovation was the creation of the International Bank for Reconstruction and Development (IBRD) which had a double task, the immediate one of financing ‘reconstruction’ – without knowing exactly what that actually meant – and the longer term one of financing development projects in poor countries. Keynes, negotiating on behalf of the British government, had argued that, given the huge imbalances in the international economy caused by the war, in order for the system to work as intended it would have to be symmetrical, requiring corrective action by both creditor and debtor countries, while providing funds on a sufficiently large scale to cover the needs of debtor countries without forcing them to deflate their economies.

Britain and the Soviet Union had both incurred considerable debts to the United States during the war, under lend-lease, while Britain also had debts with the countries in the sterling area. That countries incurring a structural surplus in their balance of payments should bear the same burden of adjustment in the international payments system as that traditionally

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<sup>225</sup> Milward (1977), 341 (343 for the last sentence of the quotation).

<sup>226</sup> Milward (1977), 345.

attributed to countries running a deficit would have meant in practice that the United States, expected to be the main surplus country in the postwar period in view of its dominant economic position at the end of the war, would have to take measures to reduce its surplus, either through an expansion of imports or allowing discrimination against its exports, whilst being the main contributor to a large IMF. Harry Dexter White, negotiating the agreement on behalf of the U.S. government, preferred the burden of adjustment to fall on the deficit country, thereby necessitating a much smaller IMF. The largest obstacle to the operation of White's system was the British Empire and the Commonwealth whose members conducted their trade in sterling, which was not freely convertible into gold or dollars, and offered Britain preferential tariffs on trade. The whole thrust of the commercial policy of the United States had since 1936 been to reduce all forms of discrimination against U.S. exports of which Commonwealth preferences were the most objectionable. On the other hand, these preferences were seen to be critical to the British government not only to protect the British balance of payments and therefore the value of sterling but also to protect its domestic manufacturing industries from foreign competition. Keynes, as Alan Milward was to argue, defended protectionism for both reasons.<sup>227</sup> Unable to reach agreement over the issue of Commonwealth preferences or sterling convertibility, the two issues were postponed in July 1944 at the time of the Bretton Woods conference. All that Keynes would concede in the subsequent difficult negotiations with White to wind up lend-lease was that, in return for a postwar loan from the United States to the United Kingdom, the British government would make sterling convertible into dollars within one year. With no resolution of the issue of Commonwealth preferences the United States refused to ratify the terms of the International Trade Organization (ITO) in 1947. This meant that the liberalization of international trade, to which both governments were nominally committed, was left to be negotiated within the less binding framework of the General Agreement on Tariffs and Trade (GATT).

The Soviet Union chose not to ratify the Bretton Woods agreements in 1944. Victory in the Second World War was interpreted as a vindication of the Soviet Union's model of economic planning and autarky. The agreements which it reached during the wartime conferences at Yalta and Potsdam with the United States and the United Kingdom to settle the terms of the peace in Europe rapidly disintegrated in the growing hostility over many issues including the future of Germany. The U.S. government did not extend its lend-lease to the Soviet Union into a postwar loan. Therefore, by 1947 '[i]nstead of an epoch of

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<sup>227</sup> Milward's specific views on Keynes' positions on the design of the postwar international economy, which we have used in the previous paragraph, can be found in Milward (2000).

universally expanding trade what emerged [...] was an epoch dominated by the two greatest military powers facing each other with an implacable economic and political hostility.<sup>228</sup> If the Cold War marked the end of the wartime alliance between the United States and the Soviet Union, the failure to restore the convertibility of sterling in July 1947 marked, as Alan Milward saw it, the end of the plans to create a multilateral order, based on a system of fixed exchange rates and progressive trade liberalization worldwide, on which depended the hopes of a new world based on full employment and greater social equality.

### ***8. The Reconstruction of Western Europe (1984)***

What was missing from the last chapter of *War, Economy and Society* was any mention of western continental Europe. This was itself a reflection of the two most important features of the postwar period, firstly, that the planning for the postwar international economic settlement was a purely Anglo-American affair, and secondly, that the continental European countries were in a relatively weak political and economic position. But Alan Milward was already thinking about the postwar and the conflicting explanations for the unprecedented period of economic growth and prosperity enjoyed by Western Europe.<sup>229</sup> According to the prevailing liberal historiography, at the end of the conflict a short restocking boom was followed by an economic recession, as had been the case after the First World War, from which Western Europe was saved by two separate but related initiatives: the idealistic offer of material assistance from the United States and the ideas of creating a federal Europe held by enlightened individuals in Europe. A combination of American and European idealism thus put Europe on a new path toward peace and prosperity based on liberal economic principles. Marxist historiography, following the official analysis offered by the Soviet Union's leadership, saw the assistance program that the U.S. Secretary of State, General George C. Marshall, offered on 5 June 1947 and the creation of integrationist institutions in western Europe as the product of American imperialism in the context of its struggle against the Soviet Union. In the Stalinist perspective Marshall aid served to secure markets for the United States and the survival of a reactionary capitalism which stifled the hopes for radical social and economic change after the war. The drive to create a federal Europe was thus

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<sup>228</sup> Milward (1977), 364.

<sup>229</sup> Throughout this Introduction 'Western Europe' refers to the set of countries which participated in the pattern of institutionalized economic interdependence after 1947, while 'western Europe' includes Spain and Finland and refers to all those countries which did not become part of the Soviet zone of influence.

generally seen as a self-serving initiative of the United States designed to achieve its economic and political objectives in Western Europe.

As *War, Economy and Society* went to press Alan Milward was to receive another invitation from a German historian, this time to write about the history of European integration. It came from Walter Lipgens, the first professor of modern European history at the EUI, the academic institution financed by the European Community and its member states to provide postgraduate teaching and research in the four social science disciplines of economics, history, law, and political science as they related to the European Community, which opened its doors to students in September 1976 in Fiesole (Florence).<sup>230</sup> A committed federalist and Catholic opponent of Nazi Germany, he had devoted his professional life to explaining that the roots of the European Community lay in the federalist thinking of the non-communist resistance to Nazi Germany. By 1977 he had traced and documented the various strands of federalist thinking in the Resistance during the war and up to 1947.<sup>231</sup> It was in that year, Lipgens suggested, that governments in both Europe and the United States became interested for the first time in the idea of uniting Europe. To help him explain these changes at national governmental level, Lipgens invited a group of historians from all nine member states of the European Community (EC) to a meeting in Florence in March 1977 at which he proposed that they would collaborate with him in writing the next stage in the history of European integration. According to Professor Donald Cameron Watt from the LSE, who had been invited to the meeting along with Alan Milward,

[Lipgens] demanded that all present subscribe to a collective declaration on the desirability and inevitability of the establishment of a federal united Europe. The British representatives [Milward and Watt] [...] resisted the idea as both inappropriate and limiting in that it would enable the inclusion or exclusion of themes, incidents, ideas and fields of study which were certainly germane to the study of European development, but which Professor Lipgens regarded as heretical. The declaration was in fact issued, but the dissenters were not excluded.<sup>232</sup>

Nonetheless, Alan Milward accepted the invitation and chose to write the history of the response of European governments to the offer of Marshall aid in 1947, which was to form part of his next book about the history of the postwar European economic boom.<sup>233</sup> The one condition nominally attached to Marshall's offer of aid was that the European recipients would cooperate with each other to produce a coordinated response which, by breaking down

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<sup>230</sup> A brief but vivid account of the EUI's first days is Daalder (2010).

<sup>231</sup> Lipgens (1977).

<sup>232</sup> Watt (1990), 393.

<sup>233</sup> Milward (1982).

national barriers, would lay the basis for them to establish a United States of Europe, along federal lines. Alan Milward's approach, as it had been throughout all his earlier writing, was to base his research on the recently opened government archives in multiple countries, including the United States, as well as on the statistical economic record. He set out to understand each country's position in terms of its own history, emphasizing national differences rather than seeing all countries as part of a global system, indistinguishable one from another. Although he no longer used the term 'strategic synthesis' to explain government policy this was in fact how he continued to analyze policy – as a synthesis of domestic economic objectives and foreign policy, the means by which national governments tried to achieve domestic objectives within an increasingly interdependent world.

Alan Milward's understanding was that Marshall's offer was motivated by politics and not economics; that it was a product of the Cold War and not of a much longer lineage. The Marshall plan was 'in the first place a practical response to Washington's perception of the danger to its own strategic interests, whatever genuine chords of idealism it might cause to vibrate in America and Europe.'<sup>234</sup> That its motivation was primarily political and not economic was because, as Alan Milward was to argue later, not only was there no economic crisis or depression in western Europe in 1947 but it was questionable whether the European Recovery Program (ERP, the official name of the Marshall plan), met the wider needs of the U.S. economy. The challenge facing U.S. policy makers was how to reconcile the strategic objectives of ensuring that western Europe, including the western zones of Germany, remained under the influence of the United States rather than falling within the Soviet sphere, with the economic objectives of a multilateral international system as set out at Bretton Woods in 1944:

[T]he extraordinary growth of output and exports during the war in the United States had convinced American governments that a thriving post-war world and a prosperous America's place in that world depended on the creation of an efficient multilateral trade and payments system in which the international debts and surpluses of countries could be offset against each other in a comprehensive world balance, much as they had been before 1914. Such a system would alone permit American foreign trade and domestic output to exist at the new, much higher levels they must maintain in order to support the prosperity which the war had brought. As the plans for a peaceful post-war world order collapsed, these ideas were still seen as fundamental to a prosperous Western bloc.<sup>235</sup>

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<sup>234</sup> Milward (1982), 508.

<sup>235</sup> Milward (1982), 524.

Whether Marshall aid would lead to the coming into force of the Bretton Woods system and to that comprehensive world balance, he very much doubted. This was because by focusing exclusively on the western bloc the U.S. government had undermined the possibility of reestablishing a dynamic and balanced world economy as it had existed before 1914. This issue of whether Marshall aid was a step toward the multilateral system of Bretton Woods, as the majority of historians and economists maintained, or a step toward quite a different world, as Alan Milward argued, continues to be disputed. It was his view that the U.S. goal of using Marshall aid to enable Western Europe to reach an equilibrium in their trade and payments with the dollar area within four to five years, when Western Europe's deficit with the United States represented only half of the world's dollar shortage, was losing sight of the true causes of the fundamental structural imbalance in the international economy of which Europe's dollar shortage was a mere reflection. Recycling dollars through Marshall aid was, first and foremost, an acknowledgement of the global dollar shortage but was an insufficient response to the problem. The United Kingdom, the only economy in Europe which carried out considerably more of its trade with the rest of the world than within Europe, was particularly aware of the global nature of the problem. The U.S. attack on imperial preferences and Washington's refusal at the same time to reduce its own tariff levels, combined with its willingness to construct a purely Western-European bloc for strategic reasons, did not offer the United Kingdom much relief to its financial difficulties.

The new strategy of the United States represented by Marshall's offer posed a different set of problems for France. The plan to replace the original Potsdam agreements on the level of industry in Germany – which the French government considered to be its 'level of security' – with a higher level of industrial output in specific sectors in the Bizonal and ultimately to incorporate 'western Germany' into an integrated Western Europe, was already clear by the time of Marshall's speech. The French government saw as its main task, according to Alan Milward, to oppose and delay the process as much as possible while at the same time working toward defining the conditions and terms of a possible solution to what was referred to as *the German question*. This was to enable it to accommodate the many interests involved while defending France's fundamental security interests in both economic and defense terms. The response of the French and British governments to Marshall's offer was to take joint control over the European organization created under American pressure to coordinate the European response. Both governments were determined to lead the recovery of Western Europe but according to their own broad interests rather than concede to U.S. pressure to unify Western Europe. Alan Milward's careful archival reconstruction led him to

conclude that ‘before the [Paris] conference began the stage was set for a fundamental opposition between the far-reaching hopes of the United States and the machinery of the conference [on European Economic Cooperation], which had been designed to thwart these ambitions.’<sup>236</sup> The significance of the Paris conference was that ‘[f]or the first time questions about the reconstruction of Europe were to be handled outside the framework of the great-power conferences.’<sup>237</sup> Furthermore, for the first time the United States was to listen to the views not only of the British and French governments but of all the European governments that had accepted the offer of aid. It was, he argued, the belated recognition that different countries had different interests which meant that ‘[f]rom the moment the conference met there began a learning process in Washington which was to forge a more realistic set of political aspirations there.’<sup>238</sup> As he explained:

When sixteen countries ultimately sent delegations to Paris on 12 July [1947] for the conference which took to itself the name Committee of European Economic Cooperation (CEEC), their heterogeneity must surely have impressed at least as much as the similarities in their position. Five had colonial empires, two had less than one million inhabitants, two had important armies, one was occupied by two of the others, and two had been neutral powers for more than a century. Two had per capita national incomes clearly exceeded only by that of the United States, four were still underdeveloped economies. Some had based their recovery on planning and stringent controls, others had been ardent advocates of decontrol and a *laissez-faire* economy. Some had a world-wide pattern of trade and investment, for others their international economic connections were overwhelmingly with the European Continent. The one country [Germany] whose affairs had more than any other been responsible for the conference was not represented there at all.<sup>239</sup>

Without attending the Paris conference, Germany occupied the center of the stage. France, which had not been invited to either the Yalta or the Potsdam conferences, left no one in any doubt that

any settlement in Germany had to be by agreement with France, and any progress towards a joint European agreement on the use of American aid in reconstruction had to depend on the settlement in Germany. [...] The Franco-German problem at last occupied the centre of the stage; European integration would only become a part of the play in so far as it was related to solving the dilemma of the main actors and the main plot.<sup>240</sup>

The differences over what should happen to Germany divided western European countries just as much as it divided the four powers occupying Germany. As Alan Milward went on to

<sup>236</sup> Milward (1982) , 513.

<sup>237</sup> Milward (1982), 514.

<sup>238</sup> Milward (1982), 513.

<sup>239</sup> Milward (1982), 517.

<sup>240</sup> Milward (1982), 520.

explain, the exclusion from all decision-making about Germany was resented by many of the small western European countries. The Benelux countries wanted a rapid increase in German output and

the Italian delegate supported the Benelux position on the grounds that Germany was the major market for Italian exports as for Benelux exports. Even the Norwegian representative, while insisting on restrictions being maintained on those areas which competed directly with Norwegian interests – fishing, whaling, shipping, and shipbuilding – spoke in favour of an accelerated German recovery and for much wider consultations with the smaller powers about policy in Germany.<sup>241</sup>

Since it was clearly isolated, all the French government could do was to insist that any recovery of German output must not endanger French security. The crux of the problem lay in how Germany's industrial heartland in the Ruhr would be controlled. Alan Milward summed up the three possibilities for control which were discussed in mid-1947:

Would it be an international board with direct management powers in the works themselves, or a remote international control board with few direct executive powers? There was a third possibility which briefly emerged in these talks and which was eventually to provide the solution after three more years of dispute, viz. an internationally supervised cartel which would include the French and Benelux firms.<sup>242</sup>

This was his first reference to the origins of the French plan which would eventually lead to the establishment of the European Coal and Steel Community (ECSC), although it was an interpretation which he was to modify subsequently in the light of further research. What he did not find in any of the debates within European bureaucracies and governments, between them and the Economic Cooperation Administration (ECA) – the body set up by the U.S. to oversee the implementation of the Marshall plan –, within the CEEC and its permanent successor, the Organization for European Economic Cooperation (OEEC), was any evidence that political movements in favor of European unity had anything other than an insignificant impact on international political and economic agreements. Those gatherings of officials acting on behalf of the governments were not building a unified Europe but solving what they perceived as being their most immediate problems. Furthermore, the evidence which he had been able to gather while collaborating with Lippens showed that the ‘committee system’ as conceived and agreed upon by the British and French when they set up the CEEC, was designed to split the main issues into technical details, each one of which would be dealt with

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<sup>241</sup> Milward (1982), 519.

<sup>242</sup> Milward (1982), 521.

by separate teams of experts so that ‘[w]ider questions of European unity would be entirely out of place’.<sup>243</sup> Participants in the technical committees, as some federalists argued at the time, by working together in such enterprises

acquired a wider comprehension of the common nature of European economic problems and even developed not only a certain feeling of affinity with each other, but also a degree of solidarity against their own national governments at moments when these governments did not show the same comprehension.<sup>244</sup>

The problem as Alan Milward noted, was that these participants had little power or direct influence over their governments. With the exception of the Italian representative, the other governments appointed as their representatives ‘senior civil servants who were already closely involved in the formulation of national reconstruction policy, but who remained only the executants and advisers of their ministers.’<sup>245</sup>

Ultimately, Alan Milward’s research method and findings were so much at odds with those of Lipgens that he did not contribute to Lipgens’ further publications (*Documents on the history of European integration*). Whereas Lipgens saw weak states whose hold on power was to be weakened still further, Milward saw many discredited states in western Europe, apart from the British, determined to rebuild their strength and legitimacy by extending their control over the economy.<sup>246</sup> In spite of their differences, Wilfried Loth maintains that Lipgens and Milward shared a number of assumptions about the nature of the nation-state in postwar Europe.<sup>247</sup> While Alan Milward did not reject the evidence of federalist thinking which Lipgens produced, he was more interested in understanding its significance for the course of postwar European history. What he wanted to know was

through what political mechanism the idealisms which supported western European integration actually influenced governmental policy-making in the nation states, unless it be through the vague suggestion that men like Adenauer, Schuman, Sforza, and Spaak, who themselves shared these enthusiasms, were able to override the massed cohorts of government and bureaucracy whose task it was and is to define and uphold the national interest before all else.<sup>248</sup>

Skeptical of the role played by the Resistance in helping to defeat Nazi Germany during the war, he was equally skeptical that the federalist ideas held by the Resistance groups had had

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<sup>243</sup> Milward (1982), 511.

<sup>244</sup> Milward (1982), 512, summarizing the views expressed by Ernst H. van der Beugel (1966), 71-72.

<sup>245</sup> Milward (1982), 512-513 (quotation 513).

<sup>246</sup> Milward (1984).

<sup>247</sup> Loth (2008): 9–26.

<sup>248</sup> Milward (1984), 492.

anything more than a marginal impact on government policy in western Europe after the war. The emphasis placed by Lipgens and others on the role of the resistance, in his view,

strengthened the pervasive political myths in some countries, especially France and Italy, that moral and physical resistance to Nazi Germany had laid a new moral foundation for post-war republican governments and thus given them a particular political legitimization. [...] The inability to demonstrate that political movements in favour of European unity had anything other than an insignificant impact on international political and economic agreements leads, however, to the conclusion that these explanations are no more than observations of a minor albeit interesting phenomenon.<sup>249</sup>

Not only did Alan Milward reject Lipgens's argument that it was the ideas discussed by federalist individuals and groups active in wartime resistance which explained the creation of supranational institutions in western Europe after the Second World War but he also questioned the central role attributed to the United States, firstly, in saving Western Europe from economic collapse in 1947, and secondly, in providing vital support for European integration. The conclusion of the first documented history of the Marshall plan written by Immanuel Wexler and based entirely on U.S. sources was that the Marshall plan was 'one of the great economic success stories of modern time'.<sup>250</sup> Milward disagreed completely and instead of writing his next book about the great European economic boom he focused exclusively on the period of the Marshall plan.<sup>251</sup>

As he announced boldly in the opening chapter of *The Reconstruction of Western Europe 1945-51*, Marshall aid did not rescue Western Europe from an economic crisis in 1947 because Western Europe was not experiencing an economic crisis at the time. Making the distinction between an economic crisis and a payments crisis, he explained that what Western Europe was experiencing in 1947 was a temporary payments crisis for four interrelated reasons. The first was the fact that the dollar, as the only currency which was convertible into gold at a fixed price at that time, was in great demand; the second was the surge in imports of investment goods to western Europe from the United States in the first half of 1947; the third was that since the traditional supplier of such goods, Germany, was operating at very low levels of economic activity (not because of wartime damage but due to the restrictions placed by the Allies on its industrial output), those investment goods had to come from the United States; while the fourth was that in the absence of a functioning international system of trade

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<sup>249</sup> Milward (1988), 3.

<sup>250</sup> Wexler (1983), 255.

<sup>251</sup> Milward (1985c).

and payments European countries had no means of earning in third countries the dollars necessary to pay for imports from the United States. The payments crisis was therefore caused by the strength and vigor of the recovery of European economies and was not an indication that they were on the verge of collapse.

Since European reconstruction plans had not been conceived simply in terms of recovery from the war and occupation but as ambitious programs of industrial modernization able to sustain the new social obligations for full employment and comprehensive welfare programs, the western European states continued to encourage imported capital goods even after prewar levels of production had been reached. By the end of 1947, the whole of Western Europe, except for Austria and Germany, had completed their recovery in terms of reaching prewar output levels. In view of such an achievement, it was wrong, Alan Milward argued, to describe as an economic crisis a time when, in every West European country except Germany, investment was higher absolutely and as a ratio of GNP than in any year since 1919, and when production was rising more rapidly everywhere than it had for twenty years. The so-called 1947 crisis was limited to the temporary difficulty of paying for dollar imports caused by the vigor of the economic recovery rather than by any fall in production and consumption levels. ‘It was the success and vigour of the European recovery, not its incipient failure’ which had caused a payments problem with the United States.<sup>252</sup> There was thus no economic need for western European economies to be rescued by the United States.

While Marshall aid allowed the recovery to be continued it was not, he insisted, the primary cause of the strength of the European economic recovery which had begun in 1945, well before Marshall’s offer of June 1947, and well before the arrival of dollar aid. Had the United States not supplied dollars through Marshall aid he calculated that it would only have been in France and the Netherlands that recovery would have been slowed down at least until west Germany resumed its role as a supplier of capital goods to western Europe. But, he insisted, France would not have collapsed economically had there been no Marshall aid, since over the whole ERP period France spent a larger proportion of Marshall aid on importing machinery and vehicles than any other recipient, while going to great lengths to switch its food imports to the franc zone. The main contribution of Marshall aid was to pay for those imports necessary for industrial modernization rather than for staving off hunger, social revolt, and political collapse. ‘Indeed’, as one reviewer of *The Reconstruction of Western Europe* asserted, ‘Milward contends that if sheer economic recovery from the war had been

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<sup>252</sup> Milward (1984), 463.

the only issue, most European countries could have done without Marshall Plan assistance as early as 1948.<sup>253</sup>

Where his critics argued that in the absence of Marshall aid western European governments would have had to deflate the level of economic activity which, in the tense political climate of the Cold War, would have caused coalition governments to collapse, Alan Milward argued that not only was there no evidence that any government apart from that of Italy was prepared to deflate but more importantly they did not need to do so. It was the governments of the United States and the Soviet Union which, each for their own political reasons, wanted to present the countries in western Europe as being on the verge of an economic crisis. It was important in the United States in order to win Congressional approval for a program of assistance to Europe while it was important for the Soviet Union to encourage trade union opposition to the Marshall plan.<sup>254</sup>

As Alan Milward maintained, the reason that no European government was prepared to deflate the level of economic activity in response to the payments crisis in 1947, as they would have done at any time before the Second World War, was because the balance of political power within western European states had changed after 1945. The effects of the Second World War in political terms were the most important factor in determining the nature of the postwar economic recovery. The shift in political power was due to the fact that the restored national governments in western Europe – most of them multiple-party coalitions – needed to regain the political legitimacy which states had lost in 1940 or even earlier. What the speed of the capitulation to Nazi Germany demonstrated was how little allegiance many people in western Europe owed to their own liberal regimes. He saw this as the result of the failure of the liberal state in the 1930s to address the problems of unemployment and falling living standards. If the western European states were to restore their credibility after the war, they had to do more to regain the confidence of voters. This meant taking control of the economy, administering trade and capital movements, offering agricultural protection, increasing wages, subsidizing industries, and generally becoming more responsive to the wishes of voters.

Most European governments, he showed, with the exception of Belgium and Italy, adopted extensive economic planning as a reaction against the failure of the *laissez faire*

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<sup>253</sup> Schwartz (1987), 667.

<sup>254</sup> Milward (1982), 544.

policies of the interwar period.<sup>255</sup> Because the political parameters within which politicians could maneuver had been altered so much as a result of the war, had Marshall aid not arrived, most governments would have extended their controls over the economy even further in the short term rather than abandon their expansionary programs, he maintained. What the European governments had not resolved was how they would continue to pay for their domestic expansionary programs once dollar aid came to an end. At the start of the Marshall plan they did not necessarily agree that the rules of the Bretton Woods system were a good idea or that they could not be broken. In any case, since those rules were premised on the system operating internationally with countries achieving an equilibrium in their global balance of payments, it was not at all clear that the Marshall plan was preparing Western Europe to operate within the Bretton Woods system. Those potential problems were postponed as the U.S. government focused on its new policy of preparing Europe to reach an equilibrium in its balance of payments with the dollar area alone:

For the first three years of the ERP the United States was able to reconcile the existence of Marshall Aid to American ambitions for the world-wide multilateral payments system embodied in the Bretton Woods agreements by the argument that in promoting a recovery in Western Europe's output, Marshall Aid was closing Western Europe's dollar deficit with the United States and thus preparing the way for a re-establishment of the principles agreed at Bretton Woods. But the concentration of dollar outflows on Western Europe made it even less likely that this would be the case.<sup>256</sup>

The country for which the new direction in U.S. policy was most damaging was Britain. But, as Alan Milward showed, the alternative way offered by Britain of recycling dollars via the sterling area in order to stimulate international trade would not have satisfied the strategic objectives of the United States in Europe:

From the standpoint of the British government the Sterling Area was an expansionary force in world trade and a way of overcoming the international structural disequilibria. It offered the possibility of multilateral settlements to a group of nations representing a significant part of total world trade. British imports in 1947 were by themselves almost the equivalent of United States imports. What was more, most British purchases of primary goods were carried out through bulk purchasing agreements over several years and Britain thus offered what underdeveloped primary exporters most required, guaranteed longer-term markets.<sup>257</sup>

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<sup>255</sup> Milward organized a specific session on economic planning in the post-1945 period for the tenth international economic history congress, Leuven, August 1990, the papers of which were published as Aerts and Milward (1990).

<sup>256</sup> Milward (1984), 466.

<sup>257</sup> Milward (1982), 526-527.

It was not until 1949 when, following the recession in the United States' economy, which affected British trade much more than the trade of the other west European economies, the British government devalued sterling and threatened to retreat into the sterling area completely, that the United States realized 'that its real interests were more affected by the world-wide ramifications of British and sterling area trade than by Britain's role in Europe'.<sup>258</sup> It was only then that Washington finally recognized that

[n]o durable reconstruction could have been possible unless the future terms of co-existence of the sterling area, Western Europe and the dollar trading zone had been defined. So long as they were defined in terms of dismantling the sterling area and forcing Britain into an integrated Western Europe nothing could be achieved.<sup>259</sup>

From this recognition came the acceptance that the United States would have to provide dollars to cover the inclusion of the sterling area in a new payments system in Europe – the European Payments Union (EPU) – and that the EPU would not be an institution for uniting Europe. By definition, the EPU represented a settlements mechanism among the seventeen OEEC member states extremely favorable to debtors, in a way which has never happened before or indeed since. In terms of its automatic settlements mechanism, it was closer to Keynes' wartime proposals for an international fund than to the rules of the IMF. The EPU allowed participating European countries to discriminate against dollar exports while giving incentives to debtor countries to continue to run domestic expansionary programs on the basis of foreign and automatic credits rather than correct those deficits through domestic deflation. It could not have worked, Alan Milward argued, had the United States not been forced to recognize that no multilateral clearing mechanism in Europe could operate successfully without the inclusion of the sterling area, and had the views of the U.S. State Department not prevailed over those of the U.S. Treasury. For both reasons, he insisted, the EPU was not a step toward the convertibility of European currencies within the framework of the Bretton Woods system:

The Union [the EPU] was unable to eliminate the disequilibrium in intra-Western-European trade and payments not merely because it lacked the power over national monetary and fiscal policies to do so. An equilibrium in intra-Western-European payments could only have been achieved at the expense of the expansion of world trade. The same applies to another goal of the Marshall Plan, a payments equilibrium between Western Europe and North America. Disequilibrium within Western Europe and between Western Europe and North America had always existed and always been resolved in a worldwide framework. It was a serious inherent

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<sup>258</sup> Milward (1984), 473.

<sup>259</sup> Milward (1984), 473-474.

weakness of the regional emphasis of the Marshall Plan that it ignored the previous hundred years of the history of international trade. [...] The account of Britain's ultimate adherence to the EPU fails to emphasize that this could only be obtained by sacrificing most of the ECA's further hopes and ambitions. It was partly for that reason that the agreement was so fiercely attacked elsewhere in Washington. In that struggle, too, even a liberal French minister of finance, Maurice Petsche, tacitly sided with the British, leaving the American negotiations in a very weak position.<sup>260</sup>

Thus, at the end of the ERP, it was neither the Bretton Woods system nor a purely European system which was responsible for regulating payments within western Europe but the EPU, an institution partly funded with Marshall aid for financing (on generous terms) deficits in intra-OEEC trade and between Western Europe and the sterling area.

Nor was the United States any more successful, as he showed, in using dollar aid to encourage the West European governments to dismantle their barriers to trade and create one large market. In his view, since the Marshall plan was primarily an instrument of the Cold War, the liberal economic theory which it drew upon was to provide an ideological justification, although it was of very dubious relevance to the western European countries themselves:

as America's needs for a militant ideology of its own became so acute from 1947 onwards, the theoretically greater economic efficiency of a large market and a multilateral payments system came to be seen by many in Washington as a fundamental aspect of political democracy and "a free society".<sup>261</sup>

But for western European countries the crux of the problem was how to earn dollars in third markets to pay for imports from the United States. Creating a large market in Europe would do little to solve that problem:

The American view that a fundamental change in the mechanisms of intra-European trade would produce an immediate benefit in terms of increased European output [...] ran directly counter to the view of many European countries that such changes, although no doubt theoretically and practically desirable in the medium term, would in the short term be useless and dangerous unless the fundamental structural disequilibria in world trade were first corrected, a responsibility which fell heavily on the United States and of which recycling dollars through Marshall Aid was but a first and insufficient acknowledgement.<sup>262</sup>

In any event, Alan Milward showed that the United States failed to achieve the liberalization of trade in Europe under the Marshall plan, contrary to the claims made at the time or

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<sup>260</sup> Milward (19885c), 342.

<sup>261</sup> Milward (1982), 525.

<sup>262</sup> Milward (1982), 526.

subsequently.<sup>263</sup> Such claims were based on a common misunderstanding of the rules of the OEEC trade liberalization program proposed by the British government in 1948. Rather than reflect that proportion of each member state's overall trade with the rest of its OEEC partners which was entirely determined by market forces, the OEEC code measured the quantitative restrictions on private trade which were removed, as a percentage of all the quantitative restrictions on private trade in 1948. It did not measure tariff protection and it did not include the high proportion of trade which was under government control.<sup>264</sup> The resulting percentages were therefore misleadingly high. In OEEC terms, for example, one hundred percent liberalization in 1959 meant in reality that only fourteen percent of west German imports from the rest of the OEEC in 1959 were *liberalized*. Furthermore the progress that was made in 1949-1950 was reversed in the face of an external payments problem:

By the end of 1951 there were more quantitative restrictions than at the end of 1950. Tariffs remained little changed so that the levels of import penetration in most Western European countries in 1955 were not much higher than in 1950 and still lower than in 1913. The first and most vigorous ten years of Western Europe's largest boom, in spite of all American efforts to change the world, were in fact experienced under a protectionist system.<sup>265</sup>

In focusing on the policies pursued by the governments of western Europe Alan Milward demonstrated that the United States through Marshall aid had no more than a marginal impact on the agreements reached in western Europe. 'Marshall Aid', he concluded 'was not in fact important enough to give the United States sufficient leverage to reconstruct Western Europe according to its own wishes.'<sup>266</sup> It was the new institutional structure, in particular the EPU and the ECSC, put in place by some of the European governments themselves which, he claimed, was ultimately responsible for the success of the postwar settlement in Europe and for laying the basis for its unprecedented period of peace and prosperity.

Alan Milward thus concluded that not only did Marshall aid not need to save Western Europe from economic collapse, nor did it lead to the elimination of the dollar deficit and the operation of the Bretton Woods system, but nor to European integration within a large monetary or free-trade framework. Quite apart from the payments difficulties which meant that the entire sterling area had to be brought into the EPU, '[t]he opposition between French policies towards Germany and those of Britain and America were so profound that no worthwhile decisions about European economic co-operation, much less integration, could be

<sup>263</sup> These claims were made by Wexler (1983) as well as, among many others, Kaplan and Schleiminger (1989).

<sup>264</sup> This is one of Milward's direct criticisms of Kaplan and Schleiminger; see Milward (1990).

<sup>265</sup> Milward (1985c), 342.

<sup>266</sup> Milward (1984), 469.

taken in the framework of the CEEC or its successor [the OEEC].<sup>267</sup> But what Milward did accept was that the United States was able to put pressure on the French government to change its policy toward Germany in the direction of a Franco-German association.

Integration came about not from the original American promotion of a customs union in the OEEC but from a European solution to the German question, which at the same time solved specific European domestic problems. The French proposal of 9 May 1950 was a response to the U.S. pressure in favor of the ‘normalization’ of western Germany at a time of rising conflict with the Soviet Union, but it was also, as Alan Milward demonstrated, the outcome of over five years of attempts to address the reasons for France’s collapse in 1940. One constant element of French policy since the liberation of France had been a determination to strengthen France as an industrial power by expanding and modernizing its basic industries, including its capital goods industries. As recognized by the provisional government of France’s fourth republic headed by General Charles de Gaulle, this depended on France having access to certain German raw-material resources – above all coal and coke from the Ruhr and the Saarland. In political terms, modernization and industrialization became synonymous with national security, territorial integrity, and economic independence. Modernization and industrialization were seen to be the only path for the future viability of France as an independent nation. In one of his last acts before leaving French politics for twelve years de Gaulle had, in January 1946, created a body to plan the reconstruction of France, the *Commissariat général au plan* under Jean Monnet’s leadership. Central to what became known as ‘the Monnet plan’ was the objective of expanding the industrial base of the French economy, and the steel industry in particular, using coal and coking coal from the Ruhr as well as imports of investment goods from the United States, financed with U.S. dollars. It was a plan to make France rather than Germany the main industrial power in continental Europe but it failed to take account of the needs and aspirations of other West European countries which depended on a reconstructed German economy as a supplier and market, or of the British need to finance its zone of occupation in Germany which included the Ruhr. Following the breakdown in relations with the Soviet Union, it conflicted with the strategic needs of the United States to strengthen the western zones of Germany economically.

While the Marshall plan was designed to fund the expansion of the economies of both France and the western zones of Germany, it risked undermining the Monnet plan and by

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<sup>267</sup> Milward (1984), 467-468.

extension French security by offering France no permanent guarantee of supplies of coal and coking coal from the Ruhr in sufficient quantities and at a price which did not discriminate against French industry. With the establishment of a unitary and independent west German state at the six-power London conference on Germany in June 1948, the French government was forced to begin the search for such a permanent guarantee which would be acceptable to the new German state:

Until mid-summer 1948 [...] France's aims in European reconstruction were concentrated on a partition and permanent weakening of Germany and on acquiring a guaranteed access to German coal and coke resources. [...] From June 1948 onwards the Ministry of Foreign Affairs began the task of moving ministers, governments, parliament and people towards the alternative policy of a Franco-German economic association.<sup>268</sup>

The result of this process was the innovative supranational concept announced to the press by Robert Schuman, the French minister of foreign affairs, on 9 May 1950. It was to take yet one more year of negotiations before the French were able to secure through the Schuman Plan and the ECSC one of the key objectives of the Monnet plan. Although Alan Milward provided a pragmatic rationale for the French policy which culminated in Schuman's press statement, this did not mean that he did not appreciate the value, the revolutionary nature, and the overall importance of 'supranationality'. On the contrary, he considered that the supranational solution constituted the very last and crucial element in the reconstruction of Western Europe, the one that became a substitute for a peace settlement with Germany.<sup>269</sup> He showed that the new supranational structure was crucial, not only for the future of national planning in France, but for achieving the national objectives of the Benelux countries and Italy. Instead of free trade or the recreation of the prewar industrial cartels run by the industries themselves, the European states were able to retain control over sectors seen to be vital for their national economic security. The form that European integration took was to be a highly regulated market not within OEEC, as Washington had expected, but among six countries and in the two sectors of coal and steel.

The greatest contrast between what the United States wanted to achieve in postwar western Europe and what the West European governments produced themselves was that whereas the United States looked for a liberal solution to Western Europe's problems and to its own security concerns in the form of creating a single large market in Western Europe, the West European governments looked for a state-directed solution to a very specific problem.

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<sup>268</sup> Milward (1984), 467-468.

<sup>269</sup> It was not until September 1990 that a final peace settlement was signed between Germany and the Allies.

The basis of the U.S. international economic policy-making was, in Milward's view, 'the unquestioning assumption that the history of the United States itself provided some higher guide to the path of economic development'.<sup>270</sup> In other words, the larger market of the United States could be replicated in Western Europe. By contrast, western European governments believed that their security needs could not be left to the market or to the most powerful private business concerns. If nationalization was perhaps an answer to the problem posed by the control which the most powerful industry, that of steel, had been able to exercise over the domestic economy in the interwar period, to have put the German steel industry under the control of the German state would have been seen to undermine European security. On the other hand, for Italy, which wanted to develop its own steel industry free competition within Europe was not possible. The problem of the coal industry was quite different. It was an industry in which productivity was in decline. Nowhere was this more serious than in Belgium. Managing that decline in a way which did not cause unemployment on a large scale was a challenge of a different sort. The solution to both challenges was negotiated by all six governments which signed the Treaty of Paris. As Tobias Witschke and Charles Barthel clearly show, the establishment of the ECSC, however supranational its High Authority was to be, did not mean that the European states intended to lose control or indeed lost control over the regulatory framework that affected their coal and steel industries.<sup>271</sup> The western European governments without exception were determined to maintain their sovereignty and their ambitions to pursue specific national economic strategies. Key to the successful pattern of institutionalized economic interdependence was, Alan Milward affirmed, that it served 'the separate national interests of the countries concerned'.<sup>272</sup>

Initial reviews of *The Reconstruction of Western Europe* were positive acknowledging its stimulating and provocative nature, but also its intrinsic complexity.<sup>273</sup> Apart from those who found the detailed arguments 'rather indigestible' there were others who criticized his focus on 'bread and butter issues' when they expected him to discuss the Cold War.<sup>274</sup> Alan Milward accepted the Cold War as the historical context in which Western Europe was

<sup>270</sup> Milward (1984), 285.

<sup>271</sup> Witschke (forthcoming) and Barthel (forthcoming).

<sup>272</sup> Milward (1984), 470.

<sup>273</sup> 'Stimulating and provocative' is the verdict of Frederick J. Breit's review of *The Reconstruction of Western Europe* (188), and 'provocative and stimulating' but 'ultimately convincing' that of Schwartz's review (666). The review by Marks, leaves no hint of doubt that, in her opinion, Milward's book is a 'massive' study (408); Breit (1985), Marks (1985), and Schwartz (1987).

<sup>274</sup> Wightman (1985) and Ludlow (2007), 3.

reconstructed but argued that it did not explain the nature of that reconstruction. As Alan Milward was to explain later

[t]he greater importance which western Europeans states placed on social and economic recovery rather than very high levels of military expenditure as a barrier against Communist aggression meant that the United States had no choice but to accept that to press Europe for a contribution equal to its own to the military security of Europe was so divisive as to weaken rather than strengthen security in both senses. This conclusion remains supported by the historical evidence of the Marshall Plan period.<sup>275</sup>

David F. Good concluded, perhaps prematurely that ‘[i]n the end his arguments persuade. After this, who can doubt that it was the pursuit of national self-interest and not the heady idealism of European romantics that ultimately shaped the economic and political institutions of reconstructed Europe?’<sup>276</sup> We believe that the European romantics have not lost their influence completely.

In the years following the publication of *The Reconstruction of Western Europe* Alan Milward’s views stimulated considerable research and debate toward the end of the 1980s.<sup>277</sup> Milward was to observe though that many historians had simply not understood his arguments. He was particularly disappointed to see that in Michael Hogan’s scholarly history of the economic diplomacy of the Marshall plan, his arguments had been entirely rejected.<sup>278</sup> On the basis of archival research in the United States and Britain, Hogan had argued that through the Marshall plan the United States had transmitted the politico-economic compromise of the American New Deal as amended by the Second World War to Western Europe; that this in turn had produced the stability and prosperity which characterized post-1947 West European corporative neo-capitalism, and led to the integration of western Europe into one single market, and ultimately made the Bretton Woods system operable. Without Marshall aid, Hogan affirmed, ‘a serious crisis in production would have come with the collapse of critical dollar imports’.<sup>279</sup> Without the Marshall plan, the economic recovery of western Europe and thus the favorable conditions for its transformation into a Golden Age would have not been possible.

In this Hogan was accepting the economic arguments of the Marshall planners at face value. When invited to write a review of Hogan’s book Alan Milward used the opportunity to

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<sup>275</sup> Milward (2003), 208.

<sup>276</sup> Good (1986), 546.

<sup>277</sup> For a presentation of the subsequent, mainly European historiography of the Marshall plan see Burk (2001).

<sup>278</sup> Hogan (1987).

<sup>279</sup> Hogan (1987), 431.

set out his arguments once again.<sup>280</sup> What Milward was at pains to demonstrate was that many of the arguments of Marshall planners were politically motivated and had no foundation in economic reality. Not only did he doubt that the ideology underpinning the Marshall plan originated in the New Deal but he was convinced that the political consensus in postwar western Europe pre-dated the Marshall plan and was ‘more the outcome of shifts of political power which imposed policies on frequently reluctant politicians and civil servants than the outcome of changes of intellectual outlook by policymakers or of any coordinated international attempt to overcome the manifest weakness of the international economy.’<sup>281</sup> As he had argued in *The Reconstruction of Western Europe* given the political and economic conditions in western Europe there was no evidence pointing to an economic collapse had the U.S. government not supplied dollars through Marshall aid. He went on to address the second claim made by Hogan, that the alternative policy options which the absence of the Marshall plan would have made necessary were ‘not available to the fragile coalitions that presided over many of the participating countries, none of which could retreat from already low levels of consumption and hope to survive’.<sup>282</sup> This argument, Milward elaborated,

needs to be emended in one respect where Hogan has perhaps not understood the statistical implications of the contrary argument. No government needed to *reduce* the levels of food consumption of 1947 to implement the alternative policies, and most could have increased them. Of the six countries in question, four could still have obtained dollar capital goods and raw material imports in the same value as under the Marshall Plan and have had a margin of extra gold/dollars for food imports above the 1947 level. Only France and the Netherlands would have had to stay at that level.<sup>283</sup>

Accepting that emendation Alan Milward presented the alternative course of action that several governments had considered when the conditions attached to U.S. assistance appeared initially as too intrusive. Considering the case of France, the country which perhaps best fits Hogan’s ‘fragile coalition’ definition, Alan Milward insisted that the French government would not have collapsed for economic reasons had there been no Marshall aid. It was a convenient tactic for the government to warn of a political collapse. The country which was most dependent on Marshall aid was Britain, not an example of the sort of weak coalition government to which Hogan was referring. It was in Britain that the new direction taken by the United States in proposing Marshall aid and abandoning a global solution to the problem

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<sup>280</sup> Milward (1989).

<sup>281</sup> Milward (1989), 237.

<sup>282</sup> Hogan (1987), 431.

<sup>283</sup> Milward (1989), 242.

caused by the dollar shortage could have been most damaging economically, had dollar aid not been extended belatedly to include the sterling area in the EPU. Was the Marshall plan necessary? On balance, Alan Milward's answer was that, 'eminently successful policy though it was, the postwar European world would have looked much the same without it.'<sup>284</sup>

After the collapse of the Soviet empire, attention in the United States focused on whether a Marshall plan for eastern Europe would be an appropriate vehicle for introducing capitalist methods into those countries and for closing the gap in economic performance between eastern and western Europe. In 1993 J. Bradford DeLong and Barry Eichengreen concluded that in fact Milward was correct to argue that Marshall aid was not large enough to 'significantly stimulate western European growth by accelerating the replacement and expansion of its capital stock', nor to finance reconstruction which was completed by 1948. But they maintained that Marshall aid did make a difference to Western Europe and that difference was in altering the environment in which economic policy was made. In their view, the ERP meant a careful, managed return to markets after the market failures in the Great Depression. Had it not been for Marshall aid, they asserted, western European governments would have continued to control imports in order to cope with their deficit in external payments. Marshall aid therefore helped them to restore the market and to move to the multilateral system of Bretton Woods.<sup>285</sup> Alan Milward's warning that historians should not assume that the period 1948-1958 was 'only a journey back' to the Bretton Woods system was rejected.<sup>286</sup> His demonstration that trade in western Europe continued to be controlled in the 1950s was also dismissed. Significantly though, the United States did not offer a 'Marshall plan' to eastern Europe.

Alan Milward's own view almost twenty years after he had first analyzed the ERP was that the Marshall plan

cannot be said to have been economically necessary to the continuation of the boom, but it did, of course facilitate its continuation. It made the international imbalances of the European countries less acute in 1948 and 1949. More important than the Marshall Plan was the decision to divide Germany and to create the Federal Republic as a west European state. The role of the Federal Republic in the intra-west-European trade network became a major contribution to stabilising the international economy.<sup>287</sup>

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<sup>284</sup> Milward (1989), 252.

<sup>285</sup> DeLong and Eichengreen (1993), 190-191.

<sup>286</sup> Milward (1989), 237

<sup>287</sup> Milward (2000), 233.

It was precisely the contribution of the west German economy to the trade and payments of western Europe in the 1950s and to the decision of the six ECSC member states to form a common market which was to occupy Alan Milward's intellectual energies for the next few years.

### **9. *The European Rescue of the Nation-State* (1992) and *The Frontier of National Sovereignty* (1993)**

In writing *The Reconstruction of Western Europe* Alan Milward had explained that his original intention had been to write a history of the great European economic boom. What he wrote instead was a history of the first seven years of that boom. Returning to his original question he now wanted to know what had enabled the postwar European boom to continue after 1951 and last for so long. Why, he asked rhetorically, had the economic recovery in western Europe not been thrown into reverse by the recessions originating in the United States in the 1950s and, as had happened in the 1920s, been transmitted to western Europe? Another puzzle was to explain the fundamentally contradictory tendencies whereby the state was to cede some of its enhanced powers to the new supranational institutions in the European Community. His search for explanations of the great European boom thus involved an analysis of the reasons for the further integration of Western Europe.

As ever he began his research just at the time when the governmental records for the period in question (in this case for the period leading up to the Treaties of Rome in 1957) were being opened in many countries. This time, however, Milward was fortunate in directing a research project 'Challenge and Response in Western Europe: The Origins of the Treaty of Rome' at the EUI, where he had been appointed to the chair in contemporary European history in 1983.<sup>288</sup> He was able to draw on the research of the many scholars either working on the subject at the EUI or invited there as visitors. In a number of publications (articles and chapters in collective works) Milward referred to the work of these scholars as providing the basis for further thought about the role of western European nation-states in the first decade after the end of the Second World War and, particularly, the motives behind their choices for interdependence and integration. In the preface to the 2003 paperback edition of *The Reconstruction of Western Europe*, which incorporated several important changes to the original edition, Milward paid tribute to this research group by announcing that

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<sup>288</sup> He was able to persuade the High Council of the EUI to create a chair in the History of European Integration in 1984 on a permanent basis.

four more years of research [at the EUI] have convinced me that the historical evidence from the 1950s demonstrates that there was indeed an imperative towards wholly new forms of interdependence and to the transfer of national ‘sovereignty’ to non-national institutions, which the nation-state had to follow to make itself once more an accepted and strong unit of organization. It would now be possible to replace the theories rejected in the last chapter [of *The Reconstruction*] and formulate a historically-convincing intellectual foundation for the process of European ‘integration’, although it would be equally disappointing to federalists and their associates.<sup>289</sup>

When he returned to Britain to fill a chair in Economic History at the LSE, he retained his links with the research project at the EUI, now directed by a former colleague from UMIST who had become Professor of Economic History at the University of Amsterdam, Professor Richard T. Griffiths. On the occasion of Alan Milward’s resignation from his chair at UMIST, the Senate of the University of Manchester passed a lengthy resolution of thanks to their former professor, founder of the Department of European Studies and of the Bachelor of Science degree program in European Studies and the Master of Science degree program in European Community Studies, noting among other things that

[h]is participation in staff seminars, whether hosted by the Department of European Studies or held elsewhere in the University, was always extremely stimulating, and revealed the breadth and catholicity of his academic interests and knowledge, often easily over-stepping artificial disciplinary boundaries.

They went on to say that

[h]e was always keen to foster good staff-students relations in the Department. One of the ways in which he did this was on the cricket field, where he was a fast bowler of fearsome appearance and awesome reputation, and was a member of the legendary European Studies X1 which, astonishingly for such a small Department (and one in which male students and staff are in a minority) won the UMIST inter-departmental knock-out a few years ago.<sup>290</sup>

The mid 1980s was a time of renewed popular and political interest in the historical dynamics of European integration stimulated by the ratification of the Single European Act in 1986. It was a time when the classical theories of integration were enjoying a resurgence of support and when the prospect of political union in Europe returned to excite and divide opinion. It was in Britain where Milward prepared his next book, *The European Rescue of the Nation-*

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<sup>289</sup> Milward (1984 - 2003 reprint), xix.

<sup>290</sup> University of Manchester, ‘Resolution of Thanks to Former Professor’ adopted by Senate at its meeting on 6 November 1986 and by Council at its meeting on 3 December 1986; private papers of Alan S. Milward.

*State*, which was to be published in the year in which the Treaty of Maastricht promising ‘ever closer union’ was signed.<sup>291</sup>

Alan Milward was one of the first historians to consider European integration to be a subject of sufficient importance to merit historical investigation. He initially based his research on the theoretical explanations offered by other disciplines, most notably economics and political science.<sup>292</sup> In his view, most economic theory saw the integration of markets as the direct outcome of their growing interdependence. Questioning whether European economies were any more interdependent in the 1950s than they had been under the gold standard between 1896 and 1914, he argued that there was nothing inherent in the nature of economic development which led to the erosion of the state and national frontiers in the interests of maximizing profits and incomes. Indeed, as he pointed out, interdependence could also lead to the growth of separatist movements and the creation of new nation-states rather than the opposite. Although integration was generally considered to have a positive economic effect, economists had great difficulty in measuring those dynamic effects since their assumptions were based on static equilibrium analysis, he said. If he did not agree that there was any automatic connection between economic interdependence and integration, nor did he agree with the argument that ‘the growth of markets inevitably generated economies of scale in manufacturing and retailing which in turn generated higher rates of productivity improvement which in turn generated higher rates of national income growth, thus enabling governments to satisfy many of the stronger political pressures on them after 1945.’<sup>293</sup> This was an argument frequently advanced in the United States to justify the purpose of Marshall aid, and which spawned a number of European ‘productivity missions’ to the United States in the late 1940s and early 1950s. It formed the basis of Maier’s argument that it was by promoting the growth of labor productivity that western European governments were able to overcome the social tensions of the prewar period. But, since he did not accept the proposition that growing markets inevitably led to improvements in productivity, Milward found Maier’s ‘politics of productivity’ a sophisticated intellectual argument but not an explanation for the growth which occurred in Western Europe.<sup>294</sup> Not content with Keynesian explanations which focus on the role of the state in promoting high rates of economic growth in Western Europe, Milward wanted to know ‘[b]y what precise political mechanism did the organisational unit of the state, so feebly incapable even of fulfilling its primary task of

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<sup>291</sup> Milward (1992).

<sup>292</sup> See Milward (1984), 494 ff. In Milward (1988) he summarized why he was not convinced by those theories.

<sup>293</sup> Milward (1988), 6.

<sup>294</sup> Milward (1988), 6. Maier (1977).

protection in 1940, come to play such a role in the vast improvement in human life which took place'.<sup>295</sup>

He was equally skeptical of the value of the various theories which had been put forward by political scientists to explain integration. There was no evidence he suggested to support Karl W. Deutsch's theory that western capitalist economies were becoming more similar both in their economic policies and political objectives and had devised institutional methods of cooperating with each other which built on their common sense of purpose and community.<sup>296</sup> There was plenty of evidence of conflict between national objectives, Milward asserted, some of which was generated by the new institutions themselves and which required action by national governments to resolve.<sup>297</sup> He also found the neo-functionalist theory developed by Ernst B. Haas problematic for different reasons. Haas argued that if integration was chosen as a framework to permit a greater degree of interdependence between countries, since national governments would then have to compete with other interest groups for the loyalty of their citizens within the new integrated institutions, the common interest would prevail over national interests resulting in further integration.<sup>298</sup> Even though Haas had rejected the functionalist division between low-level technical issues and high-level political ones, seeing all issues as political, he did not in Milward's view offer a convincing explanation as to why nation-states opted for integration rather than interdependence in the first place. And he disagreed, in the second place, that, having chosen integration, it would lead to further integration, citing the results of recent research into the history of the ECSC which suggested that 'nation states actually weakened the integrative powers of the High Authority as soon as they began to operate inside its ambit.'<sup>299</sup>

As an historian, the main difference which he saw between the 1950s and earlier periods when the degree of economic interdependence in western Europe was as high if not higher, was that in the 1950s states believed that they could further their national interests permanently through growing and state-controlled economic interdependence and looked for ways to ensure that the arrangements which were in place in the 1950s would not be dismantled.<sup>300</sup> It was thus to the changes in the nature of the state itself in postwar Europe, in political parties, and in national economies that Alan Milward turned first for explanations of the boom and of the integration of the European economies. At that time, for both supporters

<sup>295</sup> Milward (1992), 24.

<sup>296</sup> Deutsch *et al.*, (1957).

<sup>297</sup> Milward (1988), 4.

<sup>298</sup> Haas (1958).

<sup>299</sup> Milward (1988), 6.

<sup>300</sup> Milward (1988), 11-12.

and opponents of a federal Europe, the process of integration was seen as one in which the supranational institutions of the European Community were replacing those of the nation-state. Milward, questioning whether such an antithesis between the two existed, was to reach the paradoxical conclusion that integration, far from weakening the nation-state, was a policy choice designed to strengthen it, enabling it to implement the domestic policies for which there was a consensus within and among states and which could not be implemented by more traditional methods. Starting from the assumption that after 1945 the governments of democratic western Europe considered that performing those policies was essential to legitimate the new postwar nation-state and to regain the allegiance of their citizens after the capitulation of all but Britain to Nazi Germany, Milward applied the very visual concept of the ‘European rescue of the nation-state’ to the decision taken by European states to surrender a degree of sovereignty to supranational institutions in order to strengthen the power of the state over the market, when it was seen to be necessary for political, economic, and strategic reasons. As he explained

[o]ne of the inherent instabilities of the political economy of the post-war nation was that it had to be internationalized at certain points if it was to survive. All history is movement, and in its rescue the European nation-state was laying the basis of a new international order for the continent. Yet the feasibility of that order was, and continues to be, determined by the evolution of national economic life. [...] Although therefore the European rescue of the nation-state was necessarily an economic one, it is at the point where that economic rescue intersected with the problem of Germany’s future in Europe that the common policies of the European Community developed.<sup>301</sup>

He strongly believed that because the real reasons for the creation of the European Community had been misunderstood by those who saw it either as a purely diplomatic solution to the problem of European security or as a liberal solution to Europe’s lack of competitiveness, this misunderstanding was taking the European Union in directions marked most of all by a lack of humanity. It was to warn people that the European Union had not been built on an abstract idea of a united Europe, which could be applied indiscriminately to any issue, but was the result of creative decisions taken by the postwar state ‘to improve the material conditions and happiness of large numbers of people’ as well as providing security against a resurgent Germany, that he felt compelled to write *The European Rescue of the Nation-State*.<sup>302</sup>

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<sup>301</sup> Milward (1992), 44-45.

<sup>302</sup> Milward (1992), xi-xii

Contrary to the prevailing political science theories which, he observed, focused on ‘the creation of the institution more than the nature of the problem with which it was supposed to deal’, he analyzed integration in terms of the challenges facing the postwar state in Western Europe.<sup>303</sup> His starting point was the impact on the west European state of defeat and occupation in the Second World War. Drawing on his research into the Second World War, he concluded that ‘[d]efeat and occupation were not merely a collapse in the face of overwhelming military superiority; in most cases they were also a collapse of internal morale.’<sup>304</sup> As he had previously argued, individual acts of resistance may have been important for restoring individual morale during the occupation, but, contrary to the national myths cultivated by postwar governments, they did not provide the basis for restoring the nation’s collective morale after the war. The basis of Milward’s argument, which he set out in a number of case studies in *The European Rescue of the Nation-State*, was that there was a recognition among the ruling élites in western Europe that ‘the post-war state had to be constructed on a broader political consensus and show itself more responsive to the needs of a greater range and number of its citizens if its legitimacy was to be accepted.’<sup>305</sup>

Political parties had to change from being ‘clubs of like-minded individuals associating to vote together at the parliamentary centre’ to becoming ‘a machine for discovering the demands coming from below in society and transmuting them into policies’.<sup>306</sup> While he acknowledged that ‘force was to remain as it always had been the core of the state’, he concluded that ‘one of the characteristics of the new power structure of the post-1945 state in western Europe was that it needed to have less recourse to force than did its predecessors.’<sup>307</sup> In place of repression, the postwar state was based on a much wider political consensus than before the war, responsive to the demands of labor, agricultural producers, and ‘lower and middle income beneficiaries of the welfare state’.<sup>308</sup> This resulted in a much larger state commanding budgets in which expenditure on defense, housing, industrial modernization, and, in the 1960s, education, were all growing.<sup>309</sup> Not only was the effect less inflationary than its critics maintained, with rates of inflation in the 1950s lower than in the twenty years of anti-inflationary policy after 1973, but the contribution of government policy to growth was much less than the changes that occurred in western Europe independently of the state

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<sup>303</sup> Milward (1992), 12.

<sup>304</sup> Milward (1992), 26.

<sup>305</sup> Milward (1992), 27.

<sup>306</sup> Milward (1992), 28.

<sup>307</sup> Milward (1992), 24-25.

<sup>308</sup> Milward (1992), 27.

<sup>309</sup> Milward (1992), 36.

and its activities. These changes were the great increase in manufacturing in western Europe which drew people in their hundreds of thousands out of the agricultural sector. It would come to be seen, he predicted, as the culmination of the great wave of European industrialization which began in the seventeenth century.<sup>310</sup> What characterized the period in western Europe both historically and in comparison with the experience in eastern Europe was the rapid increase in purchasing power which led to the very rapid growth of production, trade, and ownership of objects. It was, he maintained, the vast choice and ability to purchase consumer goods which was held up as ‘the superiority of Western Europe over the undemocratic governments of Eastern Europe, with missiles and sputniks but without washing machines and cars.’<sup>311</sup> The fact that the postwar political consensus resulted in such rapid economic change was, he argued, ‘largely coincidental, both in thought and action.’<sup>312</sup> He was therefore arguing that the origins of both the European boom and European integration lay in the political priorities set by some national governments rather than being driven by purely economic factors or ideas about uniting Europe.

In what Andrew Moravcsik was to describe as an ‘oblique research strategy’, Alan Milward drew the evidence for his explanation of integration from a number of different countries and sectors of activity in the 1950s which ranged from coal-mining in Belgium and trade in manufacturing in western Europe to the protection of agriculture and the British government’s unilateral plans to restore the convertibility of sterling. What Moravcsik found ‘frustrating’ however was the lack of a single explanation of integration which applied to all countries.<sup>313</sup> Instead of a theory of integration he complained that Milward had offered a set of observations in search of a theory and by referring to political science theories of integration which were already ‘old hat’ Milward had ignored the more recent developments in political science. Moravcsik’s criticism strongly resembled the sort of comment made by economists when reviewing Milward and Saul’s interpretations of European development and growth in the nineteenth century.

Even before *The European Rescue of the Nation-State* had gone to press Milward had already embarked on another book, in collaboration with some of his former research students and colleagues.<sup>314</sup> The introduction to the collective volume *The Frontier of National Sovereignty*,

<sup>310</sup> Milward (1992), 40.

<sup>311</sup> Milward (1992), 129.

<sup>312</sup> Milward (1992), 33.

<sup>313</sup> Moravcsik (1995), 127 (both quotations).

<sup>314</sup> Milward, Lynch, Ranieri, Romero, and Sørensen (1993).

which he wrote with one former student, caused some outrage by describing neo-functionalism as a theory of the Cold War and ‘the intellectual foundation for a hegemonic foreign policy architecture’ in the United States.<sup>315</sup> The Cold War was, Milward and Sørensen argued, ‘first and foremost a war of propaganda’.<sup>316</sup> They likened the teleological theories of integration, such as those of functionalism, neo-functionalism and federalism, which proliferated in the 1950s and 1960s with Rostow’s stage theory of economic growth, which Rostow had explicitly called a *Non-Communist Manifesto*. Such teleological integration theories, they claimed, were equally driven by ideology, but more covertly. They were, they maintained, ‘essentially models of social engineering for the containment of communism and the promotion of economic growth.’<sup>317</sup> When the end of the Vietnam war punctured the confidence which underpinned such integration theories in the United States, political scientists replaced them with interdependence theory, leaving Europeans without an adequate theoretical explanation for the creation of the supranational institutions of the European Communities. Interdependence theory, even though it was to become popular as a description of the way that the EC operated in the 1970s and early 1980s did not explain, to Alan Milward’s satisfaction, why interdependence had been replaced by a degree of integration in the 1950s or indeed in the 1980s and 1990s. He had set out to provide such an explanation for the past, but also one which would predict whether the degree of integration would be maintained in the future, extended or even reversed. It was a vital part of his implicit theory of historical change. It rested on his conviction that for integration to be successful it had to be based on consensus. Nazi Germany, as he had demonstrated in his previous research, had not succeeded in uniting Europe by force. The German occupation of Europe was not working economically even before Germany was defeated militarily. Integration could not be achieved through force, but was the policy chosen by European nation-states who held similar domestic objectives and similar concerns about protecting themselves against a resurgent Germany. It had to be achieved through consensus from both within and among nation-states. It was for that very reason that all member states had to be democracies. Turning the federalist theory on its head he argued that the end of integration would mean the end of the nation-state.

What all six countries which signed the Treaties of Rome in March 1957 shared was a determination to ‘reassert the nation-state as the fundamental unit of political life as

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<sup>315</sup> Milward and Sørensen (1993), 3.

<sup>316</sup> Milward and Sørensen (1993), 1.

<sup>317</sup> Milward and Sørensen (1993), 1.

vigorously and securely as possible.<sup>318</sup> In order to regain the legitimacy in the eyes of voters which had been diminishing since the Great Depression and had evaporated completely in 1940, they adopted a set of policy objectives some of which could be met through traditional channels and some of which required new structures outside the nation-state. Put another way, some of these policies were within the power of the state to deliver but others, particularly if they were not shared by other states, risked being undermined by them through competition. Although in general terms many of these objectives were shared by all six governments which signed the 1957 Treaties of Rome, such as the provision of social welfare, agricultural protection, full employment, and the promotion of industrialization, the policies required to meet these objectives could and did vary enormously. In the case of Belgium, to which Alan Milward devoted an entire chapter of *The European Rescue of the Nation-State*, where ten per cent of total industrial employment was in coal-mining in 1950, full employment meant finding a way of protecting those jobs in the face of competition from the more efficient coal-mining industry in west Germany and the United States.<sup>319</sup> Whereas interdependence, in the form of trade liberalization, would have thrown the full cost of job protection or welfare onto the Belgian state, integration offered a means for the Belgian government to negotiate financial assistance through the new supranational institutions, which in fact meant that the west German government was the main paymaster of the declining Belgian coal industry. As Alan Milward was to calculate

[w]ithout counting the opportunity costs of using high-price domestic coal instead of cheaper imports, the cost of preservation of so much employment in coal-mining in subsidies alone was \$141.42 million between 1953, when the common market in coal opened, and 1958. But \$50.08 million of this sum was contributed by other Community members, mainly by the German Federal Republic. The integrationist solution was used to sustain levels of welfare and employment in Belgium which would have been much less easily sustainable within a system of interdependence.<sup>320</sup>

Belgium exemplified the way in which a small country could act to protect its vital interests. Again, by even considering the position of small countries within Europe he distinguished himself from the majority of scholars who focused only on the major powers, which in the case of continental Europe meant France and Germany. As Alan Milward had previously explained when writing about the reconstruction period, ‘[t]here is not much a small power

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<sup>318</sup> Milward and Sørensen (1993), 5; fuller treatment in Milward (1992), 1-20.

<sup>319</sup> Milward (1992), 46-118.

<sup>320</sup> Milward and Sørensen (1993), 11; extended elaboration in Milward (1992), 116-117.

can do to influence the course of history. If the moment is well chosen and the interplay of national interests correctly judged, however, the small power is not helpless.<sup>321</sup>

For the Netherlands, a small economy which was highly dependent on foreign trade and on the sort of trading networks which had been instituted by Germany during the Second World War and on which its prosperity was increasingly seen to depend after the war, the priority was to ensure that the Federal Republic of Germany would not turn toward eastern Europe for its imports, as it had done in the 1930s. Its interests were therefore in creating some sort of institutional structure governing trade in western Europe which would lock the Federal Republic of Germany into it. Many governments, Milward observed, turned to foreign trade as an engine of economic growth even though the macroeconomic evidence on which that was based was very uncertain.<sup>322</sup> Increasing trade liberalization too quickly could threaten some elements of the postwar consensus. For this very reason, Alan Milward argued, the ‘insistence on policies of national economic development through industrialization produced a mixture of liberalization and protection of manufactured trade which was highly selective.’<sup>323</sup> The national tariff, which until the great depression of 1929-1932 had been the mechanism through which parliaments rewarded or penalized particular social groups, had come to be replaced by other forms of protection developed on an *ad hoc* basis in the 1930s, and after 1945 on a much more coherent and systematic basis, enabling governments to combine commercial policy with industrial policy.<sup>324</sup>

Integration was primarily the first choice of smaller European powers to ensure that the economic gains which they had made in the 1950s would be irreversible. In general, all five European governments shared a concern to lock West Germany into the pattern of trade and payments which had developed in western Europe since the division of Germany in 1948. As Alan Milward explained ‘the tendency of the pre-war Reich to form a trading web with the smaller trade-dependent economies of central and south-eastern Europe was replaced after 1948 by the tendency of the Federal Republic to form a trading web with the smaller trade-dependent economies of Western Europe.’<sup>325</sup> Whereas before 1939 the highly protectionist Third Reich was characterized by exporting manufactured goods in return for food and raw materials, the postwar Federal Republic was increasingly engaged in an intra-sectoral exchange of manufactures. The German economy proved to be a much more stable market

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<sup>321</sup> Milward (1984), 446.

<sup>322</sup> Milward (1992), 127.

<sup>323</sup> Milward (1992), 130.

<sup>324</sup> See Milward (1981), for his view of the theoretical underpinning of the relationship between international trade policies and political evolution from 1850 to 1980.

<sup>325</sup> Milward (1992), 139. Theme anticipated in Milward (1991).

than that of the United States where fluctuations in demand and the arbitrariness of U.S. commercial policies affected European exports. It was a combination of long-run development trends and the new policies adopted in western Europe and in the Federal Republic of Germany which made the latter essential for the stability of western Europe. The legitimacy of the European nation-state, he argued,

had come to depend on a country that was not really yet a country, without full national sovereignty until 1955, an artificial creation whose future was highly uncertain, still the subject of a possible deal between America and Russia, and still deeply distrusted. [...] It was commercially, as the pivot of West European trade that West Germany had to be bound in place, and it was this necessity, particularly as the trade boom accelerated after 1953, that gave increasing force to the idea of the customs union.<sup>326</sup>

After the Second World War the historical pattern, which had persisted since the late 1870s, of a low-tariff group of small countries in western Europe and a group of relatively protectionist larger economies reemerged with, as Alan Milward observed, the difference being that Britain was now on the protectionist side.<sup>327</sup> Low tariff countries had little bargaining power in GATT and none in OEEC where, under the control of Britain and France, trade liberalization took the form of reductions in quantitative restrictions on trade, not in tariffs.

The organizations which had been envisaged by Allied postwar planners, such as the IMF and the ITO (for which GATT was the substitute), were worldwide and lacking in any powers to determine the direction of trade whereas, as Alan Milward showed, the Netherlands and other European countries needed some precise mechanisms in Europe which would link the expansion of foreign trade to the rapid growth of national income. The challenge for western European states was to find some means to safeguard their national development policies by means of establishing a new and more sophisticated mix of liberalism and protectionism within the new international economic order.<sup>328</sup> Rather than seeing the decision to create the EEC as the result of the Cold War and the new strategic position of West Germany, Alan Milward was at the time unique in arguing that it was primarily the political economy of the postwar European nation-states which explained the need for integration. The Cold War and the division of Germany were the context in which decisions on integration were taken, but they did not explain those decisions. Under repeated

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<sup>326</sup> Milward (1992), 167.

<sup>327</sup> Milward (1992), 177.

<sup>328</sup> Milward (1992), 130-134.

challenge to explain why he had completely ignored the role played by the Cold War in explaining European integration, he was to say that he had ‘deliberately under-emphasised [it] for purposes of creative exaggeration’ because ‘where foreign policy considerations mattered – and in the cause of keeping our bit of Germany under control they certainly did – there could only be such consensus about them because of the similar political economies of the separate nations.’<sup>329</sup>

If any clear starting date for the history of the EEC had to be chosen, he argued that it was when the Dutch foreign minister, Johan Willem Beyen, first proposed a customs union in 1950 rather than the Messina conference in 1955, the date chosen by most historians.<sup>330</sup> Alan Milward maintained that

[i]t was [...] always the Dutch official position after summer 1950 that only supranational constitutional machinery with real executive powers could in fact guarantee that the liberalization of the international sector would be an irreversible process (unless by some entirely unlikely event the United Kingdom changed its foreign policy and agreed on the same outcome enforced by OEEC).<sup>331</sup>

It was the French who changed their policy and finally agreed to a common market in Europe. However, whereas diplomatic historians underlined the fundamental importance of international political crises, such as that of the Suez fiasco and the Hungarian uprising in 1956 to explain the French decision to sign the Treaties of Rome, Alan Milward explained it in terms of the political economy of the French Fourth Republic.<sup>332</sup> It was the recognition in France, he argued, that the protectionist policies incorporated in the first two modernization plans had failed to limit the expansion of imports in the 1950s, that explained the decision to liberalize trade within Western Europe.<sup>333</sup> Although France had a much smaller share of its total trade with western Europe than most other European economies, the Federal Republic was its biggest outlet for the increase in its exports at a time when empire trade, the biggest share of total trade, grew only sluggishly.<sup>334</sup> It was also the Dutch position, as he showed, that the production, price, and exports of the agricultural sector should be regulated in common rather than left to national control.<sup>335</sup>

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<sup>329</sup> Milward (1996), 58.

<sup>330</sup> Milward (1992), 196.

<sup>331</sup> Milward (1988), 11.

<sup>332</sup> Milward (1992), 215.

<sup>333</sup> Milward (1992), 133.

<sup>334</sup> Milward (1992), 204.

<sup>335</sup> Milward (1992), 283.

In his research into the origins of the common agricultural policy, Alan Milward was anxious to lay to rest many persistent myths, of which the two most prominent were, firstly, that it represented a Franco-German deal in which Germany, in return for a market for its industrial exports in France, conceded to France a market for its agricultural exports, and secondly, that it was based on the desire to retain the family farm as the model for European agriculture. Both myths, he argued, failed to take account of the very great changes in the position of agriculture and in French political priorities which the Second World War had brought about. To take the first myth, he argued that the priorities of successive postwar French governments, as exemplified in the first instance by the Monnet plan, had been to strengthen France as a modern industrial power in opposition to the romantic notion held by a section of the Vichy regime that France was and should remain primarily a producer of food surpluses. The EEC Treaty of Rome was to provide a framework which would secure the continuation of French industrialization within a wide, protectionist regional framework, which would check somewhat the competition of German industry. France also needed a market for its agricultural surpluses, but would have been content with negotiating long-term purchase contracts for them, he argued.<sup>336</sup> The second common error, in his view, was to confuse the rhetoric of preserving the family farm and of farming as a way of life with the reality of European government policy toward the agricultural sector in the very changed conditions after the Second World War. His co-edited collection of research papers on the impact of the Second World War on agriculture across the world confirmed how different the position of agriculture was in western Europe in 1945 in comparison with 1918. After the First World War

[I]low levels of world demand for foodstuffs and other primary products, low levels of investment in agriculture, high levels of protection for a low-productivity, low-income sector employing very large numbers of people at levels of marginal productivity close to zero, created [...] a set of social and economic problems which [...] had a strong influence on the politics of the 1930s.<sup>337</sup>

In the aftermath of the Second World War rising incomes led to an increase in the demand for food which called for a rapid and persistent increase in investment and productivity in the agricultural sector. Because the defeat of Germany and Japan was followed by the largest continuous industrialization boom in modern history, the relative weight of the agricultural sector in most economies rapidly declined as people moved out of the sector. But because

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<sup>336</sup> Milward (1992), 283. See also Griffiths and Milward, (1986).

<sup>337</sup> Milward (1985), 5.

demand for food expanded this was to increase the political power of farmers bringing agriculture into the postwar political consensus on which political stability depended. After the war governments adopted a whole series of measures designed to increase incomes in agriculture, but they did so in the context where the two acute problems of the interwar period, the low level of demand for primary products and the inability of political society to come to terms with economic change in the agricultural sector, had been cured by the war. It was the war which removed two serious obstacles from the way governments determined to raise per capita incomes by industrialization. The economic events of the war left agriculture in Europe, north America, and Asia in a position to contribute to the large increase in national product after 1945 in a way in which it could not have done before 1939. The Second World War thus undermined the position of those opposed to the modernization of the agricultural sector and accelerated the rationalization of units of land-holding. If governments in all developed economies continued to use the rhetoric of protecting the family farm as a way of life, it was in Alan Milward's view, only to disguise the dramatic changes which were taking place in the sector worldwide. A combination of rapid industrialization and subsidized investment in agriculture in the context of rapidly increasing incomes was to transform agriculture into a profitable sector in which returns to capital and labor were increasing rapidly while the numbers employed in the sector shrank dramatically. The one thing which was certainly not protected was agriculture as a way of life with the family farm at its centre.

The post-1945 world, in striking contrast to the pre-1939 world, was one of food shortage. The coincidence of high demand and low supply after the war naturally led to the persistence of the idea that some form of management of agricultural markets on the national and international levels was practical and desirable. By 1950 the first western European plans for the international management of agricultural markets through a 'green pool' were being discussed at the highest levels and there is a distinct connecting thread between intervention in the management of agriculture and food supply in the Second World War and the Common Agricultural Policy (CAP) of the EEC, whose tentacles were soon to extend to the control of food supply into Europe from other parts of the world.

If the objective of preserving the family farm and of farming as a way of life was judged by Alan Milward to be part of a myth cultivated by national governments and then repeated by the European Commission in defense of their common sectoral regulation another equally powerful myth, which he sought to expose, was that European integration was the result of a change in political thought. As an historian, he saw the need to establish 'in what way the political movements in favour of European unity had anything other than an

insignificant impact on international political and economic agreements'. Unable to establish any direct impact of such groups on the creation of the ECSC he viewed such explanations as 'no more than observations of a minor albeit interesting phenomenon.'<sup>338</sup> But in recognition of the continuing hold on opinion which 'the idea of Europe' had and of the influence of those who subscribed to it, he returned to the question in a chapter provocatively entitled 'The lives and teachings of the European saints'.<sup>339</sup> Here he argued that the 'great men' commonly acknowledged as the 'founding fathers of Europe' converted to the cause of European integration only when it was seen to be necessary to preserve the nation-state. Quoting Robert Schuman '[o]ur European states are a historical reality; it would be psychologically impossible to make them disappear. Their diversity is in fact very fortunate and we do not want either to level them or to equalize them.'<sup>340</sup> Of the German Chancellor Konrad Adenauer, he said 'Adenauer was unswerving in his idea that western European integration must be the basis of the Federal Republic's security and that it was ultimately the only chance of German reunification'.<sup>341</sup> Jean Monnet, as he reminded readers, was the architect of French national economic planning and was initially opposed to the common market, seeing the atomic energy community (Euratom) as more important. Monnet was also, as Milward pointed out, the least democratic of the founding fathers, never having had to fight an election. It was due to Monnet's influence, Milward said, that the EEC Treaty of Rome paid little attention to democratic accountability.<sup>342</sup> The challenge which Alan Milward threw down to those who continued to believe that it was the 'idea of Europe' itself which had determined postwar integration was to explain how an abstract idea came to be translated into policy. 'Was the idea,' he questioned, 'just floating in the air around the élite true believers, a bottle from which in deadlock they could take a swig of Eurospirit?'<sup>343</sup> However, it is evident that 'ideational' approaches have become increasingly influential in political science since the mid 1990s, with one of the key issues being the role played by ideas in explaining political outcomes.

It was clear from the early reviews of *The European Rescue of the Nation-State* that what critics on both the right and the left found hard to accept was Milward's focus on domestic politics in Europe as the mainsprings of integration rather than on the Cold War and the support given by the United States to the unification of Europe. Anthony Hartley

<sup>338</sup> Milward (1988), 3.

<sup>339</sup> Milward (1992), 318-344.

<sup>340</sup> Milward (1992), 329.

<sup>341</sup> Milward (1992), 198.

<sup>342</sup> Milward (1992), 336.

<sup>343</sup> Milward addressed this challenge to Parsons (2003); see Milward (2005b), 101.

defended the conventional view in asserting that ‘[t]o ignore the political motives of the “founding fathers” and, above all, of the United States for backing European integration is to fail to understand European politics in the 1950s and perhaps also in the 1990s.’<sup>344</sup> Roger Morgan found little new in Alan Milward’s argument about the primacy of the nation-state suggesting that it was what many political scientists had been arguing since Stanley Hoffman had first suggested it in the mid 1960s.<sup>345</sup> Derek Urwin was unconvinced by the ‘rescue thesis’, but for different reasons. More would need to be said, he thought, about why other European countries, particularly those in Scandinavia, played such a minor role in European integration in the 1950s.<sup>346</sup>

The longest and one of the most thoughtful reviews came from an expert in European Community law for whom Alan Milward’s explanation of the origins of European integration made the current legal complexities and apparent contradictions of the European Union and of its law, intelligible for the first time.<sup>347</sup> Most lawyers, as Ian Ward explained, had been disappointed by the failures of the Single European Act and the Maastricht Treaty to resolve the perceived constitutional inadequacies of the Treaty of Rome:

The European Constitution [...] remains somewhat ill-defined and under-developed. It is clearly something more, at least in practice, than what is stated in the rhetoric of the Treaty framework. Yet, at the same time, as the European Court has reined back from its earlier more aggressive integrational impulses, the constitutional vacuum appears all the greater. It remains ill-defined simply because there remains a residual political uncertainty as to how the new Union should be determined. This is not to mean that the individual Member States are uncertain. Everyone has their own opinions. The problem is that there is a corporate uncertainty. It is this problem, and more accurately the origins of the problem, which Alan Milward’s book addresses.<sup>348</sup>

As far as Ward was concerned, Alan Milward had exposed as fiction the notion that the member states had ever wanted a genuine European constitution and it was the Community’s ideological rhetoric which had fooled everyone. The one measure, he maintained, which ‘could effect a genuinely free market and represent a corresponding economic and political

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<sup>344</sup> Hartley (1994), 20.

<sup>345</sup> Morgan (1994); Hoffman (1966).

<sup>346</sup> Urwin (1994), 112.

<sup>347</sup> Ward (1996).

<sup>348</sup> Ward (1996), 165.

diminution in national sovereignty, tax harmonization, has remained strikingly absent'.<sup>349</sup> The conclusion that in the mid 1990s he extracted from Alan Milward's work continues to be relevant today: 'There will be no further progress towards a European constitution unless it becomes clear that such a step is unavoidable to the interest of the nation-states.'<sup>350</sup>

Although Alan Milward was not the first to emphasize the resilience of the European nation-state, he was the first to argue that integration was a positive choice taken by EC member states primarily, although not exclusively, for domestic social and economic reasons. It was a non-liberal solution to a number of problems facing the European nation-states which neither governments nor markets could solve on their own. It was the challenge of many of his arguments which captured the interest of a leading Marxist intellectual, Perry Anderson. Marx, as Alan Milward pointed out, had not predicted that integration would be a stage in the development of capitalism. 'When the European Community started in 1950-52 there was nothing in the dried tea-leaves of Marxist analysis that referred to it'.<sup>351</sup> Anderson's own conclusions were fundamentally different from those of Alan Milward. In opposition to Milward, Anderson argued that Nazi Germany had to be defeated militarily because it did not collapse economically and it was this fact which explained why France opted for integration. As Anderson wrote,

It was the memory of this incommensurable record during the war – of the scale of German military supremacy, and its consequences – that shaped European integration quite as much as the commensurate tasks of rebuilding nation-states on a more prosperous and democratic basis after the war on which Milward concentrates. The country centrally concerned was inevitably France.<sup>352</sup>

While Alan Milward did not disagree with the importance of providing military security in the postwar world, he argued that it did not explain the new phenomenon of European integration. 'There were other diplomatic arrangements by which an effort could have been made to bind west Germany to western Europe', he wrote.<sup>353</sup> The creation of the North Atlantic Treaty Organization (NATO) may have been a precondition for the Schuman plan but, in his view, the need to provide security against Germany did not entirely explain the decision to integrate the coal and steel sectors of the economies of the six signatory states of the Treaty of Paris. The lessons which western European states had drawn from their defeat

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<sup>349</sup> Ward (1996), 171.

<sup>350</sup> Ward (1996), 174.

<sup>351</sup> Milward (1996), 56.

<sup>352</sup> Anderson (1997), 13.

<sup>353</sup> Milward (1992), xi

by Nazi Germany was that not only did they need to increase their levels of armaments to provide for the physical security of their populations but, even more importantly, they had to win the allegiance of their populations by providing for their economic security. If in order to provide military security economic security was undermined then military security would be without meaning. Controlling the coal and steel industries, including those of West Germany, through integration was a means of enhancing the economic security of Western Europe. Had Western Europe not enjoyed ten years of peace and prosperity by the mid 1950s, the Treaties of Rome would have been unimaginable. Whereas providing economic security required a degree of integration military security did not. The one attempt to combine military and economic security, that of the European Defense Community (EDC), ended in failure. Indeed, as Alan Milward reminded readers, to have integrated West Germany into a defense community was seen by many, particularly in France, as a threat to European security. But Milward's insistence that it was the popular demands for economic security which explained national governments' choice of integration was rejected by Anderson for whom 'the federalist vision of a supranational Europe developed above all by Monnet and his circle, the small group of technocrats who conceived the original ECSC, and drafted much of the detail of the EEC' was a more convincing explanation.<sup>354</sup>

Alan Milward had a further difficulty in accepting the view of Anderson that at the center of the process of European integration was an agreement between France and West Germany based on military security, which incidentally was also the view of most British diplomatic historians. If this was so, why was the United Kingdom not a signatory to the Treaties of Rome in 1957? The United Kingdom, as he pointed out, had been 'closely involved with western Europe's reconstruction and security throughout the war and also from the moment it ended. To judge from the volume of documentation in the Foreign Office archives, no question was considered more important to Britain's future than that of Germany's future.'<sup>355</sup> But since, as he also explained, the United Kingdom had many of the same domestic political priorities as western Europe such as a commitment to full employment, the welfare state, and protection of agriculture, the question which he needed to answer was why the British state did not perceive the need to surrender a degree of sovereignty to ensure the implementation of these domestic policies as well as addressing the problem of Germany. Did his 'rescue thesis' not apply to Britain?

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<sup>354</sup> Anderson (1997), 14

<sup>355</sup> Milward (1992), 346.

In a final chapter of *The European Rescue of the Nation-State* he suggested that the key to understanding why Britain did not need the supranational Community institutions was to be found in the policies pursued after 1950:

Just as it is the Beyen Plan which more than any other single event illuminates the common foundations supporting European integration, it is through the example of British attempts to establish the free convertibility of sterling into American dollars on international exchanges between 1952 and 1955 that we can most sharply perceive the incompatibilities separating British ambitions from European interests and American hopes.<sup>356</sup>

As far as the British state was concerned, the Bretton Woods system of which Britain was an architect, had been put to one side temporarily while the Marshall plan was being implemented. After that, Britain's over-riding interest was in reestablishing sterling as one of the two international currencies, even if that meant letting the exchange rate float in the early 1950s rather than participating in the soft currency area of the EPU. For Britain it was more important to try to earn dollars directly in the market of the United States rather than indirectly through exporting to western Europe. But what Britain apparently failed to recognize was that, in the internal divisions within the U.S. administration, it was the view of the State Department prioritizing the need for European integration which had the support of the President and which better came to reflect the ambitions of the United States.<sup>357</sup> This meant that even though the U.S. Treasury and the Federal Reserve remained committed to one-world multilateralism, this had to take a back seat as long as the majority of European participants in the EPU needed special support to achieve their domestic policy objectives. Indeed, had the British government implemented its policy of restoring the convertibility of sterling when most other European currencies remained non convertible, it would have reduced western European trade substantially. In these circumstances, the United States was never going to give its support to a unilateral decision by Britain to restore the convertibility of sterling. 'For all the Western European states any progress towards convertibility which might involve even a temporary loss of trade was to be rejected, and especially anything which jeopardised their common commercial arrangements.'<sup>358</sup> In retrospect, Milward concluded,

the view of the US financial authorities looks mistaken. The Bretton Woods agreements, while they had devoted much effort to making an international system of trade and payments which

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<sup>356</sup> Milward (1992), 347.

<sup>357</sup> Milward (1992), 348.

<sup>358</sup> Milward (1992), 367.

was compatible with full employment policies, had taken no account of how the system of fixed exchange rates which they introduced could be maintained when so many other policies and policy instruments were going to be employed at will by national governments.<sup>359</sup>

He thought that the British government had made a policy error in assuming that the French government and industry would be fearful of competing with German exports within a European common market and would therefore never agree to sign the Treaties of Rome. ‘The startling absence of genuine comparison with any other European country in the many memoranda and analyses of Britain’s economic position gives the impression of a hermetically sealed system with so little outward vision that no understanding of European developments could be possible’, he concluded.<sup>360</sup>

#### ***10. Britain’s Place in the World. A historical enquiry into import controls 1945-60* (1996)**

In the second edition of *The European Rescue of the Nation-State* published in 2000, Alan Milward was more understanding of the reasons behind British policy in the 1950s. This was because in 1993, shortly after the publication of the first edition of *The European Rescue*, he had accepted an invitation from the British Cabinet Office to write the Official History of the Accession of the United Kingdom to the European Community and its subsequent relations with the Community up to the mid-1980s. The work, commissioned in two volumes, was to be based on unrestricted access to British government records for the period in question. When he accepted the invitation to write the official history Alan Milward was already working with George Brennan on a topic which he felt had long been overlooked by historians and economists – namely the impact of quantitative import controls, more often referred to as import quotas, on the British economy and on British policy-making in the fifteen years after the end of the Second World War.<sup>361</sup> As the title of the book indicated this was to be much more than a technical study about an unfashionable topic, but was to address a central question and one of Alan Milward’s long-term research interests, namely how trade should be regulated in the interests of the modern state. If tariffs had in the nineteenth century served as an instrument of state building in many countries, in so far as they provided the money for government expenditure, supported the objectives of foreign policy, occasionally protected and encouraged manufactures and trades that were considered essential to the

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<sup>359</sup> Milward (1992), 350.

<sup>360</sup> Milward (1992), 431.

<sup>361</sup> Milward and Brennan (1996).

state's welfare, and served the constitutional purpose of balancing and compromising the economic and political interests of large and influential social groups, it was Milward and Brennan's argument that many of these functions were performed by quotas in the twentieth century. Quantitative restrictions, in the form of import quotas or state-controlled foreign trade, became a new instrument to be used by modern states to achieve a number of economic, political, and social objectives.

One big disadvantage of quotas was that, unlike tariffs, they were not a source of revenue for the government but their one big advantage was seen to be that they could be imposed quickly in response to an economic crisis without having to endure lengthy parliamentary debates. Whereas it had taken almost twenty years before the Méline tariff, imposed on imported grain from North America, was passed by the French National Assembly, quotas on imports of food from central and eastern Europe were imposed within two years of the 1929 crisis.<sup>362</sup> Furthermore, at a time when prices were falling steeply, they proved to be a more effective form of protection than *ad valorem* tariffs. Their proliferation across Europe in the 1930s and 1940s coincided with the increasing refinement of government statistics, and along with a plethora of other controls over the economy, they became difficult to dismantle after the war. In fact, as Milward and Brennan showed, many countries based their postwar national reconstruction plans on the retention of quotas, thereby posing a direct challenge to the U.S. government's ambitions of creating a non-discriminatory multilateral regime of trade and payments. Even though the United States insisted in 1947 that quotas should be permitted only in exceptional circumstances when justified on grounds of national security, to protect domestic agriculture, or to correct a temporary crisis in the balance of payments, it was clear that the west European governments interpreted the exceptions more widely. In early 1950 Hugh Gaitskell, soon to become the British Chancellor of the Exchequer, insisted that import controls would be needed to ensure full employment and economic reconstruction.<sup>363</sup> Indeed in Britain, as they showed, quotas served a variety of purposes ranging from national defense, regional policy, and macro-economic policy to straightforward protectionism. Because they did not have to be debated by parliament their specific purpose could be kept secret. But, in spite of their secret nature, Milward and Brennan found only one instance where private interests were able to influence government policy on quotas; that exception was the British car industry.<sup>364</sup> It was in the United States

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<sup>362</sup> Milward and Brennan (1996), 19.

<sup>363</sup> Milward and Brennan (1996), 27.

<sup>364</sup> Milward and Brennan (1996), 33-34

where tariffs retained their importance because, as they suggested, imported goods accounted for such a small part of domestic consumption. Since tariff levels had to be agreed by the U.S. Congress one problem which this posed for western European governments was that in negotiating tariff reductions in order to boost their exports to the United States, any concessions made by the U.S. negotiators could be reversed if a two-thirds majority in the Congress demanded it.

Faced with the U.S. enthusiasm for the creation of a customs union in western Europe which, in the opinion of the British government could only hurt the British economy, the British government looked for alternative ways to take a leadership role in integrating Europe which would not undermine its central objective of restoring a one-world trade and payments system: ‘Only a worldwide, multilateral, commercial and payments framework offered the United Kingdom the chance to pursue a common commercial policy towards the Commonwealth, the USA and Europe, the three areas on which its central place in the world was thought to depend.’<sup>365</sup> The British government wanted to reduce trade barriers between western European economies, but only as a step toward reducing them between Europe and the United States. Since the tariff that the British government most wanted to force down was that of the United States, it wanted to retain its existing tariff levels in Europe in order to be able to use them as a future bargaining counter in tariff negotiations with the United States. At that time British tariffs were among the highest in Western Europe, capped only by those of the two most protectionist states, France and Italy.<sup>366</sup> Since any tariff reductions, unless they formed part of a customs union, would have to be negotiated through GATT, it would not be possible for the United Kingdom to present them to the United States as a European initiative. The advantage of proposing that the liberalization of European trade should take the form of a widening of import quotas was that it would extend to all the countries in OEEC and make it harder for them to reduce tariffs or remove them altogether in a customs union.<sup>367</sup> If a ‘non-discriminatory’ world meant for the United States the end of the preferential arrangements of the Commonwealth and the sterling area, the British tried to prove that a first step toward that world was the gradual removal of quantitative restrictions on OEEC trade.

Initially, the strategy seemed to work as Britain intended. Whereas with the cushion of import quotas west European governments had agreed to a first round of tariff reductions within the new framework of GATT in 1947, there were to be no further reductions in tariffs

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<sup>365</sup> Milward and Brennan (1996), 188.

<sup>366</sup> Milward and Brennan (1996), 45.

<sup>367</sup> Milward and Brennan (1996), 42.

within western Europe or between it and the United States after Britain took the lead within OEEC to organize the widening of import quotas. But the United Kingdom soon found itself in a very weak position, since any relaxation of import quotas on intra-European trade, in line with the OEEC-sponsored trade liberalization program and facilitated by the EPU's automatic credit facilities, almost invariably resulted in balance of payments difficulties and a new postponement of the ultimate goal of sterling convertibility. This was to change after 1957 when, strengthened by the boom in intra-European trade, six European governments agreed to reduce tariffs and widen quotas within the regional arrangement of the EEC and to contemplate for the first time weakening their quota protection against imports from North America, 'although their demands for reductions in American tariffs were incessant all through the decade.'<sup>368</sup> Trade liberalization, Milward and Brennan stressed, followed rather than caused the great expansion in European trade which had taken place in the 1950s. Even when quotas became less important in trade between developed countries, they reappeared as a way of protecting indigenous manufacturing industry against imports from developing countries. The EEC Treaty of Rome, as they pointed out, was deliberately vague in this respect. Britain was left with little option but to form the European Free Trade Association (EFTA) which gave it little bargaining power with Washington. By contrast, the six EEC member states were able to control tariff bargaining with the United States through the new European Commission.<sup>369</sup>

In comparison with all of Milward's previous books, apart from *The Economic Effects of the Two World Wars on Britain*, the reviews of *Britain's Place in the World* were few in number. As so often, reviewers found the detailed complexity of the arguments quite a challenge. This time it was Andrew Gamble, a professor of political science, who was most stimulated by the arguments of the book. In his view the essential question which it raised was whether British governments were ever correct to believe that they could protect British interests outside a regional arrangement in Europe. As Gamble put it,

[i]f Milward and Brennan are right the failure of the British economy to modernise successfully in the 1960s and 1970s and to perform as well as the other European economies was directly related to the policy mistake of backing liberalisation in the 1950s and shunning the protection which would have been provided inside the EEC.<sup>370</sup>

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<sup>368</sup> Milward and Brennan (1996), 28.

<sup>369</sup> Coppolano (2006).

<sup>370</sup> Gamble (1997).

Alan Milward, anticipating perhaps the conclusions which he was to reach in his official history, explained in his reply to Gamble that Brennan and he had deliberately avoided specifying such an argument since ‘it seemed to us that many other things were at stake, some of them still waiting for good historical analysis.’<sup>371</sup> The crux of the problem for Britain, as he saw it, was that the period 1948-1956 represented a time, perhaps, he thought, the last time, that Britain had a coherent framework for its foreign policy and foreign economic policy. That framework was the one-world system, a goal which Britain would find it impossible to achieve. The best hope for Britain was that the alternative of the EEC would prove to be equally impossible to achieve.

### ***11. The United Kingdom and the European Community. The Rise and Fall of a National Strategy* (2002)**

In agreeing to write the Official History of Britain’s relations with the European Community, Alan Milward looked forward to explaining why, despite being a victor in the Second World War, Britain ended up in a much weaker position than other western European countries.<sup>372</sup> His conclusion to the first edition of *The European Rescue of the Nation-State* was that Britain had made a mistake in withdrawing from the negotiations which led to the Treaties of Rome for which it was to suffer both economically and politically.<sup>373</sup> His exasperation with the policy-makers and the universities which had produced them was palpable. Determined to explore every nook and cranny of the British state which might help to explain Britain’s policy toward Europe, he looked not only at the by-then familiar records of the Foreign Office, Cabinet, and Treasury but also at those of the ministries of Transport, Fuel and Power, the Commonwealth Relations Office, the Northern Ireland Public Record Office, the Dominions Office, and the Free Trade Office, which had not been much disturbed by diplomatic historians. He also had privileged access to the notes written in shorthand by the Cabinet Secretary which identified who said what in Cabinet discussions.

The tone throughout the five hundred pages of volume one of the Official History was carefully measured and impartial. He made it clear at the very beginning that he did not accept the view of many historians, that it was the British government’s deluded ambitions to remain a global power, when it no longer had the resources to underpin such ambitions,

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<sup>371</sup> Milward’s reply to Gamble (1997) - <http://www.history.ac.uk/reviews/review/38/response> - last accessed on 31 May 2011.

<sup>372</sup> Milward (2002).

<sup>373</sup> Milward (1992), 433.

which explained why it had not participated in the moves to integrate western Europe in the 1950s. Although he had argued in the first edition of *The European Rescue* that the British government had made a mistake, in the revised second edition he concluded that ‘[l]ooking at the evidence for the 1950s it is difficult to see how it could have been otherwise.’<sup>374</sup> The argument, which he finally reached after many years of research, was that the state in postwar Britain did have a realistic national strategy which it pursued consistently, but it was one which did not work. As he explained,

the UK emerged from the war with many great but short term advantages. Adjusting to the post-war world meant cashing in those advantages while they were still there in return for a stable international framework which would guarantee the two main objectives of post-war governments, military security and domestic prosperity. By and large that was the strategy pursued, with remarkably little difference by the two great political parties when they were in office[.]<sup>375</sup>

He set out to explain why that national strategy had not worked. This involved understanding how policy and economies changed in Western Europe, the United States, across the British Empire, the Commonwealth and beyond in the years after 1945. In terms of its global reach it was a sequel to his earlier work on the Second World War, but in terms of the requirements of writing an official history, it was a very different type of history. While he had unrestricted access to British government archives, he did not have similar access to the archives of those countries whose actions affected British policy.

What Milward was required to do was document and explain the evolution of Britain’s relations with the European Community and their pre-history. That he chose to do so within the framework of a national strategy was no surprise. His unique approach to writing the history of twentieth-century Europe was to view the role played by the state in terms of its seeking to fulfill the twin objectives of military security and domestic prosperity. He used the term ‘national strategy’ as he had used that of ‘strategic synthesis’ to analyze the interplay of domestic and foreign policy: it was how he viewed the modern state’s attempt to secure its place in the world. Where better to view British policy toward the European Community than from the Chair in the History of European Integration at the EUI which he had helped to found and to which he returned in 1996

The advantages which he demonstrated that the United Kingdom enjoyed at the war’s end included

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<sup>374</sup> Milward (1992 - 2<sup>nd</sup> ed., 2000), 424.

<sup>375</sup> Milward (2002), 2.

its ability to build its own nuclear weapons with their independent delivery system; its tariff preferences on extra-European Commonwealth markets; the former importance, which it hoped to restore, of London as an international capital market; its strategic usefulness to the USA as an offshore European naval- and air-base more secure against invasion than anywhere on the continental mainland; its large colonial empire, which gave it political influence over extensive areas of Africa and the Caribbean; its large armed forces, which were seen from the Pentagon as the only large [...] force on which the USA could rely for help as an ally.<sup>376</sup>

British strategy, Alan Milward insisted, was not based on a will to exercise worldwide power but rather as ‘a medium-sized materialist democracy’ to provide both military and economic security for its population.<sup>377</sup> Military security was seen to depend on a continuation of the wartime alliance with the United States, strengthened by NATO and Britain’s own atomic weapons, while economic security was seen to depend, among other things, on a return to an older world, the world of the pre-1914 gold standard when western Europe had provided the largest market for British exports. The recourse to many forms of trade protection in both western Europe and the United States as a way out of the Great Depression of 1929-1932 had led to a redirection of British exports to the markets of the Empire and the Commonwealth where they enjoyed preferential tariffs. These trade flows had persisted during the Second World War, with the result that in the postwar period a much higher proportion of British exports went to Australia, Canada, and New Zealand than to western Europe or the United States. In 1951, for example, Australia was the largest market for British exports taking twelve per cent of its overall total in comparison with 5.1% of exports going to the United States and 1.9% to the Federal Republic of Germany.<sup>378</sup> The challenge facing British policy makers was to find a way of using imperial preferences to force down tariffs in western Europe and the United States. Indeed, as he stressed, ‘it is as a part of that adjustment to the post-war world at which national strategy aimed that relations between Britain and the European Community should be understood, rather than in the framework of the simplistic question of whether the United Kingdom should have joined the European Communities or not.’<sup>379</sup>

It was the Foreign Office official, Orme Sargent, who, in Milward’s view, clearly expressed Britain’s position and objectives in July 1945: ‘The United Kingdom could make

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<sup>376</sup> Milward (2002), 3.

<sup>377</sup> Milward (2002), 4.

<sup>378</sup> Milward (2002), 188.

<sup>379</sup> Milward (2002), 6.

itself treated as an equal in the post-war world by the two emergent superpowers if and only if it also retained the leadership not only of the Commonwealth but of western Europe.' As Milward put it '[t]o be a leading influence in each of those areas – Washington, the Commonwealth, and western Europe – depended on retaining a leading influence in the other two.'<sup>380</sup> The essence of the strategy pursued by the United Kingdom until it finally had to be abandoned in 1962 was to steer some sort of European block along with the Commonwealth into a trading world with the United States in a way that would guarantee military and economic security at home. It was 'the one-world policy', in the jargon of British officials. The country whose policy Britain most needed to influence was the United States. Although the Americans had made a commitment in the agreement reached at Bretton Woods in 1944 to the restoration of a liberal world order based on free trade and currencies freely convertible into gold, dollars, and sterling at a fixed rate of exchange, their failure to ratify the ITO and to make a serious commitment to reduce their tariffs in order to enable Britain and the rest of the world to earn dollars by exporting to the United States was seriously undermining confidence in Britain that the United States was indeed committed to the multilateral principles agreed in 1944.

British confidence in the credibility of that commitment had already been shaken by the insistence of the U.S. Treasury that in return for a postwar dollar loan Britain should remove all capital controls and restore the convertibility of sterling in August 1947 without regard to whether the recovery of the British economy had been completed or not. The offer of Marshall aid, which Milward had already argued in *The Reconstruction of Western Europe* was an instrument of the Cold War motivated by the political necessity of ensuring that the western zones of Germany and western Europe would remain in the United States' sphere of influence, was not a step in the direction of Bretton Woods, and nor was it intended to be. But if its motivation was political, Marshall aid in itself did not commit the United States to the defense of western Europe. Indeed, in his view, it was not until December 1950, almost two years after the agreement to form NATO, when General Dwight Eisenhower was appointed Supreme Allied Commander in Europe, that the U.S. commitment to defend western Europe took on any operational meaning. Until then, as Alan Milward wryly remarked, 'the only true impediment which the North Atlantic Treaty raised against an attack by the Soviets was the number of committees in their way.'<sup>381</sup>

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<sup>380</sup> Milward (2002), 16 (both quotations).

<sup>381</sup> Milward (2002), 34.

It was one thing to define the grand strategic objectives, as Sargent had done, but quite another, as Milward showed, to work out what the practical international policies should be to realize those objectives. Obtaining consent to them in Washington was hard, but '[f]itting France, with its own national ambitions, into this framework was [...] impossible.'<sup>382</sup> The British government was trying to use the political and economic weight which its temporary leadership over the Empire and the Commonwealth gave it to end the protectionism of both the United States and western Europe, in a way which did not undermine its own domestic economic interests, and at the same time persuade the United States to make a long-term commitment to defending Britain and its interests worldwide. It took seventeen years to recognize that such a national strategy had failed. By 1962 it was clear that the EEC had become a preferential trade bloc which, particularly through the CAP, would discriminate against the food exports of the most important countries in the Commonwealth and against the poorest countries in the world.

Could Britain have played its hand better when faced with a series of initiatives from the United States and France which undermined its long-term objective of restoring a multilateral world order based on domestic full employment? Sparing no detail and refusing to gloss over the full complexities of the issues, Milward documented the internal debates within the British government which followed every shift in tactics by the United States and France over the period 1945-1963, as they too sought to implement their national strategies. Critical turning points with their possible implications for British strategy such as the announcements of the Marshall plan in June 1947, the Schuman Plan in May 1950, the Pleven Plan for a European army in October 1950, the creation of the organizational structure of NATO in December 1950, and the plans to create Euratom and the EEC which resulted in the Treaties of Rome in March 1957, were all assessed. He made few references to the secondary literature except where they related to key issues of political debate in the United Kingdom. He also examined critical issues which politicians and historians should have debated, such as that of national sovereignty, but did not. Internal policy debates and international negotiations were set in the context of a changing international economy, in which levels of production, investment, and trade affected and were affected in turn by those debates.

Starting in 1945, he underlined how Britain was the only partner of similar weight to the United States on the Security Council of the United Nations, with a currency used in trade

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<sup>382</sup> Milward (2002), 16.

across the world and which shared the U.S. strategy of reconstructing an international economic order along the lines of the Bretton Woods agreement. This was to mean that Britain would have to dismantle its own system of preferential tariffs on trade with its Empire and Commonwealth which had been introduced in response to the Great Depression and was, as a condition of a dollar loan negotiated with the United States in 1945, to make sterling freely convertible into gold and dollars in August 1947. As Milward showed, '[u]ntil summer 1947 British-American relations were dominated, not by the question of European reconstruction, but by that of the reconstruction of an international economic order.'<sup>383</sup> On the other hand France was seen to be the only partner in Europe capable of assisting in the defense of Britain once the United States had withdrawn its troops from the continent as soon as the occupation of Germany had come to an end:

At the best, common action with France in reconstructing Europe might offer alternative strategic possibilities to succumbing to American pressures which might preclude any choice of an international commercial and economic framework other than one dictated by the USA's own national strategy, as had happened with the USA's absolute insistence, against all evidence that it would not succeed, on the over-hasty move to sterling-dollar convertibility.<sup>384</sup>

What Britain needed to do in order to attain its national strategic goals was use its leadership of the Commonwealth in order to strengthen its bargaining position with the United States and ensure that the latter would make a greater commitment to restoring an international order, most notably by reducing its own tariffs, while at the same time exploiting its leadership of western Europe in order to ensure that the United States would make a more effective commitment to the security of Britain than was possible through the United Nations. This was how Milward explained one question which had long puzzled historians, namely how to interpret Foreign Secretary Ernest Bevin's call in January 1947 for a study into the implications for the United Kingdom of forming a customs union with France, or with the French Union or with western Europe. Did this represent a recognition that Britain's future might lie in a closer association with Western Europe rather than with the United States? Milward was clear that Bevin's intention was to bind Western Europe more closely to the United Kingdom 'as part of an Anglo-American duumvirate'.<sup>385</sup> It was thus motivated primarily by foreign policy considerations:

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<sup>383</sup> Milward (2002), 11.

<sup>384</sup> Milward (2002), 13.

<sup>385</sup> Milward (2002), 21.

From mid-1946 onwards, with de Gaulle gone from office and centre-left coalitions in power in Paris and as yet with little to indicate that US policy would change from the course Roosevelt had set, Foreign Office eyes turned increasingly towards the prospects of Franco-British association as the core of security and stabilisation in Europe, although economic ministries showed little enthusiasm for what they thought might prove a burden.<sup>386</sup>

Many in the British economic ministries feared that a possible customs union would be ‘a road to nowhere, starting with discrimination against the USA, perhaps involving discrimination against the Commonwealth and in favour of Europe, and ending with loss of control over instruments of domestic policy.’<sup>387</sup>

This remained their position even when it became the policy of the United States to promote the formation of a customs union in western Europe backed with Marshall aid. A wiser course of action, which was agreed upon after two years of further deliberation, was seen to be the removal of quantitative restrictions on trade in OEEC while maintaining tariffs as a future bargaining counter with the United States. The proposal to liberalize intra-European trade by widening quotas, to which Milward had devoted an entire book, was ‘intended to be the limit of the United Kingdom’s commitment to the leadership of western Europe. It was not an act of cooperation with France but more an attempt to prevent any French leadership of western Europe by exposing the protectionism of the French state.’<sup>388</sup> As he showed, it remained the position of the United Kingdom that the support of the United States was vital for the security of Britain, the Commonwealth, and Western Europe. In October 1949, as a discussion in Cabinet confirmed, the Commonwealth was ‘not a strategic unit’ and ‘it must be clear to other Commonwealth members that their defence cannot be assured without United States support’.<sup>389</sup> The same was to hold true for western Europe:

the fact remains that the military and economic situation of the Western European nations is now such that there can be no immediate prospect of welding them into a prosperous and secure entity without American help; and even with American help it is uncertain whether this can be achieved for some time to come.<sup>390</sup>

Britain’s military security could only be guaranteed by the United States. For Britain itself, the installation of U.S. bases in the United Kingdom for the U.S. Strategic Air Command nuclear bomber ‘introduced a brutal demarcation between the United Kingdom’s national

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<sup>386</sup> Milward (2002), 17.

<sup>387</sup> Milward (2002), 24.

<sup>388</sup> Milward (2002), 40.

<sup>389</sup> Milward (2002), 41, quoting from CAB 128/16 [CM (49), 62n meeting], Conclusions, 27 October 1949.

<sup>390</sup> Milward (2002), 42, quoting from CAB 129/37 [CM (49) 208<sup>th</sup> meeting], ‘European Policy’, memorandum by Bevin, 18 October 1949.

security and that of its continental neighbors. One objective of national strategy, the physical security of the national territory, had been attained.<sup>391</sup>

The announcement of the Schuman Plan, which in retrospect has been seen to have changed the course of European history, did not greatly alter the way in which the pursuit of British national strategy was perceived. It was not, Milward insisted, a Machiavellian plot to exclude Britain, as some politicians and historians were to argue. Nor were either Schuman or Monnet third-force neutralists. With the nationalized coal industry opposed to it and the steel industry broadly in favor, the British government's interest was in one way or another to find a way of living with it. One thing seemed certain, a future European supranational organization would be preferable to the International Authority for the Ruhr, which was so opposed by the Federal Republic of Germany. British ministers, he revealed, were not opposed to the principle of giving up some power over the coal and steel industries to an international body if it would benefit the British economy, but they were not in favor of doing so for a foreign policy which did not fit into Britain's national strategy.<sup>392</sup> Of course that strategy could be changed but, as he showed, the argument of the Foreign Office at the time was that for Britain joining what was to become the ECSC 'would reduce its independence from, and thus its status and influence with, the USA, while at the same time weakening its links with the Commonwealth and thus even further reducing its influence over the USA.'<sup>393</sup> The speedy decision which the government was forced to make by the French on 2 June 1950 was not the 'fatefully wrong step in Europe for which it was to suffer politically and economically for twenty years.'<sup>394</sup> But, as he made clear, to have accepted Schuman's offer 'would have meant a commitment of political support over the long run to a reconstruction of the pattern of political power in Europe in which the United Kingdom, unless its strategy changed, could not share.'<sup>395</sup> There was no compelling need to make such an important decision in 1950 and, moreover, it would not have meant that Britain would necessarily have signed the Treaties of Rome in 1957.

Instead of joining the ECSC the British government was eventually to sign a Treaty of Association with it in September 1955. That treaty, as Milward showed, produced only two results: 'a UK/ECSC agreement on iron and steel tariffs which did not come until November 1957 and a 1959 agreement to widen German coal import quotas in favour of the United

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<sup>391</sup> Milward (2002), 35.

<sup>392</sup> Milward (2002), 73.

<sup>393</sup> Milward (2002), 75.

<sup>394</sup> Milward (2002), 61.

<sup>395</sup> Milward (2002), 62.

Kingdom.<sup>396</sup> The point of devoting over forty pages to an analysis of the steps leading to such an inconsequential treaty of association was to demonstrate how poor a model it provided for any future relationship between Britain and the EEC. Nonetheless, it was a model which was proposed (but never successfully implemented) for the plans for an EDC, a European Agricultural Community, and a European Political Community (EPC) which were debated by the six ECSC member states in the period 1950-54. The general issue which all such proposals was seen to pose for Britain was whether it would be possible to form some sort of association with whatever organization materialized, without being part of its political machinery. Harold Macmillan, who later as Prime Minister was to take the decision to apply for British accession to the EEC in 1961, was, as Minister for Housing in 1952, certain of what the British position should be: ‘Britain’s ties with the Commonwealth and with the United States make it impossible for her to join a [European] Federation. She could, however, become a full member of a Confederation, organised on Commonwealth lines.’<sup>397</sup> He opposed the plan of Anthony Eden, the Prime Minister, which was nonetheless accepted by Cabinet in March 1952, which was to associate the United Kingdom with the emerging supranational institutions in Europe of the ECSC, the EDC, and the emerging EPC by placing them all under the Constitutional Assembly of the intergovernmental Council of Europe, of which Britain was an enthusiastic member.<sup>398</sup>

The collapse of the EDC in the summer of 1954, and with it the EPC and the Dutch plan for a customs union, the Beyen plan, left Britain’s program for liberalizing trade in Europe by widening import quotas intact. By 1955, as Milward showed,

quotas on intra-European foreign trade became more liberal than at any time since 1934, and even as eyes in the Treasury and the Bank [of England] focused on 1955 as the year for the re-introduction of sterling-dollar convertibility and a leap to the one world system, the customs union of the Six, regional, regulated and Eurocentric, emerged unscathed from the débris of the European Political Community into which Beyen had inserted it.<sup>399</sup>

How should Britain have responded to the challenge posed by the continental common market, Milward asked. Although it was a question which would divide opinion in Britain for many years, and on which consensus still proves elusive, at the time that the decision to withdraw from the negotiations which were to lead to the Treaties of Rome was taken, it was not even debated in Parliament and scarcely discussed in Cabinet or noticed in the press.

<sup>396</sup> Milward (2002), 168.

<sup>397</sup> Milward (2002), 108, quoting from ‘European Integration’, memorandum by Macmillan, 16 January 1952.

<sup>398</sup> Milward (2002), 110-111.

<sup>399</sup> Milward (2002), 125.

Clearly the advice from the Foreign Office that France would not sign up to a common market with Germany proved to be wrong. On the other hand, in providing some details of the secret offer made to the British government by the French Prime Minister, Guy Mollet, in September 1956, on the eve of the Suez invasion, that France and Britain should form an economic and payments union with the sterling and franc areas to keep France out of the common market with West Germany, the great difficulty facing the Foreign Office advisers was made more understandable. Yet Milward remained critical: ‘It was the business of diplomats to make accurate forecasts.’ Because British policy toward the common market was based on the false premise that the EEC, like the EDC and EPC, would not be agreed by the French government ‘[t]here seems good reason to say [...] that the existing policy was mistaken, irrespective of the question whether Britain should have been pursuing membership in a European customs union.’<sup>400</sup> Unlike most historians, who argue that it was the different foreign policy reactions of both the French and the British governments to the defeat of the Suez invasion which explained their different response to the common market, Alan Milward showed that, even had their Middle eastern policy been successful, the British government did not see it as being in its interest to form a protectionist economic bloc with France and the payments area using the French franc. Suez was irrelevant.

In dissecting the reasons for the failure of policy in the mid-1950s he pointed to the way that decisions were made within the British state. As an example, he referred to the divisions within the British Treasury which meant that currency convertibility and the commercial policies linked to it were the responsibility of the Overseas Finance Division. Currency came first in that division and commercial policy was only the consequence of decisions made about convertibility.<sup>401</sup> But the dilemmas faced by those responsible for making commercial policy, even had they been the top priority of the Treasury were stark: ‘The United Kingdom did not have such an obvious commercial interest in joining a European customs union, although it faced obvious danger in being excluded from it if it came into existence.’<sup>402</sup> In the mid-1950s the three richest Commonwealth countries, Australia, New Zealand, and Canada, with their comparatively small populations, took nearly twenty per cent of all British exports, whereas Europe of the Six took just over eleven per cent.<sup>403</sup> With the countries of the Commonwealth opposed to Britain’s participation in a European customs union Britain had to continue to try to find a means of leading both Western Europe and the Commonwealth

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<sup>400</sup> Milward (2002), 181 (both quotations).

<sup>401</sup> Milward (2002), 182.

<sup>402</sup> Milward (2002), 178.

<sup>403</sup> Milward (2002), 188.

toward a world of non-discriminatory trade. There was, as Milward clearly documented, no way left of associating with a European customs union which would be acceptable to the Six, the Commonwealth, and the United States. Neither a Free Trade Area between the rest of OEEC and the EEC nor a free trade area independent of the EEC (EFTA) solved the dilemma. Consequently, on 21 July 1961 the decision was taken to apply for membership in the EEC, since the government saw it as the only way left to open negotiations and persuade the EEC to recognize the claims of the Commonwealth.<sup>404</sup>

‘It was not the potential loss of parliamentary sovereignty and independence of national policy, but rather the effort to preserve the United Kingdom’s political and economic links with the Commonwealth, and through those links its continuing influence in the world’, which Milward was to show, dominated most of the negotiations for accession.<sup>405</sup> At a meeting in the Prime Minister’s country house, Chequers, in June 1961, ministers insisted that exports from the three most developed Commonwealth countries should not suffer as a result of Britain joining the EEC. In return for losing their preferential access to the British market they were to be assured of ‘comparable outlets’ in the markets of the EEC. Over the period 1958-1961, for instance, between seventy and seventy-five per cent of New Zealand’s food exports went to Britain. But at the same time Britain was not to give up its preferential access to the markets of the Commonwealth. They were to be reserved as a bargaining counter for something more important than access to the Community, to be exploited when the United States returned to active tariff bargaining in GATT, as it was to do after the Congressional passage of the U.S. Trade Expansion Act in 1962 which authorized the White House to conduct mutual tariff negotiations and eventually led to the Kennedy round of GATT in 1964-1967.<sup>406</sup>

The nature of the preferences was, as he showed, as varied as the economies in the British Commonwealth. On the Australian market, which next to that of the United States was the most important one for British exports, the preferences given to the car industry enabled British cars to dominate the Australian market. Canada gave preferences only to those goods which it did not produce itself. Pakistan and Nigeria offered Britain no preferences at all.

Beset by the condition that they must try to maintain the agricultural exports of Australia, Canada and New Zealand even with Britain inside the Common Agricultural Policy, and under

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<sup>404</sup> Milward (2002), 351.

<sup>405</sup> Milward (2002), 352.

<sup>406</sup> Milward (2002), 352-356.

strong pressure to safeguard the European market for Canadian manufactured products and raw materials, they faced a negotiating task with few, if any, chances of success. On to that was superimposed the problem of persuading the Six to commit themselves to a trading policy which would help in the economic development of the world's largest and one of its poorest democracies. To that was added the obligation to provide also for the economic development of newly independent ambitious and quarrelsome African states the more important of which already regarded the Treaty of Rome's arrangements for francophone Africa as mere window-dressing for French colonialism and two of which, South Africa and Southern Rhodesia (now Zimbabwe), were governed by white minorities and were in open political conflict with other Commonwealth states. And behind all those great territories with their unforeseeable futures came a large flotilla of colonial mini-territories, scattered in poverty across the world and four richer ones, three of them in Europe, Cyprus (scene of a bitter ethnic conflict and a guerrilla war against British occupation), Gibraltar (claimed in its entirety by another west European country) and Malta. There was also a Chinese city, Hong Kong, whose manufactured exports were among the most rapidly expanding in the world and which had already aroused western Europe and the USA to impose non-tariff barriers against them.<sup>407</sup>

It was to be a difficult task to negotiate on behalf of such a collection of economies, particularly since some of the exports for which the British were to find 'comparable outlets' in the EEC were for the most part directly competitive with European agriculture. Edward Heath, the conservative minister delegated to lead the negotiations, set out to achieve a general solution for all Commonwealth trade as a way of preventing individual countries from trying to negotiate on their own behalf:

While for Britain the Commonwealth and empire had to be considered as an entity, to the Six they were only a loose bundle of third countries, some butter exporters, some grain exporters, some meat exporters, and so on. Moreover, the three that were obviously in question were rich. While governments of the EEC member-states no doubt saw advantages to the West in retaining the Commonwealth as a political association, they did not believe that to be any particular responsibility of the Treaty of Rome.<sup>408</sup>

Moreover they made it clear that they were not going to discuss what if any preferences they would give to agricultural exports from Australia, New Zealand, and Canada until they had reached agreement on the terms of their own agricultural protection. Only once agreement on the principles of the CAP had been hammered out in December 1961-January 1962, could discussions begin on the price and the terms on which the EEC would accept imports from the three Commonwealth countries. By early August 1962 when it appeared as if some agreement might be within reach with the other five EEC member states, the French sprang a trap which made it obvious to the British that de Gaulle, who had returned to power in France in May 1958 as a consequence of the Algerian crisis and become president of the Fifth

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<sup>407</sup> Milward (2002), 369-370.

<sup>408</sup> Milward (2002), 379-380.

Republic in December 1958, would never accept the British terms. It was clear that they had come to the end of the road with their national strategy of creating a one-world system.<sup>409</sup> It would not be possible to reach an arrangement between the EEC and the Commonwealth acceptable to both. It would not be possible to use British membership in the EEC and the Commonwealth to strengthen its bargaining position with the United States in the forthcoming round of tariff bargaining in GATT. Five months later de Gaulle brought the negotiations to an abrupt end.

The question which the British government raised at the time and which historians have subsequently debated at some length was why exactly de Gaulle had exercised his veto. What had gone wrong? Did de Gaulle oppose the British application because of the economic terms demanded by the British government particularly those relating to imperial preferences? The conclusions reached by the team led by Christopher Audland, who carried out the post-mortem analysis for the British government, was that de Gaulle's veto had nothing to do with the economic issues. No economic concessions offered by the British negotiators would have altered the outcome, since de Gaulle opposed British membership for political reasons. The reason why he allowed the negotiations to continue for so long were entirely due to his need to consolidate his position domestically by settling the future of Algeria, which he did by putting the question of its independence to a referendum in France and then in Algeria, and then securing his own reelection. Alan Milward, while acknowledging the limitations of an official history which was about Britain's relations with Europe based only on British government archives, did not accept the conclusions of the Audland report. But nor did he accept the alternative explanation, more popular with historians and which accorded more closely with the timing of the veto. This was that de Gaulle was reacting to the announcement of the nuclear deal reached between Britain and the United States in Nassau in December 1962 and communicated to France one week before he announced his veto. Not only was the U.S. government agreeing to supply Britain with Polaris nuclear missiles, but it was also taking its proposals for creating a multilateral nuclear force to the North Atlantic Council without discussing it with de Gaulle beforehand. Notwithstanding the recognized hostility between de Gaulle and the United States, which was to lead to France's withdrawal from the military command structure of NATO in 1966, that the close military ties between Britain and the United States were the reason for de Gaulle's veto of the British application to join

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<sup>409</sup> Milward (2002), 390-391.

the EEC, thereby ignoring three years of deadlock between Britain and France in economic negotiations, seemed to Alan Milward to be ‘perverse’.<sup>410</sup> Rather, in his view,

[t]he essential point of difference between Britain and the Six remained that which the French had relied on to keep their treaty partners on their side when they broke off the free trade area negotiations. France and its partners had conceived of the EEC as a European preference area. It was not possible for them to amalgamate that conception with a Commonwealth preference area. Too large a part of Commonwealth exports to the UK competed with the Community’s intended market for its own agriculture.<sup>411</sup>

The decision of the Six to form a preferential trade bloc in western Europe marked their clear rejection of Britain’s one-world policy.

With the Treaty establishing a common market between the Six, the fundamentals of the United Kingdom’s post-war strategy were directly repudiated by its European neighbours. Through its economic objectives and its longer-run political purpose a European common market had to be an instrument of regional trade discrimination; the Six rejected incorporation into the one-world strategy.<sup>412</sup>

It was disappointing for Alan Milward that no-one in the rest of Europe reviewed his major reassessment of Britain’s relations with western Europe. It was confirmation of the parochialism of the EEC which he had criticized and which Barry Supple picked out in his review.<sup>413</sup> Quoting Alan Milward:

The United Kingdom’s application arrived still wrapped and garlanded in Britain’s long international mercantile and imperial history, the history that had made it briefly a world power. Before it could succeed, Britain would have to become as parochial as the European Community, without particular intimacy with the Commonwealth, with no significant colonies, with only the last dying vestiges of a Sterling Area. The pity is that the awareness of and sensibility to the wider world which the United Kingdom brought into the negotiation did not rub off onto the European Community.<sup>414</sup>

In Britain the only aspect of the argument which left some reviewers unconvinced, because it was not backed up by documentary evidence, was his interpretation of European policies and particularly those of France.<sup>415</sup> However until such time as the French open all their archives

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<sup>410</sup> Milward (2002), 472.

<sup>411</sup> Milward (2002), 358.

<sup>412</sup> Milward (2002), 177-178.

<sup>413</sup> Supple (2006).

<sup>414</sup> Milward (2002), 420.

<sup>415</sup> Ludlow (2004).

for the postwar period the debate about French policy will continue. Sadly for everyone, Alan Milward did not live to complete the second volume of the official history.<sup>416</sup>

## **12. Politics and Economics in the History of the European Union (2005)**

Alan Milward's work as Official Historian and his research on the United Kingdom's relations with the Community was pursued in conjunction with two other projects which he carried on at the EUI after his reappointment there, in 1996, to the chair of the History of European Integration. One was an interdisciplinary research project to study allegiance to nation and 'supranation' in western Europe; the other was a study of each successive expansion of the European Communities/European Union. The first project, which explored the political programs – welfare, high employment, social security, agricultural protection – by which postwar European states reestablished themselves, led him to propose an ambitious Europe-wide research program which he announced in 1995 in the inaugural article of the *Journal of European Integration History*, a journal edited by the European Union Liaison Committee of Historians.<sup>417</sup> The cool reception of historians and political scientists to Alan Milward's proposal is explained by Mike Newman.<sup>418</sup> Because it was launched at a time when popular support for the European Union was in decline the concept of allegiance was not seen by many scholars as a useful one for understanding the process of integration or for questioning whether it would be reversed in the future.

The British government's decision to apply for membership in the EEC had implications not only for the Commonwealth but also for those non-member neighboring states which relied on Britain for a significant amount of their foreign trade and which were partners of Britain in the recently formed EFTA. Were the British application to be successful, their exports of manufactured goods, instead of having duty-free access to the British market, would face the hurdle of the common external tariff of the EEC. Although the Republic of Ireland was not a member of EFTA it nonetheless depended almost entirely on Britain for its foreign trade. The Irish government, along with the governments of Denmark and Norway, therefore decided to apply for membership in the EEC at the same time as Britain and linked their applications to the outcome of the British application. Thus in little over four years after the Six had signed the Treaty of Rome, four neighboring states had

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<sup>416</sup> The second volume of *The United Kingdom and the European Community* is being written by Sir Stephen Wall.

<sup>417</sup> Milward (1995).

<sup>418</sup> Michael Newman (forthcoming).

applied for accession to the EEC. They were to be followed by many more. When the British application was finally successful so too were the applications of the other three, although Norway, uniquely, was to turn down the EEC's offer of membership in a national referendum. In less than fifty years the EEC was to expand itself from six to twenty five members. Why, Alan Milward asked, did countries want to join the EEC? He used an invitation from the University of Graz to give the annual Joseph Schumpeter lectures, as an opportunity to consider the underlying dynamics of European integration and of this expansion.<sup>419</sup> His interest was in analyzing the relationship between the European Community and the wider international economy. As a first step, in his Graz lectures, he focused not only on the impact which the EEC had on its neighbors in Europe but also on its dependants in Africa. As he emphasized, since the first expansion of the European Community in 1973 included not only three European states but also many British dependencies throughout the world, it marked the beginning of the internationalization of the Community: 'The European Community had entered the world, as well as the United Kingdom entering the Community.'<sup>420</sup>

Social scientists held fundamentally different views about what motivated countries to seek association or membership in the EEC. At one extreme were those who argued that the motivation was essentially economic, based on reaping the benefits which membership in a rapidly-expanding high income market would bring. At the other were those who stressed the foreign-policy benefits of belonging to a united Europe in a world dominated by superpowers. Taking as his starting point Jacob Viner's pioneering study of customs unions which measured the net welfare effect of their formation in terms of whether they led to trade creation or trade diversion, Alan Milward questioned the very idea of trade creation. 'The concept of the outside market as uninfluenced by, even independent from, the common market, is [...] historically dubious', he asserted. As an example he demonstrated that '[i]n the first twenty years of the common market, at the least, the growing share of exports by other member-states to Germany was partly dependent for its dimensions on Germany's exports to non-member states.'<sup>421</sup> He felt that a more useful question to consider was why it was that 'regional' trade institutions, of which the EEC was but one example in the postwar

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<sup>419</sup> Milward (2005a).

<sup>420</sup> Milward (2005a), 102.

<sup>421</sup> Milward (2005a), 7 (both quotations).

world, had become more effective instruments for liberalizing trade than the international institutions initially conceived by the United States.<sup>422</sup>

The EEC had, simply by virtue of its own territorial expansion, been responsible for much of the trade liberalization in the postwar period. According to Richard E. Baldwin, this was due to the pressure which its increasing integration put on other economies. It was, in Baldwin's view, the growing economic liberalization in the early 1980s culminating in the Single European Act, followed by the collapse of the Soviet bloc in eastern Europe, which had put pressure on eastern European countries to seek membership in the Community. As a general rule Baldwin maintained that more integration or 'deepening', which he termed 'an idiosyncratic shock', led to territorial expansion or 'widening' of the European Union (EU). But it was an argument which did not stand up to Alan Milward's historically-based scrutiny. 'There was no idiosyncratic shock from the common market which led to the UK's application for membership. The applications by Denmark, Ireland and Norway were largely determined by the importance to them of the British market, that is to say, by a shock emanating from Britain', he pointed out.<sup>423</sup> It was, he maintained, precisely because additional states were seeking membership, which explained why the EEC/EU 'intensified its internal coherence' at specific times, rather than the reverse.<sup>424</sup> Therefore he felt that Baldwin's argument, that it was integration which drove expansion of the EEC/EU, was not correct when tested against the record of history. It was certainly not the case that the most significant example of integration, that of the CAP, had been responsible for Britain's application for membership in the EEC. What, he asked, explained why Ireland and Denmark had applied to join the EEC?

Although Ireland and Denmark were two small, agrarian countries which applied for membership at the same time as the United Kingdom, their motives for doing so were, as he showed, very different. For the Republic of Ireland he maintained that '[o]ne of the deepest wells of support for Ireland's entry into the EC was the political wish to be recognised in nature rather than name as an independent country.'<sup>425</sup> The Irish request for Community membership involved a break with Ireland's most immediate past, in terms of agrarian and industrial protectionism. Although the Irish government had rejected the option of joining EFTA through the fear of losing more than 50,000 jobs as a result of competition with British manufacturing industry and a further contraction in the population as emigrants left for

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<sup>422</sup> Milward (2005a), 11.

<sup>423</sup> Milward (2005a), 12. Baldwin (1995).

<sup>424</sup> Milward (2005a), 12.

<sup>425</sup> Milward (2005a), 50-51.

Britain, to continue the protectionist policies inherited from the 1930s was seen as no strategy for promoting economic development either. Alan Milward's answer to the puzzle of why the Irish government could consider joining the EEC when it had rejected EFTA was that whereas 'EFTA was only about trade; the EEC was also about similarities in general economic policy.'<sup>426</sup> Accession to the EEC offered the promise of markets not only for Irish agricultural exports at guaranteed prices but also for the manufacturing industry which the government was determined to promote through a mixture of financial incentives and exposure to competition.<sup>427</sup>

Denmark was a much richer economy with potentially more options for promoting national development. Torn between the agrarian interests which depended on the British and German markets for their exports, and the manufacturing interests which looked to the Scandinavian market in EFTA, the Danish government had concluded a trade deal for some of its agricultural exports with Britain within EFTA rather than join the EEC. Britain's decision to apply for membership in the EEC in one sense held the advantage of bringing Denmark's main single markets, Britain and Germany, within the same trading regime but it still left those in Denmark who, for a variety of reasons, preferred closer links with Scandinavia, dissatisfied. Denmark, even though it opted to join the EEC, was to remain one of its most critical and dissatisfied members. Greenland, which subsequently negotiated separate home rule from Denmark was to be the first territory – and the only one so far – to secede from the EC in 1985.

Britain's accession to the EEC in 1973 had an impact, as Alan Milward showed, not only on its European neighbors but also on many countries outside Europe including Britain's own dependencies scattered across the globe. Britain's accession was a global affair, he insisted. This meant that the history and politics of the European Union had to include some understanding of how it was designed to preserve 'Europe's position and importance in the world'.<sup>428</sup> It was in its commercial bargaining that the EU exerted real power and leverage; it was as a common market that it had global weight. One purpose of Britain's accession to the EEC 'was to put the Community on a level of equal power with the USA in international trade disputes'.<sup>429</sup> That meant above all cooperating with France inside the European Community. 'The British', he insisted, 'did not want to overthrow France's position in the

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<sup>426</sup> Milward (2005a), 51.

<sup>427</sup> Milward (2005a), 54.

<sup>428</sup> Milward (2005a), 81.

<sup>429</sup> Milward (2005a), 96.

Community; they wanted to share it.<sup>430</sup> However the way in which British dependencies would be associated with the EEC was to bring Britain up against the system put in place at the insistence of France for associating its former colonies as well as those of Belgium and the Netherlands with the EEC.

France saw Britain's membership in the EEC as an opportunity to reinforce Europe's position in Africa and to provide financial assistance for the economic development of the continent. Under the terms of the Yaoundé Convention signed in the capital of the Cameroon in 1963, the sub-Saharan former colonies of France and Belgium were offered preferential access to the markets of the EEC for their exports, apart from those agricultural products which competed with European agriculture, in return for giving the EEC states reverse preferences in their markets. It was this principle of reciprocity which distinguished the French-inspired system from the one offered by Britain to its dependencies. Although the United States was opposed to all forms of discrimination in international trade it was not until, as Alan Milward showed, it became apparent that with Britain's accession to the EEC the Community preferences would be extended to markets in the Caribbean, that it aired its objections. The real reason for the United States' hostility, he suggested, had little to do with the Caribbean, but with its desire to win more important concessions on the CAP from the European Community during the negotiations in GATT.<sup>431</sup> The challenge for Britain was to find a way of presenting a united front with its partners in the EEC in order to bargain with the United States in GATT while opposing the principle of reciprocity on which the successor agreement to that of Yaoundé was to be based. The difference between Britain and France, Alan Milward argued, was not one between trade liberalizers and protectionists but was 'over the extent to which African economies could respond to globalised trading rules and the extent to which they needed special provision.'<sup>432</sup>

Since the countries themselves in Africa, the Caribbean, and the Pacific (known as the ACP) made clear their opposition to the principle of reciprocity, preferring to be free to find markets wherever they could in the world, this made it difficult for France, supported only by Belgium, to uphold its claim to be the voice of the underdeveloped in Africa, and had to drop its insistence on reverse preferences.<sup>433</sup> Thus, the successor to the Yaoundé Convention which was signed in Lomé, the capital of Togo, and renewed three times, provided duty-free access to the EEC markets for most exports of manufactured goods and of tropical agriculture

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<sup>430</sup> Milward (2005a), 101.

<sup>431</sup> Milward (2005a), 88-89.

<sup>432</sup> Milward (2005a), 105.

<sup>433</sup> Milward (2005a), 102.

while providing subsidized loans and technical assistance to the African economies without any reciprocal arrangements.<sup>434</sup> Although the francophone states continued nonetheless to direct their exports to France, the more developed economies in west Africa expanded their exports to non-European markets, finding increasing outlets in the United States. But as Alan Milward showed, the Lomé states became increasingly marginalized in world trade and the trade of the whole ACP countries with the EU declined as a proportion of total EU trade, amounting to less than two per cent of EU exports and less than two per cent of its imports in 2000.<sup>435</sup> If this was the responsibility of the EU Commission it was, he argued, quite beyond its competence to do anything about it. To have changed the terms of the Lomé agreements and their successors would have called for the Commission to reach an agreement with France and Britain and then with the other member states. The history of the Lomé agreements demonstrated that France and Britain simply agreed to pursue their own separate national policies in Africa and ‘to legitimate’ their decision by constituting a common EU trade framework for EU-African trade linked to a common but small EU aid program backed by a European Development Fund.<sup>436</sup> ‘The Franco-British agreement on which the Lomé Conventions rested,’ in Alan Milward’s words, ‘[did] not seem to have been designed for change.’<sup>437</sup> It was in his search for a theory of historical change that he remained interested to the end of his life.

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### ***13. Alan Milward’s implicit theory of historical change***

Alan Milward was neither a Marxist nor a liberal. He came closest to being a Keynesian but he rejected the protectionism which he saw as underpinning the general theory of Keynes. In his life-long search to find a theory of historical change he combined the historian’s method of conducting detailed research into as many relevant archives as were accessible at the time of writing with the economic historian’s method of consulting the statistical record. Against the resulting historical narrative he tested social science theories, those of economics, political science, and sociology. The result was an economic history of nineteenth-century Europe, of the Second World War and of the great thirty-year western European economic boom that followed it, which challenged much conventional wisdom.

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<sup>434</sup> Milward (2005a), 79-80.

<sup>435</sup> Milward (2005a), 80.

<sup>436</sup> Milward (2005a), 112-113.

<sup>437</sup> Milward (2005a), 115.

Although he did not live to acknowledge that he had developed a theory of historical change, or to make it explicit, it has become clear to us that over the course of his lifetime's research he had developed such a theory. The lessons of history which he drew upon in formulating his theory was that change – social, political, and economic – for it to be sustainable, had to be a gradual process rather than one resulting from a sudden, cataclysmic revolutionary event occurring in one sector of the economy or society. Benign change depended much less on natural economic endowment or technological developments than on the ability of state institutions to respond to changing political demands from within each society. State bureaucracies were fundamental to formulating those political demands and advising politicians of ways to meet them. Since each society was different there was no single model of development to be adopted or which could be imposed successfully by one nation-state on others, either through force as France and Germany had tried to do under Napoleon Bonaparte and Adolf Hitler or through foreign aid as the United States had tried to do under the Marshall plan. Nor could development be promoted by following the example of a more successful economy, as Iceland had tried to do in copying Denmark. Since there was no single model of development each nation-state had to find its own response to the political demands from within its own society. It was how nation-states responded to those domestic political demands rather than to any external pressures arising from a supposedly greater degree of economic interdependence, which determined the nature of historical change.

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If the gold standard at the end of the nineteenth century had met the demands of the restricted group of voters who held the franchise and for whom price stability was more important than employment, the gold exchange standard which replaced it after the end of the First World War was ill-designed to meet the political demands of a wider group of voters whose livelihood and economic security depended as much on employment in all sectors of the economy as on price stability. How to provide such security was a challenge which neither the liberal democracies nor the fascist states were able to meet before the Second World War. It was a challenge which those who created the 'Bretton Woods system' in 1944 equally failed to address adequately. It was the defeated states in western Europe, which drew from the experience of occupation the lesson that they had to provide economic as well as military security for the majority of their electorates if the nation-state was to survive as a democratic organizational unit in the postwar world, who created the new institutional arrangements which provided such economic security in postwar Europe. The new supranational institutions of what was to become the European Union were not designed to

replace the nation-state but to enable it to achieve domestic objectives which it could not achieve through more traditional arrangements, while at the same time providing security to Western Europe against a resurgent Germany. The Treaty of Paris signed in 1951 establishing the ECSC was designed to offer security to the six signatory states, including the new democratic West German state, through a form of joint state control over the strategic sectors of coal and steel. The Treaty of Rome signed in 1957 establishing the EEC was designed to offer to the Six member states of the ECSC economic security through a commercial treaty which provided for the gradual liberalization of trade in manufactured goods, combined with continued protection for the rest of the economy, including agriculture, while at the same time locking West Germany into that trading structure. The Single European Act signed in 1986 was designed to provide for economic security through the gradual liberalization of trade in services as employment in the service sector increasingly replaced employment in manufacturing and in agriculture as western Europe faced increasing competition from Asia. The Treaty of Maastricht signed in 1992 was designed to lock the new unified Germany into western Europe by controlling German monetary policy within a European monetary union (EMU). But he warned that EMU would work only if the nation-states retained political control in order to address the social and economic consequences of monetary union rather than relinquishing such control to an independent European central bank. ‘Domestic politics in Europe will determine the Euro’s fate, not central bankers’, he predicted on the eve of the creation of the new European currency.<sup>438</sup> For Alan Milward the drivers of benign historical change in a democracy were domestic politics rather than external pressures arising from the international economy or the work of diplomats.

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<sup>438</sup> Milward (1992), p. 434.

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