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Germany and European Integration

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Introduction: Germany and European Integration

Germany has played a pivotal role in the process of European integration.[1] The "European construction" was begun after 1945 as a response to the catastrophic human and material losses and moral disaster of World Wars I and II. The role of Germany in those events needs no elaboration here; suffice it to say that policy-makers in both Western Europe and the United States were fully aware of the need to ensure that the energies of the defeated nation at the heart of the continent were harnessed for purposes of peace, not war. Other reasons can be found to explain why European nations began to relinquish sovereign control over important parts of their economies, but the twin beliefs that greater economic integration would provide the conditions for lasting peace, and that it would simultaneously act as a means of containing and controlling the Federal Republic, were at the core of the European project. The Schuman Plan, announced on May 9, 1950, was an act of profound political idealism and a calculated exercise in power-sharing by the French state. It gave Konrad Adenauer the opportunity to begin steering the new German republic back into the free society of nations. He was ready to do this even if it meant postponing hopes of unification and permitting neighbouring states to influence the pace and character of German post-war reconstruction.

The Federal Republic's engagement with the European project thus began with a major sacrifice – made in order to win the friendship and esteem of adjacent democratic states. Though Adenauer conceded on this point, he was no pushover in other matters. During the negotiations for the European Defence Community between 1952 and 1954, he bargained hard to end the Occupation Statute and to obtain recognition of West Germany as a sovereign state that could have its own foreign and defence policy – but he did show surpassing realism in grasping that Bonn had to give to Europe in order to gain from it, and that building Europe was in everyone's interest.

The European Coal and Steel Community and the European Economic Community (EEC) brought clear milieu advantages to all member states, and these

1 With regard to the abundance of syntheses on European integration, we would like to refer to four books published by researchers included in this volume: Mark Gilbert, European Integration. A Concise History, Lanham/MD et al. 2012; Wilfried Loth, Building Europe. A History of European Unification, Berlin/Boston (MA) 2015; Kiran Klaus Patel, Projekt Europa. Eine kritische Geschichte, Munich 2018, and Guido Thiemeyer, Europäische Integration. Motive – Prozesse – Strukturen, Cologne/Weimar/Vienna 2010.

were worth the sacrifice of some immediate economic possession goals.[2] It is a caricature to describe the March 1957 Treaty of Rome as a deal by which France conceded market access to German manufacturers in exchange for Europeanization of the costs of its former colonies and access of its farmers to the German domestic market, but not a gross one. The outcome was increased prosperity for all. European integration also encouraged greater equality between the member states – a point that is often overlooked. Although France was *primus inter pares* in the 1950s, the Federal Republic was able to exercise considerable influence on the EEC's decision-making, as could the other four member states. Unlike the French, German statesmen showed a consistent willingness to accept a collegial decision-making process: Bonn fought for its interests but never insisted upon vetoing items of policy broadly acceptable to the Community as a whole. West Germany was a "good citizen" of the European project, not an "awkward partner," as Britain was to be when it entered the Community in the 1970s.[3]

Collegiality should not be mistaken for ineffectuality. The Federal Republic's extraordinary economic success – not to mention its comparative political stability – led Bonn to exercise an ever-greater role in the development of the European Community in the 1970s and 1980s. Under Willy Brandt, Helmut Schmidt and Helmut Kohl, West Germany came to imprint its values and political centrality on the Community as a whole. The European Monetary System (EMS, 1979) was the fruit of Franco-German cooperation, but the policy innovator, this time, was West Germany. Born of Schmidt's fury at the United States' competitive devaluation of the dollar in the 1970s, the EMS reflected the German principles of sound money and balanced budgets. President Valéry Giscard d'Estaing and Premier Raymond Barre of France went along with this austere macroeconomic strategy, even though it entailed a significant reduction in national sovereignty. But Giscard's successor, François Mitterrand, balked at the limitations the EMS was imposing when he took power, in 1981, at the head of a united left-leaning government that included the Communists. The result was fiscal calamity for France, which had to be bailed out by Bonn in 1984. This was a hugely significant moment in the political history of European integration. Thereafter, although no one dared say it, the *primus inter pares* within the Community was West Germany, not France. The entire European Community (EC) now conducted its economic activity within parameters independently (and even arbitrarily) laid down by the Bundesbank.

2 For milieu and possession goals, see Arnold Wolfers, Discord and Collaboration. Essays on International Politics, Baltimore/MD 1962, pp. 67–80.

3 See Stephen George, The Awkward Partner. Britain in the European Community, Oxford 1998.

This is why Helmut Kohl, Schmidt's successor as chancellor, was so anxious to prove that the Federal Republic remained a "good citizen" in the Community. Under Kohl, West Germany paid an increased and generous share of the EC's costs: the budgetary shortfalls caused by Mediterranean enlargement and the British rebate negotiated by Mrs Thatcher at the 1984 Fontainebleau European Council were largely picked up by German (and long-suffering Dutch) taxpayers. Once again, the milieu advantages of a thriving EC outweighed any temptation to demand that others should pay a higher share of the costs. Kohl also threw his considerable weight behind the activist president of the European Commission, Jacques Delors, and backed his key policy of establishing a single market by January 1993. The historiography of European integration has specially emphasized – even celebrated – the achievements of the Commission and the Community's institutions in the late 1980s.[4] Political scientists and academic lawyers have focused on these years even more intently, interpreting developments as a victory for the principle of supranationalism.[5] With the benefit of hindsight, however, it is at least arguable that the critical development of the 1980s was the shift in the power relationship between the Community's two most important states.

This shift underlay much of the diplomacy within the EC during the year that followed the historic events of November 1989. The collapse of the German Democratic Republic put national unification firmly on the agenda, but the German chancellor soon discovered that his Community partners were dismayed at the prospect of a giant Germany straddling the continent. The December 1989 meeting of the European Council in Strasbourg was distinctly frosty in its response to the great events taking place in Berlin.[6] Attitudes thawed only when Kohl underlined that Germany would take the lead in a new round of "deepening" the political powers of the European construction, and that it would even abandon the *Deutsche Mark*, the proud symbol of West Germany's post-war "economic miracle." Kohl's policy in 1990 was influenced by a strong sense of his personal historical mission and by profound patriotism, but his commitment to the European Project

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4 Most egregiously in the Commission-financed book by Jean-Baptiste Duroselle, Europe. A History of Its Peoples, New York 1990.

5 Witness the well-known (mostly American) debate between neo-functionalists and liberal intergovernmentalists that began in the 1980s as a result of the Single European Act and the successes of the Delors Commission. For a good overview of the very abstract theory produced by this debate, see Mette Elstrup-Sangiovanni (ed.), Debates on European Integration. A Reader, London 2006.

6 See Helmut Kohl, "Ich wollte Deutschlands Einheit," ed. by Kai Diekmann/Ralf Georg Reuth, Berlin 1996, pp. 194–200.

was also absolute and was responsible for launching a new phase of German self-inclusion in the wider European framework.[7]

Germany has thus been one of the principal architects of European unity, but it is also a country that has been profoundly influenced by the development of the European project. It is no exaggeration to say that European integration is vastly indebted to the steadfast support for the idea and practice of European unity that has come from the German elites – not only from those in politics, but from those in business and academe as well. At the same time, since the days of Adenauer, the perceived need to push European integration forward – or keep it from receding – has meant giving things up: German politicians have had to be willing to face dissent at home by making sometimes painful sacrifices of institutions or practices their citizens have held dear. Nevertheless, Germany, with its strong economy, has benefited immensely from European integration – more, perhaps, than any of the other nations.

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This brief overview of the strikingly important role played by Germany in the history of European construction provides the background for the articles included in this Yearbook. The five full-length scholarly articles that appear were originally published in the *Vierteljahrshefte fűr Zeitgeschichte* and have been translated from the German for this volume. The topics selected for inclusion depended on what had been published in the journal, which deals with contemporary history in general. This explains why our volume cannot comprehensively cover all facets of its wide subject, but concentratrates on specific themes. In keeping with previous editions of the Yearbook, we have commissioned short articles by two well-known scholars, Lucia Coppolaro and Matthias Matthijs, who provide commentaries on articles reprinted from the journal.

Temporally, the studies collected in this volume are mainly concerned with the period from 1945 to 2011. For the most part, their subject matter is located in two clusters: the formative phase of European integration, from the end of World War II up to 1958 (Ludolf Herbst and Lucia Coppolaro) and the years around German unification (Wilfried Loth, Werner Becker and Matthias Matthijs). The two articles by Guido Thiemeyer and Kiran Patel span the decades from the

7 For works with a focus on the history of European integration since 1989, see Andreas Wirsching, Der Preis der Freiheit. Geschichte Europas in unserer Zeit, Munich 2012; idem, Demokratie und Globalisierung. Europa seit 1989, Munich 2015, and Philipp Ther, Europe since 1989. A History, Princeton/NJ 2018.

1940s/50s up to the end of the 1980s. Only one article can be regarded as diplomatic or political history – the one contributed by Loth. The others are examples of intellectual history (Herbst), social-institutional history (Patel and Thiemeyer), and economic history (Becker).

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The article by Ludolf Herbst that opens the book is an ambitious work of intellectual history on the concept of "integration" and the "beginnings of European Unification." It was first published in 1986. It is worth underlining here how original Herbst's understanding of the historical significance of European integration was (and is). One of the most intriguing aspects of the post-war movement to unify Western Europe is one that most scholars of European integration rarely think about. Why did it happen at that particular historical moment? Why did the political elites of Europe rush into schemes to promote supranationalism in Europe in the immediate aftermath of the most catastrophic war in human history?

The default answer to this question is, in essence, that Fascism and Nazism were aberrations from the European spirit. The movement for European unity was an act of moral renewal by the peoples of Europe (or their enlightened elites) and reflected the fundamentally liberal and democratic orientation of their political cultures.[8] The Cold War context, moreover, acted as an accelerant. The Americans insisted as a price for Marshall Plan Aid that Europe's division into national units should be overcome as far and as fast as possible.

This answer raises two further questions and Herbst provides us with a thoughtful answer to one of them. The first question is why did Europe's statesmen and intellectuals speak so confidently of European values and Europe's civilizing role in the world just five years after the Holocaust and the waging of total, dehumanizing war by all sides in the conflict? Many of the speeches made at The Hague during the Congress of Europe (April 1948) and in the opening sessions of the Consultative Assembly of the Council of Europe (August 1949) have a surreal ring to them when one reflects how close they were temporally to the unprecedented barbarity of the wartime years. Answering this question would require a very learned inquiry into European cultural arrogance and also, perhaps, an account of the need of the new Community institutions and the politicians of Europe's new democracies to perpetuate some kind of founding myth.

8 For instance, Walter Lipgens, A History of European Integration 1945–1947, Oxford, 1987, but frankly this is a mainstay of almost all mainstream writing on European integration.

The second question, and the one to which Herbst provides an important insight, is why did the Europeans not seek to unify directly into a full political union, a "United States of Europe?" Why did they choose to pool sovereignty over sectors of the economy, beginning with coal and steel, and the Schuman Plan? "Integration" as a concept was American in origin and did not establish itself in Europe until the 1950s, partly as a consequence of the Europeans' success in constructing the Coal and Steel Community and the subsequent Economic Community.

Herbst's answer to this question is, in effect, that the Schuman Plan had the pragmatic advantage that it "was able to be justified from almost every theoretical standpoint."[9] While the liberals could be impressed with the prospect of a larger market, the protectionists could hope for the security afforded by tariff walls, the federalists could view the supranational authority as the starting point for overcoming the nation-state, the functionalists could envision a focus on a technologically important branch of industry, the locations theorist could appreciate the choice of Europe's industrial core region as the starting point for reintegration, and the security-oriented politicians could hope that the Franco-German rapprochement implicit in the plan would ensure peace.[10]

Herbst adds a second sharp insight. He remarks that the political success of the Schuman Plan had deleterious "consequences for the subsequent course taken in theory and ideology. It sparked and popularized the notion of a continuously progressing integration process that would someday result in political integration." But this teleological view was "alien to the previous tradition of integration theory."[11] It invested the European project with an aura of inevitability and revived "the nineteenth-century belief in progress and the excessive self-confidence of Wilhelminism."[12]

Herbst's criticism of the teleological approaches to European integration anticipates a pervasive theme in the contemporary historiography of European integration.[13] It is worth remarking here that Lucia Coppolaro, in her comment on Herbst's article, reinforces and consolidates this central theme. In her view,

9 Ludolf Herbst, Contemporary Theory and the Beginning of European Integration, in this Yearbook, pp. 21–70, here p. 59.

10 See ibid.

11 Ibid., p. 61.

12 Ibid., p. 66.

13 For two examples of authors who have argued strongly against teleological narratives of European integration, see Mark Gilbert, Narrating the Process. Questioning the Progressive Story of European Integration, in: Journal of Common Market Studies 46 (2008), pp. 641–62, and Luuk Van Middelaar, The Passage to Europe. How a Continent Became A Union, New Haven (CT)/ London 2014.

scholars have tended, erroneously, to portray the key developments of the 1950s as an unfolding project. Thus, in this scheme, the Schuman Plan gave birth to the European Coal and Steel Community, which provided a model for the European Defence Community, whose failure led to a refocusing of attention on trade questions as a possible way forward for the integration process. Coppolaro argues, rather, that trade flows encouraged by the intergovernmental Organization of European Economic Cooperation (OEEC) had already ensured that the countries that created the EEC were part of a recognizable economic unit. So, to this extent, the EEC Treaty "sustained a trend that had previously been established."[14] In short, Coppolaro sees the process of European integration in the 1950s as being one of institutional and political confirmation of trade policies which the member states had already found economically beneficial, and which had also provided clear political gains. It was not primarily the implementation of a plan, or ideal.

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Once the EEC was established, decisions it took had a direct effect on the institutions of its member states. The European integration process had repercussions on West German institutions below the national government level and shaped the interactions between such sub-state entities and European actors or institutions. This brings into focus the issue of multilevel governance within the European Community. This volume contains two articles that are longitudinal case studies of the effects of European integration on important component parts of the political life of the Federal Republic.

Guido Thiemeyer's article "Stepchildren of Integration. The West German *Länder* and the Emergence of the European System of Multilevel Governance from 1950 to 1985" (first published in 2017) analyzes the consequences European integration had for West German federalism. The fundamental problem was that the transfer of national sovereignty to supranational organizations effectively curtailed the competences of the *Bundesländer* (federal states), without the latter having any possibility to put a veto on this. Thiemeyer shows that, up to the 1970s, the Länder were unable to achieve a formal agreement that could save them from losing authority. This induced these bodies to create a complex and constantly evolving web of informal structures enabling them to defend their interests directly vis-à-vis the EC. During the 1980s, the Länder finally established

14 Lucia Coppolaro, Theory, Trade and European Integration. A Comment on Ludolf Herbst's "Contemporary Theory and the Beginning of European Integration," in this Yearbook, pp. 71–82, here p. 80.

their own institutional presence in Brussels, thus formalizing their direct relationships with the EC bureaucracy. Only in 1992 did a constitutional change legally oblige the federal government to cooperate with the Länder in European policy. The development of direct interaction channels between Länder and EC was one of the roots of the European system of multilevel governance. But it also brought about important changes at the Länder level, since the informal character of the interactions between Länder and EC level turned out to be problematic both for democracy and for constitutionality in Germany. The losers, as Thiemeyer points out, were the Länder parliaments, but not the Länder governments. This fits with a more general shift in political processes and forms, observable in recent decades and across varying fields, in which the executive has tended to get stronger while the legislative power has seen itself weakened.

Kiran Patel's article "The *Deutscher Bauernverband* from 1945 to 1990: From Uncompromising Stance to Rescue through Europe" was first published in 2010. Putting the German Farmers' Association under scrutiny, it examines a non-state, economic actor whose fundamental interests were highly affected by European integration.[15] Patel analyzes the Association's history within the context of German history in general and of European integration in particular. He shows how German farmers expanded their lobbying structures, making them effective at the European level as well as at national level in order to safeguard their special position. Taken as a whole, the attitude of the German Farmers' Association towards Europe is hereby characterized as paradoxical: on the one hand, over many years, this highly conservative lobby organization viewed European integration with hostility and "obstinate skepticism";[16] on the other hand, it was especially effective at defending its interests at European level. With a hint of irony, Patel's subtitle therefore suggests a European "rescue" of the German Farmers' Association – alluding to Alan Milward's famous argument of a "European Rescue of the Nation-State."[17]

The two seemingly disparate examples of the West German Länder and the German Farmers' Association reveal interesting similarities. In both cases, despite many difficulties, these bodies managed successfully to reach an arrangement with European structures. A key factor for their effective adjustment was

15 For the wider background to this topic, see also Kiran Klaus Patel, Europäisierung wider Willen. Die Bundesrepublik Deutschland in der Agrarintegration der EWG 1955–1973, Munich 2009.
16 Kiran Klaus Patel, The "Deutscher Bauernverband" from 1945 to 1990. From Uncompromising Stance to Rescue through Europe, in this Yearbook, pp. 83–104, here p. 84.
17 See Alan S. Milward, The European Rescue of the Nation-State, 2nd ed., London/New York 2000.

the development of autonomous channels to European institutions without the involvement of the national government. This changed European structures – adding a sub-state level to already complex negotiation and policy-making processes – but it also had repercussions on the institutions concerned. Furthermore, the nation-state level was affected, too, as processes of national policy formulation were disburdened from taking these sub-state actors' interests closely into account. It is precisely when the nation-state level is bypassed that corresponding processes tend to weaken democratic transparency and accountability, since national parliaments and public spheres are excluded. At another level of analysis, the two examples examined by Thiemeyer and Patel raise the question of whether the German actors' historic experiences of the two world wars and the Nazi regime, as well as within the German federal tradition, made them both more inclined and better able to adapt to multilevel European structures.

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Another perspective of this volume, as it explores the interrelationship between Germany and the European Union, is chronologically centered around German unification and European Monetary Union. In his article "Helmut Kohl and the Monetary Union" (first published in 2013) Wilfried Loth zooms in on Kohl's time as West German chancellor during the 1980s and 1990s, and analyzes his role in tightening up European integration in the area of monetary policy. Kohl's European policy is considered within the broader context of German unification, and Loth's account seeks to question the often-made claim that renunciation of the German Mark in favour of a common European currency was ultimately a consequence of German unification. Was it, Loth asks, the price Kohl had to pay? The article traces in detail Kohl's manoeuvres towards national actors on the one hand and European actors on the other. The latter were particularly concerned about the prospect of a new, strong Germany in the middle of Europe. By doing so, the article sheds a nuanced light on the interdependencies that existed between German unification and the acceleration of European integration. Loth certainly establishes that Kohl's politics were anticipatorily aimed at a deepened German self-involvement in Europe. Nevertheless, his overall conclusion is that the euro was not a concession made to get agreement for German unification. Rather, Loth suggests, German unification provided the opportunity for introducing the common currency, and Kohl's merit consists in having seized this opportunity.

Werner Becker's article "Twelve Years of the Euro. From Calm Waters to Turbulent Seas" was first published in 2011 and analyzes the early history of the euro from an economist's point of view. On the basis of an economic assessment scale, it identifies positive and problematic developments, and examines the causes and effects of the sovereign debt crisis the European Monetary Union experienced after 2009. Becker views Germany's economic strength in Europe as a natural positive premise. The focus of his analysis of the euro's problems is on the weaker eurozone countries. Becker criticizes the insufficient competitiveness and slack budgetary discipline of these countries and argues that greater political efforts should be made to enforce observance of the rules of the game. However, in spite of the problems he identifies, Becker concludes that Monetary Union in its actual form [in the year 2011] has proved itself viable, will serve as a "catalyst for integration,"[18] and that this will enhance cohesion.

In "The Euro at Twenty: Reflections" (newly written for this volume), Matthias Matthijs comments on the texts by Loth and Becker against the background of the most recent developments of Monetary Union – developments up to the year 2019. He contrasts Loth and Becker's positive judgements about the outcome of deepened European integration and Germany's role in its processes with the findings of his own research, in particular research for the volume he co-edited with Mark Blyth on "The Future of the Euro."[19] With regard to Germany's role in the euro crisis, Matthijs comes to a more critical conclusion than either Loth or Becker. He argues that the euro crisis unintendedly enforced Germany's "hegemonic leadership role" in the eurozone, and he goes on to assert that German policy-makers did not shoulder the burden of responsibility that was a concomitant of this role. In Matthijs' view, they should have launched bold countercyclical, stabilizing measures. Instead, these German actors merely continued to insist that the other member states must follow the commonly defined austerity rules. Summing up, Matthijs asserts that "the popular perception of an all-powerful Germany imposing draconian terms on Southern Europe [...] has been very bad for the European project" and has in no way contributed to consigning the "'German Problem' to the dustbin of history."[20] His view on the euro's future prospects is therefore rather mixed.

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In a general review of all the articles in the present volume, the contours of two overarching themes emerge. The first theme concerns the repercussions European integration had on the Federal Republic of Germany. These were far-reach-

18 Werner Becker, Twelve Years of the Euro. From Calm Waters to Turbulent Seas, in this Yearbook, pp. 133–56, here p. 156.

19 Matthias Matthijs/Mark Blyth (eds.), The Future of the Euro, Oxford 2015.

20 Matthias Matthijs, The Euro at Twenty: Reflections, in this Yearbook, pp. 187–99, here p. 198.

ing and, broadly speaking, very positive. The contributions by Thiemeyer and Patel dwell on one specific question: how could the complex body of German federalist and corporatist traditions be reconciled with the European integration process? According to the accounts by Thiemeyer and Patel, the answer reads: despite much friction, this arrangement, in the long run, was quite successful. Going beyond the two texts, it can be concluded that it bolstered Germany's already strong position within the European community. An important subsidiary question follows, however. There was a multitude of sub-arrangements like the ones the Bundesländer negotiated with the EC and those that followed the successful lobbying activities of the German Farmers' Association in Brussels. Were these not made at the expense of parliamentary and democratic processes within the Federal Republic? And do such arrangements continue to contribute to the general problems of democratic legitimacy in European politics?[21] Another important subsidiary question moves us into comparative history: how, and with what consequences, did such sub-state arrangements with the EC develop in other countries?

If we stand back from the detail, a second theme can be seen to thread its way through the texts by Herbst, Coppolaro, Loth, Becker and Matthijs, appearing as a common denominator. This concerns Germany's role within the general context of European integration. Even before 1990, the Federal Republic was bigger and stronger than the other states and, at least in the eyes of its European partners, something of a threat. What were the effects of this? Ultimately this European issue is a revised version of the German Question that goes back to the nineteenth century or even beyond,[22] and outside Germany probably often shapes up rather as a "German Problem." After 1945, this "Problem" was often linked not only to demographic, economic and political issues, but also to the German past – particularly its Nazi period. Herbst, Coppolaro, Loth, Becker and Matthijs all underline that the German Question was a powerful driving force for the integration process. This was especially so in the early stages of European integration and again in the years after German unification, the two periods given special prominence in this volume. The constructive role of the Federal Republic in shaping the European project can also be attributed to the awareness post-war German politicians had of this. For them, the only possible way to defuse the German Question

21 On the growing trend towards an informalization of politics, see Wirsching, Demokratie und Globalisierung, p. 113.

22 For such a perspective going back to the fifteenth century, see Brendan Simms, Europe. The Struggle for Supremacy, 1453 to the Present, London 2014.

was progressive involvement (or self-involvement) in the European integration process.[23]

However, Germany's commitment to the European project, and its integral role in it, has created new problems. Its European partners have been obliged to cope with the increasing influence of the Federal Republic's attitudes and its political culture. This has been particularly the case during the process of monetary integration from 1979 on.[24] Matthijs's article shows very clearly that a new aspect of the "German Problem" has developed since the beginnings of the euro crisis in 2009. This concerns the worsened perceptions of other member states towards Germany. When the EU imposed austerity rules on its member states, reflecting the doctrine of *Sparpolitik* (austerity policy) so deeply rooted in German tradition, this was interpreted by other European states as an expression of German dominance.

This thesis is certainly likely to trigger debate. Whether or not one agrees with Matthijs' argument, the fact that the "German Problem" continues to have such salience should alert Germans against complacency when discussing the massive problems the European Union has at the present time. Neither Germans, nor anybody else, should think that ever closer union between Europe's nations and states is our destiny; something that is bound to happen irrespective of what the individual nation-states do. The European elites have belatedly realized that the Union is far more fragile than they were wont to believe. The European project could not survive a return to any form of *sacro egoismo* on Germany's part, or even a deterioration in the standard of political leadership the country offers – especially if such a deterioration were to be accompanied by a parallel failure of leadership and commitment to the European project in other European countries.

Further discussion and consideration of the two topics that have just been outlined are important tasks for future integration research and also for political discussions on the future of Europe. If the present volume helps encourage scholarship and debate on these issues, the effort of publishing it will have been more than worthwhile.

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23 See on this, the problem-oriented overview in: Thiemeyer, Europäische Integration, pp. 89–112. Besides stressing the beginnings of European integration and German unification, Thiemeyer also views the "New Ostpolitik" as a main phase of German involvement within the European integration process; see ibid., pp. 102–06.

24 The "return of the German question" in Europe as a result of Monetary Union is also stressed by Dominik Geppert, Ein Europa, das es nicht gibt. Die fatale Sprengkraft des Euro, Berlin et al., 2013, pp. 122–44.

The editors owe a debt of gratitude to a whole range of people who contributed to the preparation of this book. First and foremost, we would like to mention Jürgen Zarusky, the former managing editor of the *Vierteljahrshefte für Zeitgeschichte*. He took an active part in the conception of the present volume, but sudden and serious illness prevented him from seeing its publication. This book is dedicated to his memory.

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April 29, 2019
Mark Gilbert (Bologna), Eva Oberloskamp (Munich), and
Thomas Raithel (Munich)

Ludolf Herbst

Contemporary Theory and the Beginning of European Integration

Active politicians are generally skeptical of political theory. Walter Hallstein, in the early 1960s, indeed warned against weighing down the process of European unification with theoretical objectives. The European Community, he said, was "*sui generis*, a new kind of political animal." Thinking in analogies and models, he believed, was of little value to political practice: "Just as language precedes grammar, so politics precedes political theory."[1]

With his statement, Hallstein was most certainly not seeking to invalidate the old truth that the intellectual world and the political world were interdependent. He instead objected to the claim that theory could provide prognoses and guidelines for action.[2] Political "integration theory" had, moreover, already been connected to an incoherent picture at the time, just as it was perhaps quite telling that the popularity of integration theory had only begun to crest after the most important political decisions in the integration process had already been made.

Today, confronted with an even more perplexing flood of theories on integration, one might be inclined – for reasons of efficiency alone – to be as categorical as Hallstein and dismiss integration theories as unacceptable *post festum* generalizations. But much can be said in favor of a more cautious approach. At first glance, what has been labeled as integration theory is in many cases – and certainly in the more productive ones – an analysis that is definitively geared toward the historical process, while however being put forward primarily by economists, political scientists, and sociologists, who, following the systematic traditions of their disciplines, tend more towards generalizations and comparisons than do most historians.[3] This applies, for example, to the major works on integration theory by Jacob Viner, Karl Deutsch, Ernst Haas, Bela Balassa, and Amitai

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Translation by Paul Bowman and David Dichelle.

1 Walter Hallstein, United Europe. Challenge and Opportunity, London 1962, pp. 25 ff.

2 See Karl R. Popper, Logik der Forschung, 8th ed., Tübingen 1984, pp. 31 ff. (first published 1935).

3 On the current state of historical research, see Hans-Peter Schwarz, Die europäische Integration als Aufgabe der Zeitgeschichtsforschung. Forschungsstand und Perspektiven, in: Vierteljahrshefte für Zeitgeschichte 31 (1983), pp. 559 ff.

Etzioni, to name just a few of the most prominent ones.[4] Historians continue to benefit considerably from these studies today.

Theories, however, have their own historical background as well, are associated with intellectual traditions, and interwoven into the historical process. And, even if a first impression might indicate otherwise, integration theory should be viewed not only as a consequence of the decision-making phase of the European unification process, but also as an important element in this process itself. What, however, has led to the impression that the theory only originated after the fact?

The problem seems to be mainly terminological by nature. The term "integration" was not particularly widespread until the theories associated with it gained in popularity. It was not established as a political concept until the early 1950s, when the term's use expanded rapidly to include a much broader scope.[5] At the same time, it coalesced with a number of older theories from the tradition of peace studies, the concept of federalist unification, and functionalism.[6] While those lines of thought did not initially pick up on the concept of "integration," there were others in which it was in early use, including certain currents within political economy, international law, international relations, and constitutional law.

We must therefore begin by distinguishing between two different layers of theory. The first is defined by the intellectual traditions already associated with the concept of integration at the beginning of the period under consideration. The second encompasses those intellectual traditions which, during the decision-making phase of European integration, were still separate at first but were then gradually absorbed. There is also a third layer, connected to theories developed only after and drawing on the example of the historical process, including, for example, neo-functionalism. This third layer will not be discussed here.

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4 See Jacob Viner, The Customs Union Issue, New York 1950; Karl W. Deutsch, Political Community at the International Level, Problems of Definition and Measurement, New York 1954; Ernst B. Haas, The Uniting of Europe. Political, Social and Economic Forces 1950–1957, London 1958; Bela A. Balassa, The Theory of Economic Integration, London 1962; Amitai Etzioni, Political Unification. A Comparative Study of Leaders and Forces, New York 1965.

5 See Heinrich Schneider, Leitbilder der Europapolitik, vol. 1: Der Weg zur Integration, Bonn 1977, pp. 225 ff.

6 For peace studies, see above all Quincy Wright, A Study of War, 2 vols., 4th ed., Chicago/IL 1947 (first published 1942); on the diverse currents of federalism, see Walter Lipgens, Die Anfänge der europäischen Einigungspolitik 1945–1950, Stuttgart 1977, and Henri Brugmans/Pierre Duclos, Le Fédéralisme Contemporain. Critères, Institutions, Perspectives, Leyden 1963; the most important representative of functionalism is David Mitrany: see his works The Progress of International Government, London 1933, and A Working Peace System. An Agreement for the Functional Development of International Organization, London 1943.

While, for the first layer, the focus will be placed on the question of the intellectual roots of the historical process, for the second, the primary issue remains as to why these theoretical propositions were associated with an extrinsic central concept and what this meant for their political effectiveness.

No historical and developmental analysis of integration theory and its mutual relationship with the political world can aspire to comprehensiveness. It can in fact only focus on the history of the political reception of these ideas, taking into account those theories that took on political relevance. An analysis of the term itself provides a suitable starting point for such an undertaking, as the reception of the theory can be gleaned from the reception of the term. The focus of this analysis is therefore on how politicians used the language of integration.

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The word "integration," as Walter Dirks wrote in 1952, "[is] on everybody's lips because of the current political debate on Europe." When a term establishes itself in this way and finds its way into an increasing number of areas of application, Dirks believed, far more "is happening than the mere substitution of words and concepts usually undertaken to meet the practical needs of the moment or even the requirements of fashion. The word and the concept have displaced more central ideas, and deeper shifts in our consciousness are expressed in this change."[7] Dirks related "integration" to the major historical concepts of change, namely "reform," "evolution," and "revolution," and he identified it as the leitmotif of the post-war period. As he saw it, the concept expressed the degree of change generally accepted as necessary and achievable without opening up Europe, a continent bound by tradition, to complete upheaval: "Integration encompasses the judiciousness, the circumspection, and the respect for the facts that we seek to learn from the catastrophes of idealism, as well as the courage and the will to create a situation that is acceptable for one another."[8]

"Integration," as Walter Dirks rightly perceived in 1952, became a "political leitmotif"[9] in post-war Europe. Efforts to interpret it can therefore reveal significant aspects of this era. With a great ability to forge identity, it remains to this

7 Walter Dirks, Über Integration. Begriffsbestimmungen und etwas mehr, in: Frankfurter Hefte, June 1952, pp. 401–12, here p. 406.

8 Ibid., p. 410.

9 See Carl Jacob Burckhardt, Zur Geschichte der politischen Leitworte. Ceremonial address given on July 13, 1960 at the Bayerische Akademie, in: idem, Gestalten und Mächte, Zurich 1961, pp. 415–44.

day the common denominator in Western European post-war politics, and it has now even found its way into the terminology of the Eastern bloc.[10] The success of the term certainly has something to do with its ability to refer to the process of European unification in general, the current state of this development, and the goal of the overall process. Being able to encompass process, state, and goal is an advantage that it has over the major nineteenth-century terms for change. While integration may be a relatively new term, its increase in use has been inflationary, expanding to become more general in the process. The complaints of contemporaries about the generalization of the term have been numerous and serve as a popular *topos* in preliminary remarks on the concept of integration.[11] One cannot escape the impression that it was precisely this vagueness that predestined the term to be defined arbitrarily. It is therefore of particular importance to trace its historical roots.

The term "integration" is derived from the Latin *integratio* which refers to the restoration of an earlier, previous state. Terence uses the word in his *amantium irae amoris integratio est*, which translates as "lovers' quarrels are the renewal of love."[12] The noun is rare in Latin and the word appears more frequently as the verb *integrare*, meaning to "restore," "begin again," "renew." It is striking that the use of the term is broad, extending to all areas of life, which indeed facilitated its early transfer to government and law.

The derivatives of *integrare* include *integer*, *integrum*, and *integritas*. They are all anchored in the original idea of wholeness at a stage before any manner of unity is impaired. *Integer* means "untouched" or "unhurt," while *integrum* denotes an "intact earlier state of affairs." *Integritas* refers to the "intactness" of the body, the "purity" of the soul, the "chasteness" of a woman, or indeed the "integrity" of one's character.[13] The term is clearly connected to positive connotations. While this is undoubtedly linked to the term's firm anchoring in the Roman ideal of virtue, it is also reflected in how it transferred to the spheres of government and law. The "old" state of legal affairs is doubtless a good, desirable state, reflecting a point of view that was carried forward from ancient times through to the legal thought of the Middle Ages that there cannot be anything truly "new"

10 See Eberhard Schulz, Moskau und die europäische Integration, Munich 1975; Margarita Matwejewna Maximowa, Kapitalistische Integration, Berlin (East) 1975.

11 See, for example, Schneider, Leitbilder, vol. 1, pp. 225–26, and Hans-R. Krämer, Formen und Methoden der internationalen wirtschaftlichen Integration. Versuch einer Systematik, Tübingen 1969, p. 2.

12 Thesaurus Linguae Latinae, vol. 7, 1 1934, p. 2084 (Ter. Andr. 555).

13 Ibid., p. 2088 (Itin. Alex. 64); Hermann Menge, Lateinisch-deutsches und deutsch-lateinisches Wörterbuch. Hand- und Schulausgabe, 2nd ed., Berlin 1911, p. 395.

since everything is of divine or spiritual origin. "This consistently underlying and abiding propensity to hark back and to preserve," wrote Carl Jacob Burckhardt, "is related to the awe before the original divineness and before the numinous content of the lofty concepts and the words that denote them, an awe never completely overcome by any Enlightenment, any skepticism, or any painfully instructive experience."[14]

In the usage of the word in antiquity, the concept was fully shaped by the internal linguistic logic of the Latin language. It was, however, anchored in the numinous as well. The positive notion of unity that underlay its usage was not a property present in human reality, but rather an ideal of divine origin to which one could only continue to aspire. *Integratio* denotes the process of approaching this ideal, a process understood as a return of all that exists to its divine origin. This notion was undoubtedly already subject to some degree of secularization in ancient times as well, as it became increasingly necessary to mark the process of returning with the prefix *re-*. The formation of the word *redintegratio* indicates that the designation of the state originally expressed by the related but separate form *integritas* began to coalesce with the word *integratio*. If *integratio,* however, designates a state of unity, or perhaps more accurately close proximity to the ideal of unity, then there cannot only be a return to this unity but also a worldly turning away from it and the endpoint of this turning away: the polar opposite state of disintegration or *desintegratio*. The term "state," in this context, is of course little more than an auxiliary construction as it can only denote one moment in development that is purported, after the fact, to indicate the position closest to or farthest from the ideal in a given line of development.

This school of thought could not, of course, cross the threshold of the Enlightenment without disruption. We need merely recall how the central term for change, "revolution," was used by Copernicus to describe the ever recurring orbit of the stars and acquired its present-day meaning through the historical developments of the Glorious Revolution and the French Revolution.[15] The terms "evolution"[16] and of course "integration" also underwent similar paths. The Enlightenment secularized the term; scientific and mathematical thinking, faith in progress, and the historical events of the nineteenth century all lent it

14 Burckhardt, Geschichte der politischen Leitworte, in: idem, Gestalten und Mächte, pp. 422–23.

15 See Karl Griewank, Der neuzeitliche Revolutionsbegriff. Entstehung und Entwicklung, Frankfurt a. M. 1969, pp. 143 ff. (first published 1955).

16 See Philosophisches Wörterbuch, ed. by Georgi Schischkoff, Stuttgart 1960, p. 136. Evolution is defined here as "either extensive evolution (evolutionism in the sense of the eighteenth century), the unfolding and enlarging of what already exists, or intensive evolution (epigenesis), the rise of something new in shape and quality."

new meaning. The most telling sign of this was the fact that the classical term *redintegratio* disappeared. A “return” to a more perfect state of integration than that exhibited in the nineteenth century became inconceivable in the course of history.

The term in its classical clear and versatile sense was predestined to be put to use in science. Passed on via the theology and scholasticism of the Middle Ages, the term “integration” was first adopted by the field of mathematics in the seventeenth century.[17] Its usage in the field is documented in French beginning in 1700 and in English from 1727 as determining the integral of a differential. The noun “integration” has been used just as commonly for this purpose as the verb “to integrate.” This mathematical use appears to have provided the term with the cold, functional sense that still often colors it today. It was, moreover, Herbert Spencer who crucially shaped the term’s modern usage in other areas.

Spencer saw evolution as a universal principle, a foundational philosophical principle valid for all the sciences. The term “integration” played a key role in his theory of evolution (1862), defining evolution as the integration of matter, moving towards a larger, denser unity in the course of “integration” or the opposite in the case of “disintegration.”[18] This definition is remarkable in that – following the logic of Latin – it combines “integration” and “disintegration” within a single concept. The history of all that exists is one of ongoing alternation. The rise to a greater, denser, and spatially vaster unity is followed by decay and the loss of both density and spatial cohesion. “When taken together,” Spencer claimed, “the two opposite processes thus formulated constitute the history of every sensible existence.”[19] The process of “local integration,” he added, was related to the process of “general integration.”[20]

Spencer applied this concept to history as well, with the rise and fall of the Roman Empire providing a particularly cogent illustration of this process. Spencer understood his own century, the nineteenth, to be a century of integration. With this, he had in mind more than just the process leading to the formation of the European nation states. He indeed believed that he could observe how the nations of Europe were already moving towards a state of political, economic, and legal integration encompassing the entire continent:

17 See Nestor Schumacher, Der Wortschatz der Europäischen Integration. Eine onomasiologische Untersuchung des sog. “europäischen Sprachgebrauchs” im politischen und institutionellen Bereich, Düsseldorf 1976, pp. 32–33.
18 Herbert Spencer, A System of Synthetic Philosophy, vol. 1: First Principles, 5th ed., London 1893, § 127, p. 360.
19 Ibid., § 94, p. 281.
20 Ibid., §115, p. 327.

> And it may be further remarked of the European nations as a whole, that in the tendency to form alliances more or less lasting, in the restraining influences exercised by the several governments over one another, in the system, now becoming customary, of settling international disputes by congresses, as well as in the breaking down of commercial barriers and the increasing facilities of communication, we may trace the beginnings of a European federation – a still larger integration than any now established.[21]

For Spencer, the historical integration process was thus a harmonic process of interactions that took place at four levels: alliances and international relations, congress diplomacy and the international law established through this diplomacy, foreign trade and the global economy, and transportation and communications. Elsewhere, Spencer examines industrial integration, the development of separate production and distribution enterprises, the progressive division of labor in general, and growing differentiation within industrial enterprises.[22]

The decades during which Spencer wrote his philosophical lifework were undoubtedly characterized by rapid integration processes, which meant that he had little occasion to apply the polar opposite term, "disintegration," to his own times. This does not mean, however, that he conceived of the historical process as principally one of integration. He simply believed he was witnessing an extensive integration process, which he envisaged as a more continuous process than it actually turned out to be.

After Spencer, the development of the term, as it is of relevance for historians, branched off into two fundamentally distinct directions. It has been used both for the analysis of internal and social[23] processes within individual states as well as to describe processes between states.

Constitutional and legal scholars have played a large part in differentiating and developing the term for the "domestic" sphere. Franz Oppenheimer introduced it into the discussion in 1919,[24] and Rudolf Smend helped it gain currency in 1923. "The word," Smend commented in 1928, "is not yet exactly in fashion, [...] but is at least no longer unusual in Germany."[25] In constitutional and state theory, the term "integration" denotes the forces working towards the consol-

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21 Ibid., § 111, pp. 316–17.

22 See above all: Herbert Spencer, The Principles of Sociology, vol. 3, London 1897, Part VIII: Industrial Institutions.

23 The term "integration" found its way into sociology very early on; see Albert Schäffle, Bau und Leben des socialen Körpers, 4 vols., Tübingen 1875–1878; Leopold von Wiese, System der Allgemeinen Soziologie, 2 parts, Munich 1924–1929.

24 See Franz Oppenheimer, Der Staat, 4th ed., Stuttgart 1954, pp. 40 ff. (first published 1919).

25 Rudolf Smend, Verfassung und Verfassungsrecht, Munich 1928, p. 18, footnote 3.

idation and inner cohesion of political entities. It is, to put it in modern terms, a partial aspect of constitutional reality. Smend did not view the state as a static entity but as a "collective mental construct," which could only be maintained by means of an ongoing collective reimagining of the state. Its "reality is one of functional renewal." As Smend saw it, "the state exists only because and to the extent that it is in a continual process of integration, forging its identity in and from individuals, a continual process that constitutes its very being in terms of mentality and social reality."[26] He thus uses integration to describe a "process of ongoing renewal" or – expressed in terms of creation theology – as a *creatio continua*.[27]

Talcott Parsons connected the unique processual character of the "creatio continua" integration concept to general systems theory and applied it as a fundamental concept in theory of action for the analysis of social systems. In a 1940 essay, he defines integration as a "mode of relation of the units of a system by virtue of which, on the one hand, they act so as collectively to avoid disrupting the system and making it impossible to maintain its stability, and, on the other hand, to 'co-operate' to promote its functioning as a unity."[28] Parsons's definition undoubtedly goes further because it sets a clear framework for the *creatio continua*, thereby making it possible to determine when integration is present and when it turns into disintegration. Integration, according to Parsons, is that constant, unflagging interaction between subsystems within a larger system that is necessary to preserve the stability of the system as a whole and prevent a systemic crisis. If this ongoing effort subsides, disintegration destabilizes the system, and a systemic crisis may result.

In the international context, the use of the term has mainly pertained to the four fields that Spencer already had in mind: international relations, global economic interconnections, communications, and international law. Legal aspects played a leading role here as well. In international law, "integration" refers to the expansion of a set of norms and its global application.[29] The term itself does not, however, speak to the criteria applied in its use. For example, Friedrich Berber, an

26 Ibid., pp. VIII, 18 ff. See idem, article "Integrationslehre," in: Handwörterbuch der Sozialwissenschaften, vol. 5, Stuttgart/Tübingen/Göttingen 1956, pp. 299 ff. For a critical view of Smend, see Hans Kelsen, Der Staat als Integration, Vienna 1930, pp. 45 ff.
27 Schneider, Leitbilder, vol. 1, pp. 232 ff.
28 Talcott Parsons, An Analytical Approach to the Theory of Social Stratification, in: American Journal of Sociology 45 (1940), pp. 841–62, here p. 843, footnote 4.
29 See Max Huber, Beiträge zur Kenntnis der soziologischen Grundlagen des Völkerrechts und der Staatengesellschaft, in: Jahrbuch des öffentlichen Rechts 4 (1910), pp. 56 ff., book edition 1928; see Schneider, Leitbilder, vol. 1, p. 232.

international law scholar, claimed that movement towards integration, which had intensified before 1914, began to develop organically after 1919 in particular. In contrast, Georg Dahm took the opposite view, contending that the relative uniformity of the set of international legal norms during the period prior to 1914 ruptured and “disintegrated” in the wake of the Russian Revolution and the entry of the Asian and African nations into the international community of states.[30]

By and large, the prevailing impression during the interwar years in Europe was that a process of disintegration was underway. “While the integration process continues to progress in the wider world,” Coudenhove-Kalergi lamented in 1923, “Europe is heading increasingly towards atomization.”[31] While this remark still pertained to the relatively moderate disintegrative consequences of World War I, it was the subsequent global economic crisis that would serve most to bring about a fundamental shift in views. The term “disintegration” now came to the fore, as disintegration led to crisis, deepened the crisis, and was the crisis. Integration would become but an historical memory, with the nineteenth century now appearing as a golden age of integration. At the end of World War II, which intensified the sense of crisis once again, the economist Wilhelm Röpke wrote that he belonged “to the generation which in its youth saw the sunset glow of that long and glorious sunny day of the western world, which lasted from the Congress of Vienna until August 1914, and of which those who have only lived in the present arctic night of history can have no adequate conception.”[32] For Röpke, the crisis of his time essentially centered on the reversal of the epochal trend towards the integration of the global economy, which had dominated the nineteenth century, to be followed by the equally epochal trend towards its disintegration, which established itself in the interwar years.

As early as the 1930s, Röpke had begun to study this tendency of his century towards disintegration, identifying the breakup of liberal world trade as its main symptom.[33] In 1942, he summarized his findings in his “International Economic

30 Friedrich Berber, Lehrbuch des Völkerrechts, vol. 3: Streiterledigung, Kriegsverhütung, Integration, Munich 1964, p. 195; Georg Dahm, Völkerrecht, vol. 2, Stuttgart 1961, p. 52. See also Grigorij Ivanovich Tunkin, The Role of International Law in International Relations, in: Friedrich August Freiherr von der Heydte et al. (eds.), Völkerrecht und rechtliches Weltbild, Festschrift für Alfred Verdross, Vienna 1960, pp. 293–306, here p. 297.

31 Richard N. Coudenhove-Kalergi, Paneuropa, Vienna 1923, p. 21.

32 Wilhelm Röpke, International Order and Economic Integration, Dordrecht 1959, p. 3 (originally published in German in 1945).

33 See Wilhelm Röpke, The Secular Significance of the World Crisis, in: Against the Tide, Chicago/IL 1969 (article first published in German in 1933); see also Die entscheidenden Probleme des

Disintegration." While Röpke focused on economic disintegration, he embedded his analysis in the broader framework of the concept, taken from Jacob Burckhardt, of the "major historical crisis."[34] His century, as Röpke put it, was shaped by a "*deep-set structural change* affecting our economic, social, political and cultural system in its entirety and constituting a major 'historical crisis.'"[35] The history of capitalism had yet to undergo a comparable crisis, he explained, and to find parallels, one would have to take as comparison decisive crises in world history such as the fall of the Roman Empire, the collapse of the Abbasid Caliphate, and the end of the medieval economy.[36]

This terminology proved to be particularly useful in economic analysis. In 1933, the economists Herbert Gaedicke and Gert von Eynern, following a suggestion by Alfred Weber, had inserted the term "integration" into their previously completed manuscript of a volume on the economic production *Verflechtung* ("interlocking, interweaving") in Europe's industrial core countries.[37] They indeed performed this change rather mechanically, simply replacing the German term *Verflechtung* with *Integration*. By "economic production integration," they meant the trade ties generated when economies provided each other with industrial goods in various manufacturing stages (raw materials, intermediate products, semi-finished and finished products). Of particular significance here is the authors' observation that this type of integration in Europe's industrial heartland came under strong disintegrative influences after World War I.[38]

Generally speaking, this new terminology was chiefly utilized by economists who, from their liberal perspective, lamented the downturn in global economic integration and were interested in eradicating the causes. They summed up their analysis of the situation using the term "disintegration" and sought a return to the "integration" of world trade. In addition to Röpke and Gaedicke/von Eynern,

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weltwirtschaftlichen Verfalls, in: Zeitschrift für schweizerische Statistik und Volkswirtschaft 74 (1938), pp. 493–506.

34 Jacob Burckhardt, Die geschichtlichen Krisen, in: idem, Weltgeschichtliche Betrachtungen, historisch-kritische Gesamtausgabe, ed. by Rudolf Stadelmann, no place, no year given, pp. 201 ff.; quotes pp. 211, 221.

35 Wilhelm Röpke, International Economic Disintegration, London 1942 (reprinted 1978), p. 1 (emphasis in original). On Jacob Burckhardt, from whom Röpke adopts the concept of "historical crisis," see Die geschichtlichen Krisen, in: Burckhardt, Weltgeschichtliche Betrachtungen.

36 Röpke, Disintegration, pp. 20 ff.

37 Herbert Gaedicke/Gert von Eynern, Die produktionswirtschaftliche Integration Europas, vol. 1, Berlin 1933, p. 8; on the adoption of the term "integration," see Schneider, Leitbilder, vol. 1, p. 237, footnote 32.

38 See Gaedicke/von Eynern, Produktionswirtschaftliche Integration, pp. 55 ff.

the Swedish economist Eli F. Heckscher deserves mention here, who contributed somewhat unwittingly to the dissemination of the term. The English translation of his 1931 work on mercantilism rendered *splittring* and *upplösning* as "disintegration" – an indication that the term had already been common in English at the time.[39] Röpke presumably also came to know the word in the English translation of Heckscher's book, which was read as a standard work on the topic. The same may be assumed for his colleagues in Geneva, Ludwig Mises and Folke Hilgerdt, as well as the two London economists Moritz Bonn and Friedrich Hayek.[40]

The analyses written by these economists of the "old" liberal school, who had close ties with one another, were probably known in the United States as early as the late 1930s or early 1940s. The Swedish economist Folke Hilgerdt certainly played a key role in this respect. Having left for the United States in 1941, his work "The Network of World Trade," written in Geneva for the League of Nations, was published in Princeton in 1942. Hilgerdt, who employed quantitative methods to analyze the economic interrelationship of countries worldwide, identified the presence of a "steady integration of economic activities in different continents" up to the outbreak of the Great Depression.[41] It would also seem that Hilgerdt contributed decisively to the adoption of this terminology by economic experts in the U.S. administration at the time. In a lecture to the American Economic Association in late December 1942, he spoke of "the multilateral exchange of goods and services that provides for the international economic integration of countries in a manner profitable to all" and put forward a goal for the post-war era in that "the international integration we have in mind will have to be achieved by co-ordination of national economic policies, particularly in the field of foreign trade." At the same conference, his colleague Antonin Basch emphasized the necessity of fundamentally departing from pre-war trade policy in Europe to achieve "a greater integration of the European economy."[42]

It was clear that this terminology was eminently suited to liberal economic theory, and it became an important analytical tool subsequent to the Great Depression. From an historical perspective, moreover, it would seem of particu-

39 See Eli F. Heckscher, Merkantilismen, Stockholm 1931 (English translation by Mendel Shapiro, London 1935). On the spread of the terminology in "liberal theory," see Fritz Machlup, A History of Thought on Economic Integration, London 1977, pp. 4 ff.

40 On this assumption, see Machlup, History of Thought, pp. 5–6. However, Machlup obviously did not know Röpke's German article "Die entscheidenden Probleme des weltwirtschaftlichen Verfalls." The concept is fully elaborated in this article.

41 Folke Hilgerdt, The Network of World Trade, Geneva 1942. See Machlup, History of Thought, p. 8.

42 Machlup, History of Thought, pp. 8–9.

lar importance that the liberal theorists not only analyzed the prevailing state of disintegration and its causes, but indeed had precise ideas on how to overcome it: one "only" had to follow the nineteenth-century model, remove the existing barriers to trade and international payments, and restore multilateralism and the gold standard. Even as opinions differed on the specific measures needed to attain this goal, the theorists all combined a range of economic policy measures into a canonical category of "integration." In other words, they drew up guidelines for politicians involved with economic policy and it was to be expected that they would refer to them in due course. It is no coincidence that this took place in the United States in the context of efforts to establish a liberal global economic order after World War II.

Although the term "integration" and its logical derivatives were commonly used in the fields of law and economics during the interwar period and the war itself, its use in the political arena remained the exception rather than the rule. The word was indeed virtually unknown to colloquial German use, something that would change only gradually during the post-war years. As late as the 1950s and 1960s, German encyclopedias still failed to mention the political meaning of the word *Integration*.[43] "Deutsches Wörterbuch," the dictionary founded by the Grimm Brothers and updated continuously ever since, did not in fact include it until the 1970s.[44]

Significantly, the European unification movement used "federation" (German *Föderation* or *Föderierung*, French *fédération*) to express its political goal and, initially at least, made little or no use of "integration." The organizations of the European Federalist Movement, which adopted a common program (the Hertenstein Program) in 1946 and founded an umbrella organization alongside the Union of European Federalists, pursued an objective that had been hitherto described only rarely, if ever, as "integration."[45] Their aim was to establish a federal order for Europe based on the model of Switzerland or the United States. As the Hertenstein Program phrased it: "The members of the European Union shall transfer

43 See, for example, Schweizer Lexikon, vol. 4, Zurich 1947, p. 450; Meyers Encyklopädisches Lexikon, vol. 12, 9th ed., Mannheim 1974, fails to mention the term in its political meaning; Brockhaus Enzyklopädie notes it for the first time in vol. 9, 17th ed., Wiesbaden 1970.

44 See Deutsches Wörterbuch founded by Jacob and Wilhelm Grimm, revised and ed. by the Akademie der Wissenschaften der DDR in cooperation with the Akademie der Wissenschaften zu Göttingen, 6 vols., Leipzig 1974.

45 On this context, see Walter Lipgens, Die Anfänge der europäischen Einigungsbewegung 1945–1950, part 1: 1945–1947, Stuttgart 1977.

part of their sovereign rights – economic, political and military – to the federation which they constitute."[46]

The concept of integration, by contrast, continued to uphold the place of the nation state without requiring it to relinquish any of its areas of competence and only calling for a certain degree of restraint. In fact, many areas of integration required an intact, active, and even cooperative state. Nineteenth-century political integration was indeed nothing other than regulated interaction among the large nation states for the purpose of maintaining peace. Integration in terms of international law took place through the state, while economic integration was at least not impeded by the state. The concept of federation, by contrast, struck at the heart of the nation state in Europe. Nation states would then have to cede their most important areas of authority to a "super-state" and, even if the nation state would not then be abolished, it would be diminished to the level of a federal state. The view informing this stance was that the nation state had failed as it was unable to maintain peace in the twentieth century.

This is not the place to analyze this conviction that is so deeply rooted in the experience of the two world wars and in the spectacular collapse of nearly all European nation states during World War II.[47] In the years following the war, the irrefutable fact that the United States and Soviet Union had decisively surpassed even the largest European nation states as global powers, dwarfing them on the global stage, further compounded the matter. If Europe should ever again seek to gain influence in the world, combining the potential power of the European countries seemed to be the only way forward. It is important to recognize that the term "integration" could *not* be used to characterize any of this in the immediate post-war years. Only in the years following 1948 did it gradually begin to supersede the term "federation," and it was not until around 1950 that it took on the institutional significance of a "federation" that constitutes its core colloquial meaning today.[48]

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46 Quoted in: Wilhelm Cornides, Die Anfänge des europäischen föderalistischen Gedankens in Deutschland 1945–1949. Ein historisch-politischer Bericht, in: Europa-Archiv 6 (1951), pp. 4243–58, here pp. 4246–47.

47 See, above all, Walter Lipgens (ed.), Europa-Föderationspläne der Widerstandsbewegungen 1940–1945. Dokumentation, Munich 1968.

48 For contemporaries, the Americans were the main players initiating the shift; "L'integration," wrote Robert Schuman in 1953, "est un terme tout à fait nouveau. Il est d'origine plutôt américaine qu'européenne, du moins lorsqu'il est pris dans le sens que nous lui attribuons aujourd'hui. Lorsqu'on parle de l'integration des pays européens, cela signifie fusionner des institutions qui jusqu'ici étaient purement nationales, les faire fonctionner en commun sous une autorité commune et en faire une organization permanente." Robert Schuman, L'Integration Economique de

As the first steps towards European integration after World War II were taken in 1947 and were inextricably tied to American foreign and international economic policy, it makes sense to choose the context of the Marshall Plan as the starting point to trace this shift in the term's meaning. A view to the vocabulary used by the American administration in the spring of 1947 can confirm the focus on an analysis of the situation in terms of "economic disintegration"[49] and the ensuing call for the restoration of global economic integration. In this context, however, a connection was made between this call and the recognition that the preconditions for this had to be created in Europe and other economically shattered regions by means of a particular "recovery program." The goal of this program thus had to be, first and foremost, to stop the economic disintegration of Western Europe, and then to press ahead with its economic integration.[50]

William L. Clayton, Under Secretary of State for Economic Affairs and head of the US delegation at the 1947 Geneva Conference, phrased the analysis predominant in the American administration with particular clarity on May 27, 1947. Upon his return from the Old World, it was his view that Europe was on the brink of disaster: "Without further prompt and substantial aid from the United States, economic, social and political disintegration will overwhelm Europe."[51] Clayton titled his memorandum, addressed to Dean Acheson, "The European Crisis." Undoubtedly, for him, the terms "disintegration" and "crisis" were, as was the case for Röpke, almost synonymous.[52] Just as the American administration's analysis in 1947 was linked to the corresponding conceptual pair of "disintegration" and "crisis," so too was the global economic objective to be pursued through the

l'Europe, in: Revue Economique Franco-Suisse 7 (1953), p. 278. There is much evidence pointing to the fact that the Americans were responsible for establishing the new meaning of this term. See Schneider, Leitbilder, vol. 1, p. 233, footnote 22.

49 Policy with Respect to American Aid to Western Europe Views of the Policy Planning Staff, in: Foreign Relations of the United States (henceforth: FRUS) 1947, vol. 3: The British Commonwealth – Europe, Washington 1972, pp. 224–30, here p. 225

50 See Report of the Special "Ad Hoc" Committee of the State-War-Navy Coordinating Committee, April 21, 1947, in: ibid., pp. 204–20, here pp. 204–06.

51 Memorandum by the Under Secretary of State for Economic Affairs [Clayton for Acheson], May 27, 1947, in: ibid., pp. 230–32, quote p. 231.

52 Alan S. Milward has since shown that the crisis of 1947 was predominately a balance-of-payments crisis and not, as Clayton and the American administration believed, a general economic crisis. See The Reconstruction of Western Europe 1945–51, London 1984, pp. 1 ff. Milward sees one main reason for Clayton painting a grim picture of crisis in the exaggerated complaints of the European governments, whose representatives Clayton had met in Geneva before he wrote his famous memorandum of May 27, 1947, see Memorandum by the Under Secretary of State for Economic Affairs, in: FRUS 1947, vol. 3, p. 230, footnote 1.

planned aid program described from time to time using the ancient term "reintegration."[53]

At first, it would seem that the terms "disintegration," "reintegration," and "integration" were not used much beyond the confines of government offices as what was seen as dry specialist terminology, unsuitable for public political declarations. What else could explain why Secretary of State Marshall, in his Harvard speech of June 5, 1947, adopted the analysis of the crisis as outlined above, but omitted the word "disintegration"? He instead preferred to speak of "economic, social, and political deterioration."[54] The Harvard speech nevertheless set in motion the historical process in which the modern concept of integration would begin to emerge with clarity. The Americans set three conditions that the European governments would have to meet so that the Marshall Plan could be implemented: they needed to draw up a common program, set up a common organization, and include West Germany economically. Over the following months, the term "integration" gradually came to be used for all three tasks. In equal measure, "program integration," "organizational integration," and the "integration of Western Germany" were meant to bring about the "closer integration of Western Europe."[55]

The usage of the term still remained uncertain for a long time. There was a tendency to mingle the term with related concepts such as "cooperation," "coordination," "organization," "unification," and "federation," or – and this became increasingly frequent – to use it alongside these terms. This would appear to underlie the rapid success of the term "integration," which was added to the aforementioned terms to denote their processual character. As such, the term would emerge as a constant among a wide variety of terminology, while its modest

53 See e.g. Report of the Special "Ad Hoc" Committee of the State-War-Navy Coordinating Committee, in: ibid., pp. 207, 215.
54 Clayton, in contrast, couched it in terms of "economic, social and political disintegration"; Memorandum by the Under Secretary of State for Economic Affairs, in: ibid., p. 231. Marshall changed to the wording above; Press Release Issued by the Department of State, June 4, 1947, in: ibid., pp. 237–39, here p. 238.
55 Report of the Special "Ad Hoc" Committee of the State-War-Navy Coordinating Committee, in: ibid., pp. 204 ff. See The Chargé in the United Kingdom (Gallman) to the Secretary of State, January 2, 1948 (pp. 353 ff.); The Ambassador in Sweden (Matthews) to the Secretary of State, January 5, 1948 (p. 354); The Ambassador in France (Caffery) to the Secretary of State, January 7, 1948 (pp. 355–56); The Ambassador in France (Caffery) to the Secretary of State (pp. 402 ff.); The Secretary of State to the Embassy in France, March 22, 1948 (pp. 399 ff.); The Ambassador in France (Caffery) to the Secretary of State, March 23, 1948 (pp. 401–03); The Ambassador in France (Caffery) to the Secretary of State, March 25, 1948 (pp. 403–04), in: FRUS 1948, vol. 3: Western Europe, Washington 1974.

scope and pragmatic touch further promoted its use. By speaking of "integration," one could avoid debates over the broader goals and objectives evoked by the greater historical terms "federation" and "unification."

"Integration," generally speaking, remained an American concept in the 1940s, closely tied to the implementation of the European Recovery Program (ERP), and it was in any event limited to economic affairs. It was therefore no coincidence that the word became established in the European consciousness in connection with Paul Hoffman, the administrator of the Economic Cooperation Administration, the body responsible for implementing the Marshall Plan. On October 31, 1949, Hoffman held a speech before the Council of the Organization for European Economic Cooperation (OEEC) in Paris during which he repeated the phrase "economic integration" from sentence to sentence, placing it at the rhetorical heart of his address.[56] Hoffman's speech generated such an enormous response in the press that the term was suddenly propelled to the forefront of public debate. While European politicians still hesitated for a time to claim the term as their own and it became fashionable to point out its American origin,[57] once the Schuman Declaration was proclaimed on May 9, 1950, "integration" began its rise to success across Europe as well. Its meaning would, however, now undergo some change as well. First, it came to include a call for supranational authorities; second, it was limited regionally to a few Western European states; and third, it was restricted to the coal and steel industries.

We need to pinpoint just how the term exactly changed: the "liberal" concept of integration emerged from a *global* concept, to which *regional* (Western Europe) and *institutional* (OEEC) components were added through the Marshall Plan subsequent to the 1947 crisis. The regional and institutional addition to the original concept did, however, remain within the limits of the term's previous tradition and did not place restrictions on state sovereignty. The emerging "new" concept, by contrast, lacks a global scope, and became far more ambitious in terms of institutionalization as connected to its supranational nature. It was, at the same time, characterized by a much more pragmatic approach in its limitations on

56 On the text of the speech, see New York Times of November 1, 1949, and Editorial Note in FRUS 1949, vol. 4: Western Europe, Washington 1975, pp. 438 ff. On the background and interpretation, see Milward, Reconstruction, pp. 282 ff.

57 Besides the previously mentioned assessment given by Schuman, L'Integration Economique, see The Secretary of State to the Embassy in the United Kingdom, November 16, 1949, in: FRUS 1949, vol. 4, pp. 448–50, here p. 448 (Bevin), as well as Paul Henri Spaak, Memorandum of Conversation, by the Counselor of the Department of State, January 19, 1950, in: FRUS 1950, vol. 3: Western Europe, Washington 1977, pp. 613–14.

region and economic sectors, which were however meant to be temporary. This would, at first glance, explain the development.

This change that the term underwent in late 1949 and early 1950 can also be viewed differently: The relatively consistent alignment with economic liberalism and with related political, legal, and social ideas was left behind, while the concept itself had begun to expand in scope, even before its previous meaning had gained public acceptance and become firmly established. What was behind this change and what made "integration" gain in currency during the 1950s? An answer cannot be found in the history of the term alone, but requires a more profound theoretical basis and analysis within the political context.

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The history of the concept is linked to liberal integration theory and its implementation in post-war politics. The connection between global, regional, institutional, and sectoral integration therefore merits particular attention as the shifts throughout the history of the term and its subsequent "explosion of theories" appear to be of direct relevance.

The origin of liberal integration theory leads back to the eighteenth century, Adam Smith, and his groundbreaking book "Inquiry into the Nature and Causes of the Wealth of Nations" (London 1776).[58] Smith worked from the assumption that a nation's prosperity is limited by the geographical expansion of the market as opportunities to exchange goods determine the scale of the division of labor. For Smith, the prosperity of all nations was therefore best secured by an unhindered exchange of goods across state borders, for only in that way could a worldwide division of labor be attained. Smith argued here chiefly against mercantilism and its high import tariffs, advocating for the removal of trade barriers at state borders. David Ricardo[59] extended this model of liberal international trade to include his theory of comparative advantage, in which every "national economy" achieves its greatest level of prosperity, in terms of product yield, by limiting its production to those goods it can produce at the lowest or at comparatively lower costs, covering its remaining needs through trade.

The world trade situation in the mid-nineteenth century in fact came to resemble this model in many respects: The Industrial Revolution had multiplied the pro-

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58 See Samuel Hollander, The Economics of Adam Smith, Toronto 1973.
59 See David Ricardo, On the Principles of Political Economy and Taxation, London 1817. For criticism of the theory of comparative costs, see Andreas Predöhl, Außenwirtschaft. Weltwirtschaft, Handelspolitik und Währungspolitik, Göttingen 1949, pp. 137 ff.

duction of goods and thus the opportunities for trade as well, while the accompanying rapid development in transportation and communications brought nations closer together; regional markets were linked to form a unified world market, import tariffs were lowered, and the gold standard created a common basis for a worldwide system of payment. The most-favored-nation principle, established "globally" with the Cobden-Chevalier Treaty of 1860, guaranteed a genuine form of multilateralism and an equal standing among all trade partners.[60]

Even if history never quite develops in accordance with any one particular model, and there were naturally scores of exceptions in the nineteenth century (one need only recall issues involving educational and protective tariffs), the free trade era still represented a kind of lost paradise from the liberal perspective. This was especially true for the group of "old-style" liberals, who, after the Great Depression, compared the worldwide manifestations of disintegration in their day with the previously attained state of integration. Wilhelm Röpke serves as a prime example, having presented the most detailed analysis of such a perspective.[61]

Röpke's analysis was far too historically precise and accurate to deny the disintegration processes already discernible in the nineteenth century. He was, of course, familiar with business cycles, particularly as Josef Schumpeter's major study on this phenomenon had been published in 1939.[62] He also did not overlook the fact that protective tariffs and cartel agreements had dimmed the picture somewhat at the end of the century. None of this invalidated the system, however, and it was certainly not comparable to the far-reaching crises that had unleashed such dramatic effects after World War I and after 1931 in particular. It was on those phenomena that Röpke focused his attention. For him, the international economic disintegration had both quantitative and qualitative facets. A quantitative analysis reflects the well-known state of affairs that world trade had been on the increase through World War I, both in absolute numbers and in comparison with the respective national output. This epochal trend came to an end in 1931 following the major upheavals of the First World War and the 1920s, which had not yet fully brought to it a close. The world trade volume declined from 130 in 1929 to 86 in 1934 (1913 = 100).[63]

60 See the brief outline in ibid., pp. 189 ff. For the view of an economic historian that the nineteenth century was the century of integration, see Knut Borchardt, Integration in wirtschaftshistorischer Perspektive, in: Erich Schneider (ed.), Weltwirtschaftliche Probleme der Gegenwart, Berlin 1965, pp. 388–410.

61 See Röpke, Disintegration.

62 See Josef Schumpeter, Business Cycles, New York 1939.

63 The free-trade view Röpke employs here, namely that foreign trade grows faster than domestic production, was challenged by Werner Sombart. As Sombart saw it, the share of foreign trade

The declining world trade figures after 1931 were, for Röpke, scarcely more than an outward indicator of global economic disintegration. He maintained that this disintegration could only be grasped adequately through a qualitative analysis as international trade was just one element in a set of highly complex structures. World trade figures could say little about the extent of global economic integration unless the complex of conditions determining world trade were analyzed at the same time. Röpke asserted that the trade bilateralism, rampant since the Great Depression, and the formation of economic and monetary blocs[64] had undone the character of the global economy as an "intercommunicating" and "multilateral system." The world economy had become so fragmented, he maintained, that foreign trade figures had become a mere counting of purchases and sales in isolated markets, with little to say about the degree of economic integration worldwide. Röpke blamed the usual instruments of bilateral trade policy for bringing about this process of drifting apart in international relations, citing staggered customs tariffs, import and export quotas, the reduced significance of the most-favored-nation clause, the linking of foreign trade controls and clearing agreements, an increasingly bilateral barter trade, and import and export monopolies.[65]

Röpke understood bilateralism, however, as only one cause – albeit the main cause – of a more general trend towards the dismantling of world economic integration and towards the regionalization of the world economy. The other contributing factors he pointed to included: the short-term nature and unsteadiness of trade agreements and relations; a loss of stability, reliability, and continuity in general; the politicization of economic relations; the detachment of export prices from production costs; agricultural protectionism; and the increasing immobility of capital and labor as production factors. Röpke viewed the collapse of the international monetary and finance system as being central to the disintegration

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in total national income decreased with the increase in industrialization; see Werner Sombart, Die deutsche Volkswirtschaft im neunzehnten Jahrhundert, 3rd ed., Berlin 1913, pp. 368–76, 528. For a criticism of Sombart, see Albert O. Hirschman, National Power and Structure of Foreign Trade, Berkeley/CA 1945, pp. 146–51. Sombart's thesis that national integration proceeds more quickly than international integration is discussed in depth in 1961 by Karl W. Deutsch, Nationale Industrialisierung und der Rückgang des internationalen Wirtschaftssektors, in: idem., Nationenbildung – Nationalstaat – Integration, ed. by A. Ashkenasi/P. Schulze, Düsseldorf 1972, pp. 144–84, here pp. 144 ff. Deutsch concludes that the decline in the share of foreign trade since ca. 1928/30 holds true for most North Atlantic countries; ibid., p. 166.

64 From among scores of studies, see, in particular, Charles P. Kindleberger, Die Weltwirtschaftskrise 1929–1939, Munich 1973, here pp. 290 ff., and Andreas Predöhl, Das Ende der Weltwirtschaftskrise, Hamburg 1962, pp. 61 ff.

65 Röpke, Disintegration, pp. 34 ff.

process.[66] By turning away from the gold standard, he believed, world trade had lost its regulative counterbalance.

From a liberal perspective, the degree of state interventionism was intolerable, which was caused by the success of autonomous trade policies and was closely intertwined with the aforementioned phenomena. Whereas protectionism was hitherto embedded in a predominantly liberal world economy, Röpke now saw it as reaching a different level and systemic character: "World trade is able to assimilate an astonishingly large amount of protective measures, until suddenly the breaking-point is reached."[67]

Ordinarily intended as mere temporary measures, liberals would argue, state interventions compelled the state to take an increasing number of new and more sweeping actions, almost inevitably leading to a command economy, which accommodates, above all, the dictatorial tendencies of totalitarian states. But other states would become trapped in this process as well: "the way in is easy, but the way out extremely difficult."[68]

Liberal economic theory was developed in clear opposition to the state dirigisme of mercantilism. It is therefore no surprise that its twentieth-century advocates opposed the neo-mercantilism of autonomous trade policies, which favored the integration of the respective national economies over the integration of world trade and sought to offset the resulting problems by forming regional economic blocs. For these theorists, integration was a principally global process, open to all, that was tailored to individual economic units as agents and demanded restraint from the state. The state's sole task was to ensure the general framework of the system. Rejecting autonomous trade policies is, however, not quite the same as rejecting all forms of regionalism. Liberal theory at this point both needed to permit a space for state economic policies after the disaster of the Great Depression, and to deal with the question of whether regional alliances could be possible within the liberal model. This issue involved the role of customs unions and free-trade zones.

Customs unions have always posed a problem from a liberal perspective. On the one hand, by removing internal tariffs, they unify previously separate economies to bring about a larger market with integrative effects. After all, what would the liberal era have been without the economic integration of the United States, Great Britain, and the German Customs Union? The intensified exchange of goods and services within these economic areas undoubtedly increased the

66 See ibid., pp. 191 ff.
67 Ibid., p. 56.
68 Ibid., p. 62.

division of labor and optimized conditions of production, generating positive effects for the industrialization of these areas and world trade in general. On the other hand, customs unions with their collective tariff policies also have a disintegrative effect on world trade. Free-trade zones minimize these negative effects only to a limited degree.[69] While this does not involve common external tariffs, the individual customs policy of each member state towards other countries leads to distortions in trade. Much depends in both cases, of course, on the severity of the tariffs imposed.

From a liberal viewpoint, having regional economic blocs of this sort seemed to be a second choice at best. As Gottfried Haberler put it in 1936, customs unions could not offer any advantages that a worldwide reduction in tariffs could not achieve in a far better way.[70] In 1943, Haberler returned to the problem, now with an eye to the organization of the world economy after World War II.[71] Should the world economy once again be based on nation states, he asked, or would it make more sense to consolidate them first and create larger, regional entities? Perhaps, he reflected, a customs union could prove to be of benefit to the countries once united under the Habsburgs, while other regional unions could be valuable even if only for reasons of security, for instance in Scandinavia and the Benelux countries. He however regarded any sort of pan-European union as utterly unthinkable. It would not only be difficult to demarcate it regionally, he thought, since Europe did not constitute a viable economic unit, but also it seemed inconceivable that France and the smaller European states would ever choose to enter into a customs union with Germany that would inevitably end in German dominance.[72] Referring to the policies of Cordell Hull and the principles of the Atlantic Charter, Haberler came to the overall conclusion that it made more sense to restore world trade directly through global liberalization than indirectly through regional customs unions, which he recommended for smaller states at most.[73]

The integration theory of the interwar period provided yet another variant on the issue of regionalism. The quantitative analysis of global economic integration, in combination with location analysis, brought to light how the world trade system exhibited gravitational fields of densely interwoven relationships of exchange, transportation, and communications. Such gravitational fields can

69 On the state of the discussion at the time, see the innovative works by Viner, Customs Union, and James E. Meade, The Theory of Customs Unions, Amsterdam 1968.

70 See Gottfried Haberler, Theory of International Trade, Edinburgh 1936, p. 390.

71 See Gottfried Haberler, The Political Economy of Regional or Continental Blocs, in: Seymour E. Harris (ed.), Postwar Economic Problems, New York 1943, pp. 325 ff.

72 See ibid., p. 335.

73 See ibid., p. 344.

now be found in Europe, North America, the Soviet Union, and Japan, and world trade depends largely on these fields being able to function. These gravitational fields have emerged around the iron and steel industries, mainly for reasons of location.[74] As early as 1933, for example, the economists Herbert Gaedicke and Gert von Eynern had asked how the integration of global trade interacted with integration in those core areas, with their focusing on Europe in particular.

What first caught their eye was the well-known decline in Europe's importance after 1914. Defined as continental Europe, including Russia, and the British Isles, the continent's share in total global exports fell from 30 percent on average for the years from 1909 to 1913 to 24.5 percent for 1925 to 1930.[75] This decrease was largely a consequence of World War I. Import and export figures overseas fell in the face of the extended absence of European suppliers and consumers. The beneficiaries of this were the USA, Japan, and Canada, who took over the vacated markets for themselves. Dependency on Europe, moreover, diminished as a result of the industrialization of large regions outside of Europe during the war and post-war period. It is important to note that this decline was a relative one. In absolute numbers, European trade with countries overseas increased, but trade outside of Europe increased even faster! Europe's reduced importance in world trade proved irreversible despite noticeable trends towards resurgence beginning in 1925. The awareness of this decline clearly contributed a great deal to reflections on ways to intensify international trade within Europe.[76] What was Europe's internal integration like before 1914, and how did it develop thereafter? In their analysis, Gaedicke and van Eynern drew on the locational theory of Alfred Weber.[77] This theory distinguished the industrial core of Europe, composed of Germany, France, Britain, Belgium, the Netherlands, Austria, Switzerland, and northern Italy, from Europe's agricultural periphery.

The industrial core made up the lion's share of inner-European trade both before and after the war: before the war, 77 percent of imports and 76 percent of exports; after the war, 72 percent of imports and 73 percent of exports. The industrialized European countries were, moreover, the best trading partners for one another. Of their total exports before the war (average for the years from 1909 to

74 On the state of the discussion at the time, see Andreas Predöhl/Harald Jürgensen, Europäische Integration, in: Handwörterbuch der Sozialwissenschaften, vol. 3, Stuttgart/Tübingen/Göttingen 1961, pp. 371 ff., here pp. 371–73, and Predöhl, Weltwirtschaftskrise, pp. 73 ff.

75 See Gaedicke/von Eynern, Produktionswirtschaftliche Integration, p. 8.

76 See ibid., pp. 7 ff., 13 ff.

77 See Alfred Weber, Europa als Weltindustriezentrum und die Idee der Zollunion. Eine Standortbetrachtung, Berlin 1926, and Otto Schlier, Aufbau der europäischen Industrie nach dem Kriege, Berlin 1932.

1913), 51 percent consisted in trade within the area, 36 percent outside of Europe, nine percent with the periphery of Europe, and the rest with Russia. Of their total imports, 43 percent were from outside of Europe, 40 percent within the area, and the rest from the periphery of Europe and Russia.[78]

Gaedicke and von Eynern characterized this interweaving of core Europe as "production-economic integration." Given the relatively homogenous structure of the core industrial countries, trade within the area could not be based predominantly on the exchange of finished industrial goods for food and raw materials. The countries of the core area complemented each other more in their production processes.

> Raw materials (e.g. coal, ore) passed from one country to another: semi-finished goods produced with their help (e.g. semi-finished iron, yarns) returned to the first country, in part to be made into finished goods there, in part just to be put through a finishing process (e.g. yarns being dyed) and then sent back to the other country as a semi-finished product closer to the finished product. These relations of exchange often involved more than two countries. This was characteristically an exchange of goods representing various stages of the industrial manufacturing process prior to achieving the end product ready for consumption, and not an exchange of finished industrial goods in return for agricultural produce. This economic integration of production came about as the differing local conditions connected to the individual manufacturing stages had led to the industries being spread across several countries.[79]

This "economic integration of production" within the industrial core of Europe was however subject to significant disintegrative influences after World War I. The share of trade remaining within the area as part of the area's total global trade decreased from 40 percent for exports to 34 percent. The "integrative force" of core Europe, Gaedicke and von Eynern concluded, had

> diminished in the post-war period: the countries of core Europe are currently playing a lesser role as markets and suppliers for each other than before the war. This disintegration process corresponds with a strengthening of ties with non-European countries, while the position of Europe's peripheral regions and Russia has remained nearly unchanged with regard to the global trade of core Europe.[80]

The reasons for this were diverse. Most prominent among them were likely the territorial changes resulting from the peace treaties after World War I. They created

78 See Gaedicke/von Eynern, Produktionswirtschaftliche Integration, pp. 55 ff.
79 Ibid., p. 23.
80 Ibid., p. 57.

numerous new states, with boundaries that cut across what had formerly been domestic markets. Instead of the 21 pre-war customs areas, there were now 28: "Following this rupture of economically connected areas, many industries now suddenly found themselves in locations where the requisite conditions were lacking (e.g. when access to raw materials or to their sales market was lost)."[81] As part of an economic policy geared toward national economies, the industrial structure began to be expanded with industries set up artificially without taking local conditions into consideration. This resulted in a loss of productivity for Europe as a whole.

The question of the integration of core Europe was, moreover, also subject to regional distinctions. The closest ties existed among the countries that later made up the European Coal and Steel Community, Switzerland, Austria, and Czechoslovakia, while Britain also had strong connections to Scandinavia and, of course, overseas links to the United States and to the British dominions. The partition of the coal-ore region with the separation of Lorraine from the territory of the German Reich was thus particularly deleterious as it cut through the middle of the most integrated part of core Europe. This rift in Europe also however offered an opportunity: The economic imperative to reintegrate was able to lead to a political rapprochement between France and Germany. Many saw this to be of particular importance during the interwar period, to equal degrees in economic and political terms,[82] with numerous individual proposals for an economically motivated entente. The International Steel Cartel of the 1920s and 1930s, furthermore, which merged the heavy industries of France and Germany with those of Europe's other core industrial countries to achieve common production and sales regulations, kindled the political hopes of those involved.[83] Would industry be able to pave the way toward political unification? The question of whether economic rapprochement, perhaps in the context of customs unions, could lead the way towards political rapprochement had been much discussed earlier as well.[84]

The emphasis of such considerations changed in the course of World War II. On the one hand, it had to be assumed that the disintegration of core Europe would reach an unprecedented level after the war while, on the other hand, developments had illustrated the incredible potential of German economic power.

81 Ibid., pp. 28–30.

82 See Hans-Peter Schwarz, Vom Reich zur Bundesrepublik. Deutschland im Widerstreit der außenpolitischen Konzeptionen in den Jahren der Besatzungsherrschaft 1945–1949, 2nd expanded ed., Stuttgart 1980, pp. 449 ff.

83 See Günther Kiersch, Internationale Eisen- und Stahlkartelle, Essen 1954, and Richard Mayne, Die Einheit Europas. EWG, Euratom, Montanunion, Munich 1963.

84 See Machlup, History of Thought, pp. 105 ff., 138 ff., 157 ff.

Without this potential, it would be simply impossible to reintegrate core Europe, but how could Germany's inclusion, even as it was economically unavoidable, be prevented from once again leading to a state of German dominance that threatened the security of Europe? This problem was apparently unsolvable from a liberal perspective, as Haberler's deliberations show. He effectively left the question open with his call for global integration.

Some of the American post-war planners had other ideas, however. As early as 1942, William Diebold Jr. had proposed placing the dangerous potential of the Ruhr region under a supranational authority and, if possible, incorporating the heavy industry of all of Europe into this construct.[85] This suggestion introduced a new emphasis into the discussion, one whose influence persisted into the post-war period.[86] This idea was indeed remarkably prescient, as it, together with the economic reintegration of core Europe, promised to provide a solution to the security issues.

Although world trade statistics pointed to the prominent position of the European core region, liberal integration theorists had yet to develop a concept by the end of World War II that would have taken into account both the regional reintegration interests of Europe and the problem of Germany. This shortcoming is all the more astonishing as they were the ones who had, in such depth, analyzed the disintegration of European economic conditions in the first place, albeit from a global perspective. For them, global integration was the priority, while they allowed for a lesser auxiliary role for customs unions under specific, narrowly defined conditions.

This liberal position was the starting point for American post-war policy. The facts are too well known to require more than a brief mention here. At Bretton Woods in 1944, the United States, working together with Britain, attempted to lay the foundations for a global liberal monetary order through the founding of the International Monetary Fund and the World Bank. A similar program was attempted for the regulation of international trade in Havana in 1947.[87] While the Havana Charter was never implemented, partial success on an international trade order was achieved at Geneva in 1947 with the General Agreement on Tariffs and Trade (GATT). Agreement was reached there on the dismantling of tariffs and quantitative restrictions and, as a principle, on the introduction of most-favored-nation status. And yet, and this characterized the situation as a whole,

85 See Schwarz, Vom Reich zur Bundesrepublik, pp. 450–51.
86 See ibid., p. 792, footnote 70, and Gaedicke/von Eynern, Produktionswirtschaftliche Integration, pp. 7 ff., 13 ff.
87 See the outline given in Predöhl, Weltwirtschaftkrise, pp. 110 ff.

GATT was far removed from an application of liberal theories. The agreement permitted numerous exceptions, leaving, for example, extant preferential systems and restrictions for agricultural protection intact, and allowing customs unions if they were not tied to tariff increases.

Only more recently has it again been pointed out that American policy failed to establish a new liberal global economic order directly "from above."[88] The question of whether this policy has failed in the long term will not be answered here; what is certain is that, in 1947, it fell into a crisis,[89] a development that called for a reevaluation of the situation. This policy revision resulted in the Marshall Plan. The responsibility for its conceptual preparation lay with a small group of integration theorists trained in economics who were working in the US administration. The group, which introduced the term "integration" into the political lexicon, included Harold van B. Cleveland, Ben T. Moore, Charles P. Kindleberger, Walt W. Rostow, and William L. Clayton.[90] Building on an insight that came to maturity during the 1947 crisis, these economists realized that the global economy could not be integrated directly and that an intermediate stage would thus be necessary. The world economy, in their view, could only be based on functioning "gravitational fields," but in contrast with its American counterpart, the equally important European center of gravity was paralyzed for a long period of time.

One key factor found in the memoranda of American experts was the idea that the extent of the war damage in Europe had been seriously underestimated and that any integration within and among Europe's national economies had been destroyed: "The war and the political changes consequent thereto destroyed in substantial part the former capacity of the countries of Europe to meet their manufacturing and agricultural needs through the normal operations of closely integrated economies."[91] The problem was defined more precisely elsewhere:

> A basic element in the problem, in addition to nature-made shortages, is a breakdown in the modern system of division of labor in European economy between peasants and city workers. Furthermore, existing trade barriers (a) clog the flow of Europe's trade and (b) will set an uneconomic pattern for any reconstruction efforts. […] The situation must be faced

88 See Milward, Reconstruction. Predöhl claimed as early as 1949 and very emphatically in 1962 that the global integration of the world economy had failed; idem, Außenwirtschaft, pp. 225 ff., 316 ff.; idem, Weltwirtschaftskrise, pp. 110 ff.
89 See Milward, Reconstruction, pp. 1 ff.
90 See Memorandum by Mr. Charles P. Kindleberger, July 22, 1948, in: FRUS 1947, vol. 3, pp. 241 ff., here pp. 241–43. See Machlup, History of Thought, p. 10, and Stanley Hoffmann/Charles Maier (eds.), The Marshall Plan. A retrospective, London 1984, pp. 4 ff.
91 Report of the Special "Ad Hoc" Committee of the State-War-Navy Coordinating Committee, in: FRUS 1947, vol. 3, p. 209.

> immediately. If it is not remedied, Europe will in early 1948 suffer increasingly severe economic, political, and social disintegration.[92]

Disintegration had thus expanded far more deeply than in the interwar period, and the principle of division of labor was suspended in its efficacy throughout Europe, both within national economies and within the region. Given such a starting point, it was impossible to progress directly to global economic integration as preconditions first had to be met. Interestingly, the term "reintegration" gained currency as the way to describe these preconditions. It was associated with the concept of the American aid program, meant to help especially disintegrated national economies to return to the stage of world trade via regional cooperation. In April 1947, it was noted that "economic policy must aim at the reintegration of the economies of critical countries into regional and world trading and production systems."[93]

As the American experts were aiming to restore Europe's role as a gravitational center within the world economy, they at first seemed much more willing to include Eastern Europe in their considerations than did the politicians of the time: "The interdependence of the various national economies is so great, particularly in Europe, that economic recovery of western-oriented areas will require a substantial increase in trade with Soviet-dominated areas [...]."[94] At the same time, they were aware that American aid could be limited to the "key countries of western Europe" without greatly diminishing the positive effect on the world economy.

"While Western Europe is essential to Eastern Europe, the reverse is not true," Clayton remarked on May 28, 1947 at a meeting of office heads in the State Department. One could therefore make the inclusion of the Eastern European states in American aid conditional on their willingness to "abandon near-exclusive Soviet orientation of their economies."[95]

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92 Summary of Discussion on Problems of Relief, Rehabilitation and Reconstruction of Europe, May 29, 1947, in: ibid., pp. 234–36, here p. 234.

93 Report of the Special "Ad Hoc" Committee of the State-War-Navy Coordinating Committee, in: ibid., p. 207. See Policy with Respect to American Aid to Western Europe Views of the Policy Planning Staff, in: ibid., p. 225.

94 Report of the Special "Ad Hoc" Committee of the State-War-Navy Coordinating Committee, in: ibid., p. 215. See Memorandum by the Director of the Policy Planning Staff, in: ibid., pp. 220–23, here p. 222; Policy with Respect to American Aid to Western Europe Views of the Policy Planning Staff, in: ibid., pp. 224–25, 228.

95 Summary of Discussion on Problems of Relief, Rehabilitation and Reconstruction of Europe, in: ibid., pp. 234–36, here p. 235.

Undoubtedly, the highly developed industrial states of Western Europe were at the center of the deliberations, as the overall goal was “to halt the economic disintegration of western Europe.”[96]

From today’s perspective, it may appear astonishing how quickly American policymakers, while still in the run-up to the Paris Conference, accepted that the gravitational field of Europe as a whole would not be able to be restored. They contented themselves with the reintegration of Western Europe in the awareness that they would still be holding all the economic cards in their hand as a result. Admittedly, one part of core Europe was cut off for the moment – Berlin, Saxony, Upper Silesia, and Czechoslovakia remained outside, and Austria’s inclusion still seemed uncertain – but the heavy industrial core, always economically close-knit in terms of production, lay in the West: the steel and coal industries of the Ruhr, the Saar, Lorraine, Luxembourg, and Belgium. Western Europe, however, had always primarily been intertwined with the global trade and with its own region, and therefore relatively independent of the Southern and Eastern European “peripheral” regions, while the latter were dependent to a far greater degree on the industrial core areas. Even if this perhaps provided some consolation to Western Europe, one cannot avoid the conclusion that twentieth-century Europe – in comparison with the Europe of the nineteenth century – has lost more of its overall level of integration than it can regain through Western integration alone.

With the Marshall Plan, American policymakers developed a concept for integration that attempted to respond to the regional and security-related problems facing Western Europe without losing sight of the long-term goal of establishing a liberal world economic system. The United States made three demands of the Europeans, taking into account, for the moment, the exigencies of practical politics without moving beyond the scope of the concept: the Europeans were to coordinate their national recovery programs, create a permanent organization, and include West Germany in the process. This corresponding demand for closer economic cooperation – reintegration – in Europe was consistently linked with another demand, that of creating a regional customs union since, as Clayton had previously explained on May, 27 1947, Europe could not become independent of American aid “if her economy continues to be divided into many small watertight compartments as it is today.”[97]

96 Policy with Respect to American Aid to Western Europe Views of the Policy Planning Staff, in: ibid., p. 225. See Summary of Discussion on Problems of Relief, Rehabilitation and Reconstruction of Europe, in: ibid., p. 235.

97 Memorandum by the Under Secretary of State for Economic Affairs [Clayton for Acheson], May 27, 1947, in: ibid., p. 232.

At first, events moved ahead completely in line with this concept. Marshall, in a speech on June 5, 1947, made the development of a joint recovery program by the European governments themselves into a precondition for American aid. The Soviet Union, however, refused to comply and participate in the assistance program, and did so effectively on behalf of all Eastern European countries. Within this context, 16 Western European countries sent delegates to the Paris Conference on July 12, 1947 to discuss Marshall's conditions. A few days later, on July 16, they moved to form the Committee of European Economic Cooperation (CEEC). On September 22, 1947, the CEEC presented its final report and convened again on May 15, 1948 in Paris for a second conference. The military governors of the three Western zones of occupation also took part in the process from March 16 onwards, once the London Conference of Foreign Ministers had decided on March 6 that West Germany was to join the European recovery program. The pace of events then began to accelerate. The OEEC was founded on April 16, 1948 once the US Congress had passed the European Recovery Program and established the Economic Cooperation Administration (ECA), responsible for implementing and monitoring the aid program under the directorship of Paul Hoffman. In keeping with American demands, it was conceived as a permanent organization, and it brought together the governments of the 16 participating states for the purposes of close economic cooperation and securing the recovery program.[98]

The OEEC was not a supranational authority but was strictly pluralistic in its organization. Decisions could be taken only "by mutual agreement of all the Members" (Article 14). The OEEC was undoubtedly the product of compromise, as is readily evident from its founding document. While it did fit in with the liberal ideal, it also took into account the needs of its time in the wake of the Great Depression and World War II. The document opens with a statement maintaining that Europe's economic systems were interrelated and interdependent, such that prosperity could be restored only by acting cooperatively. If this starting position reflected the classical view of economic liberalism that prosperity was not a zero-sum game, the document continued, then the instruments used to bring about prosperity were of the same nature: the exchange of goods and services was to be intensified through the creation of a multilateral payment system and the gradual removal of restrictions on mutual trade and payments (Article 4). The convention also provided for the general reduction of tariffs and other barriers "with a view to achieving a sound and balanced multilateral trading system such

98 See Ernst H. van der Beugel, From Marshall Aid to Atlantic Partnership. European Integration as a Concern of American Foreign Policy, Amsterdam 1966, pp. 53 ff., and Milward, Reconstruction, pp. 320 ff.

as will accord with the principles of the Havana Charter" (Article 6). On the other hand, however, it recommended the consideration of regional "Customs Unions or analogous arrangements such as free trade areas" (Article 5). The document, moreover, reflected the view that the success of the ERP could not be ensured unless the economic policies of the participating states were aligned with shared values and goals. The governments of the participating states therefore pledged to pursue a policy of currency stability and sound rates of exchange (Article 7) as well as full employment (Article 8).[99]

Owing primarily to the liberalization code adopted by the OEEC in August 1950 and to the European Payments Union (EPU) founded in September of the same year and its undeniable successes,[100] the impression has taken hold that American integration policy had achieved its goal after all, even if in a roundabout way. But there is reason to doubt the truth of this.[101] Various positions were taken in both the White House and Congress, making it difficult to speak of a consistent American integration policy. Or to put it simply: there was both a pluralistic-liberal line of thought but also a different school of thought that sought far greater integration in Europe. The latter wished to grant the OEEC greater powers and perhaps create a common European market based on the US model, with thought even given to a possible European federation.[102]

Such far-reaching ideas of integration occasionally influenced lines of policy. This was, for instance, the case for the responsibilities the United States wished to see in the hands of the permanent European organization. In the end, the United States, with the apparent support of France, failed to impose its point of view, due to the objections raised by the British government.[103] Some statements by US Secretary of State Marshall would also lead one to suspect even more ambitious objectives. Speaking on January 8, 1948 before the Senate Foreign Relations Committee, Marshall, for example, predicted that the obligations assumed by

99 "Abkommen über die Organisation für europäische Organisation für europäische wirtschaftliche Zusammenarbeit (OEEC), unterzeichnet in Paris am 16. April 1948," in: Europa. Dokumente zur Frage der europäischen Einigung, commissioned by the German Foreign Office, vol. 1, Munich 1962, pp. 214–29, here pp. 214 ff.

100 See Milward, Reconstruction, pp. 320 ff.

101 See ibid.

102 See the abundant evidence already given in Beugel, From Marshall Aid, pp. 99 ff.; also Matthias Naß, USA und europäische Integration 1947–1950, in: Ergebnisse 11/1980, pp. 27 ff.; Michael J. Hogan, American Marshall Planners and the Search for a European Neocapitalism, in: The American Historical Review 90 (1985), pp. 44 ff., and Hoffmann/Maier (eds.), Marshall Plan, pp. 20–22.

103 See Beugel, From Marshall Aid, pp. 129 ff., and Milward, Reconstruction, pp. 61 ff.

the 16 European states, recorded in the CEEC report of September 22, 1947, "will produce in western Europe a far more integrated economic system than any in previous history."[104] Marshall also made it clear to Murphy, the political advisor for Germany, at the opening of the second Paris CEEC conference that Washington had more in mind than just the reintegration of Europe into the world economy: "Purpose and scope of ERP and CEEC are far beyond trade relationships. Economic cooperation sought under ERP, and of which CEEC is vehicle, has as ultimate objective closer integration of Western Europe. In this way it is a correlative of and parallel to the political and security arrangements sought under Bevin's proposals for Western Union."[105]

The economic objective, Marshall implied, was part of a broader concept proposed by British Foreign Secretary Bevin in December 1947. Linked to the term "Western Union," this concept, which included military and political cooperation within Western Europe and between Western Europe and the United States, led to the signing of the Treaty of Brussels on March 17, 1948 and the North Atlantic Treaty on April 4, 1949. Given this context, it is important to bear in mind that economic integration was associated here with a concept that employed grand terms such as "union" and "federation" for military and political objectives, but did not in actuality go beyond the establishment of a classic military alliance.[106]

It is therefore of methodological importance to distinguish the political line taken by a government, which always results from conflicting views, and the overtones and connotations attached to it in public speeches in the legislature and elsewhere. If we consider American integration policy in this way, it becomes clear that Washington was pursuing a pragmatic, pluralistic-liberal course and also knew how to see it through to success despite opposition in Congress. This can be seen, for example, in the annual debates on the approval of the Marshall Plan funds and from the fate of the amendments that aimed to make the establishment of a European federation a major objective of US policy. The latter never progressed beyond a nonbinding congressional recommendation to promote "unification."[107]

104 "European Recovery Program," [ERP] Hearings before the Committee on Foreign Relations, U. S. Senate, 80th Congress, 2nd Session, Part 1, p. 2; quoted in Naß, USA, p. 63.
105 The Secretary of State to the United States Political Adviser for Germany (Murphy), March 6, 1948, in: FRUS 1948, vol. 3, pp. 389–90, here p. 389.
106 See The Chargé in London (Gallman) to the Secretary of State, December 22, 1947 (pp. 1 ff.), and The Secretary of State to the Embassy in Belgium (p. 3), in: ibid.
107 On April 8, 1949, the phrase "to encourage the unification of Europe" was added to Article 102 (a) of the bill to extend ERP, Congressional Record, 81st Congress, 1st Session, 1949, vol. 95, Part 3, pp. 4147–48; quoted in Naß, USA, p. 73.

Paul Hoffman's notable speech before the OEEC Council in Paris on October 31, 1949 aptly illustrates how the US government was able to put the brakes on integration objectives that it judged to be going too far. It indeed also demonstrates how rhetoric can develop its own dynamics. What did Hoffman in fact view as "economic integration," which became a byword of European politics as a result of his speech?[108] In its essence, Hoffman was proposing the establishment of a common Western European market, a position clearly influenced by the advantages that marked the US domestic market. He expected that bringing together 270 million European consumers would, in the long term, achieve economies of scale and thus increase production while cutting production costs, while also improving the use of the reserves of raw materials, stimulating competition, and bringing about greater prosperity. To create this common market, Hoffman called for the dismantling of tariffs and quantitative restrictions as well as the introduction of multilateral payment practices by expanding agreements already concluded in the OEEC framework to this end. Hoffman defined this form of common market as a "free trade zone," which describes the objective quite accurately. He assumed that this zone would include all the OEEC states, while hinting that he could imagine customs unions limited to just "a few countries" as they could be sensible and possible within the broad framework, provided that they did not "result in the erection of new trade barriers in Europe." With this comment, he was undoubtedly alluding to the customs union plans of France, Italy, and the Benelux countries, which he did not want to discourage but clearly believed to be of secondary importance.

Hoffman thus described the exact concept of regional integration that liberal theory proposed, and which American policy had been pursuing since 1947. Why did his speech then cause such a sensation?

The impact of the speech clearly had something to do with its context as well as the rhetorical skill of the speaker, who perhaps gave the impression of wanting to say more than he actually did. The context of the speech can be traced back to a planning group within the ECA, headed by the economist Richard Bissell.[109] This group advocated for the reorientation of US policy, proposing the creation of supranational bureaucracies in Europe to achieve the Marshall Plan's goals more quickly and securely than the OEEC had managed to do by 1949, thus taking up the policy line that Washington had failed to achieve in 1947/48. The Bissell group envisioned a roadmap that would lead to the establishment of a "monetary authority" and a "central commercial authority" by July 1952 when Marshall Plan funding ceased.

108 On the text of the speech, see New York Times of November 1, 1949.
109 See Milward, Reconstruction, pp. 283 ff.

Hoffman would indeed seem to have adopted key arguments from the planning group, and his speech contains traces of its proposals, but indeed only traces.

It is crucial to note in this context, however, that the State Department contradicted Hoffman's intention to make the allocation of further Marshall Plan funds conditional upon the Europeans establishing supranational bureaucracies in the monetary and trade sectors. He was forced to moderate the tone and trajectory of his speech in significant ways, now opening up the institutional question for the Europeans to decide whether they merely wanted to adapt the previous organizational structures of the OEEC to the changed conditions of the second phase of the Marshall Plan or to create new central institutions. Tellingly, there was no mention of supranational organizations or the curtailment of national sovereignty, perhaps because such a demand would have been unrealistic within the overall framework of the various OEEC countries.

That Hoffman and the State Department, for which he spoke, proposed nothing actually new was also evident in the general objective proposed. His main concern was to prevent Europe from plunging back into disintegration once again with all the instances of crisis that would follow. His proposal was thus associated with the same concept as the Marshall Plan, to which he made explicit reference, the concept of Western Europe's reintegration into the world economy. Hoffman was moved by the very same question that had preoccupied Richard Bissell's planning group: How would the newly begun process of reintegration develop once Marshall Plan aid ceased in 1952? Would Europe be able to stand on its own and, above all, would it be able to earn through exports enough, in terms of dollars, to meet its import needs? The speech was thus not only meant to take stock of the situation but indeed as an appeal to the Europeans. Halfway through the term of the Marshall Plan, it was intended to challenge them to launch a new initiative comparable to that of 1947. One might characterize it as a "second Marshall Plan speech." The security and stabilization of the reintegration process set in motion with the Marshall Plan was now at stake, and Western Europe now had to reach a state of "viability" by 1952 without resorting to politically unrealistic major changes to achieve that end.

When considering Hoffman's speech from the perspective of US integration policy, one factor, which Hoffman himself mentioned, should not be forgotten: When he held his speech before the OEEC Council, a delegation of the Federal Republic of Germany was present there for the first time. It seems only logical to assume that it was precisely West Germany that Washington was addressing with the pointed emphasis on "economic integration." It was indeed part of commonly agreed Allied policy that the significant economic potential of the young state had to be "integrated." At the Washington conference of the foreign ministers of the three Western powers it was decided that the West German state that was to be founded should commit in advance to integration. The communiqué issued on April 8, 1949 stated:

> It was agreed that a major objective of the three Allied Governments was to encourage and facilitate the closest integration, on a mutually beneficial basis, of the German people under a democratic federal state within the framework of a European association. In this connection it is understood that the German Federal Republic will negotiate a separate bilateral ECA agreement with the United States and should participate as a full member in the Organization for European Economic Cooperation, this becoming a responsible partner in the European Recovery Program.[110]

The integration of the new West German state in the first few months after its founding had been agreed to by France, Britain, and the United States, in full accordance with the American notion of integration. On December 15, 1949, United States High Commissioner for Germany John McCloy and West German Chancellor Konrad Adenauer signed the Economic Cooperation Administration agreement, which provisionally went into force on December 29, 1949. West Germany had also declared its accession to the OEEC on October 12, 1949.[111] The US High Commissioner expressed in unequivocal terms the role that West Germany was expected to assume in the second phase of the Marshall Plan. Here McCloy referred explicitly to Hoffman's speech on October 31, 1949, which had marked out "the creation of a trade and monetary area in Western Europe as one of the main goals for the coming year, wherein most or, if possible, all of the barriers and restrictions existing at the present time are to be removed." McCloy continued, addressing the West German government and noting that it had "already contributed greatly to attaining this goal of Europe's economic and financial integration. I would like to now request that you continue your efforts to eliminate the quantitative import restrictions and to support the implementation of full convertibility of the currencies of the OEEC countries."[112]

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110 Cited in: Washington Three-Power Meeting, April 8, 1949, in: Germany 1947–1949. The Story in Documents, prepared by Velma Hastings Cassidy with the collaboration of the Bureau of German Affairs, Washington 1950, pp. 88–89, here p. 89. See Occupation Statute defining the powers to be Retained by the Occupation Authorities, in: FRUS 1949, vol. 3: Council of Foreign Ministers; Germany and Austria, Washington 1974, pp. 179–81, here p. 179; see also Statement by Acting Secretary of State James E. Webb from September 21, 1949, in: Germany 1947–1949, p. 187.

111 See "18. Kabinettssitzung," November 3, 1949, in: Die Kabinettsprotokolle der Bundesregierung, ed. by Ulrich Enders/Konrad Reiser, vol. 1: 1949, Boppard am Rhein 1982, pp. 169–70.

112 Politisches Archiv des Auswärtigen Amts (henceforth: PA/AA), "Noten von AHK," vol. 22, McCloy to Adenauer, December 22, 1949. Translation of the German text quoted in original. Also ibid., Slates über Blankenhorn an Blücher, December 19, 1949.

A strong case can be made that the liberal interpretation of the term "integration," made popular by Hoffman's speech, and the implementation of the corresponding policy by the West German government[113] in tandem with West Germany's rapid economic and political development, contributed significantly to changing views on integration. For neighboring European states, and France in particular, the manner in which Germany was to be "integrated" within the framework of the American proposals was unacceptable, mainly for reasons of security policy.

It was therefore hardly a coincidence that at the OEEC Council session on October 31, the same one at which Hoffman gave his speech, French Foreign Minister Schuman revealed to the head of the German delegation, Franz Blücher, that he had "an idea, not yet clearly formulated, for developing the Ruhr authority into an organ for the European economic division of labor."[114] The French apparently associated something entirely different with "economic integration" than Hoffman had in mind. In French linguistic usage, the sporadically employed term "integration" had in fact come to include the incorporation of a peaceable Germany into a unified Europe and the idea of replacing direct Allied controls over Germany with forms of indirect control through common institutions. These ideas had most often been applied to the coal and steel sectors.[115] It is even safe to say that a French concept of integration that centered on a supranational authority began to take shape during the London Conference in 1948.[116] The task at hand, as laid out by Hoffman, was indeed seen as more of an institutional issue in Europe. This inevitably raised the problem of nation-state sovereignty. The issue of Germany was the motivating factor to cast aside doubt and move forward in a new direction. The most recent developments in the question of Germany in late 1949 also contributed decisively to undermining the customs union plans of Italy, France, and the Benelux countries as a European approach to the challenge of regional integration. In the January issue of *Foreign Affairs*, for example, Paul Reynaud doubted that "Fritalux" represented a feasible path towards a common market: "Is it wise to exclude Germany from such an enterprise? Is Europe con-

113 See Memorandum of Conversation, by Mr. John W. Auchincloss of the Bureau of German Affairs, February 9, 1950, in: FRUS 1950, vol. 4: Central and Eastern Europe; The Soviet Union, Washington 1980, pp. 591–96, here p. 591: "Mr. McCloy said that the concept of an integrated Western Europe has a great deal of attraction for the German Government, and that the Germans would respond favorably to developments in this direction."

114 Quoted in "18. Kabinettssitzung," in: Kabinettsprotokolle, vol. 1, p. 170.

115 See for example George Bidault before the Assemblée Nationale on February 13, 1948, Journal Officiel, Assemblée Nationale (JOAN), 2e Séance, pp. 745–46. See Robert Schuman, on November 24, 1949, JOAN, 2e Séance, pp. 6230 ff.

116 See Milward, Reconstruction, pp. 149 ff.

ceivable without Germany? If we exclude her will we not goad her to turn towards the east?" As an alternative, Reynaud proposed a German-French agreement on the creation of a "Western European coal-and-iron-ore pool," seeing it as "a necessary preliminary to the building of a continental bloc."[117]

The establishment of the West German state and its rapid integration into the OEEC, as well as the steps taken towards European integration in general since the spring of 1948, alarmed Paris and lent urgency to Schuman's proposal. In hindsight, Schuman explained the initial involvement of the French in this integration policy accordingly: Including West Germany into the European integration process, Schuman reflected in 1953, "called for new methods."[118] Following the founding of a state on German soil, he noted, France could no longer accept an integration policy that was built upon the preservation of national sovereignty, as had been pursued with the treaties of Dunkirk and Brussels as well as with the OEEC and the Council of Europe. The French government "envisaged the creation of such strong organic bonds among the European nations – Germany in particular included – that no German Government could break them."[119]

Schuman was explicitly concerned with achieving a level of security for France that was greater than could be guaranteed by normal treaties, whereby the experiences of the interwar period played a decisive role. "The Locarno idea, fortunately, has been left far behind," he noted in 1953 with obvious relief, "Faith in the future does not rest now on the fragile guarantees of a pact that lasted hardly eight years, but on a cooperation which, since it derives from a fusion of economic interests and the growth of common institutions, ought to be permanent."[120]

As Milward was able to illustrate, such considerations did indeed play a significant role in the decision-making process of the French government in 1948/49.[121] The Schuman Plan thus undoubtedly needs to be understood as a counter-reaction; however, it was directed not only against US policy, but also against the results achieved by all previous integration policies in terms of politics (Council of Europe), the military (NATO), and the economy (OEEC). From the French perspective, however, the outcome was inadequate in terms of security. This outcome, however, which was not just a consequence of US policy but also resulted from the policies of all the powers involved, was a consequence of the integration policy of economic liberalism. From the outset, the liberal concept of

117 Paul Reynaud, The Unifying Force for Europe, in: Foreign Affairs 28 (1950), pp. 255 ff.
118 Robert Schuman, France and Europe, in: Foreign Affairs 31 (1953), pp. 350 ff.
119 Ibid., p. 352.
120 Ibid., p. 360.
121 See Milward, Reconstruction, pp. 162–63.

integration was indeed embedded in a political context that presupposed cooperation between sovereign nation states on the basis of norms that were binding under international law. The long-term security of this course of integration could lie only in international law: "Mere international ties," remarked a prescient contemporary in 1952, "that stay within the limits of traditional international law will however appear to be insufficiently secure and effective."[122]

This general insight was easy to substantiate more specifically with a look to existing organizations. Even in its early stages, the Council of Europe had already stagnated and turned into a mere forum for discussion; in 1949/50, the OEEC also faced a crisis stemming from diverging national interests; and, although NATO was led by a supreme commander, he had to contact the governments of the fourteen members, on both sides of the Atlantic, before making any important decisions. This inevitably prompted the question of whether this fragile network, which had scarcely moved beyond traditional relations between states, would be capable of incorporating a reinvigorated West German nation state in the long run. It was thus the questionable track record of European integration policy in terms of security policy – inherent to the theory from the outset – that necessitated the reconsideration of the concept itself. In this process, as has been reiterated and emphasized by politicians, political actions did not follow theoretical insights, but practical needs.[123] And the Schuman Plan was associated with these needs. It was the politicians, however, who, in their heedless eclecticism and masterful disregard for the overall logic of these intellectual constructs, repeatedly sought to justify their actions by drawing on those theoretical elements that best suited their current ways of thinking. Theorists, conversely, grappled with the Schuman Plan and "built" it into their propositions, with the Schuman Plan becoming a melting pot of theories in the process. To a certain extent, this may explain the positive response to the plan in contrast to earlier efforts toward integration. To an even greater extent, however, it explains the Babylonian confusion that now ensued, first in policy and then in theory. This will now be sketched out at least in outline form with a look to its consequences.

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122 Hans Joachim Heiser, Großbritannien und die europäische Integration, in: Europa-Archiv 7 (1952), pp. 5073–84, here p. 5075; see Schuman, France.

123 See, for instance, Paul-Henri Spaak, The Integration of Europe. Dreams and Realities, in: Foreign Affairs 29 (1950), pp. 94–100, here p. 97: "The problem which is insoluble if posed in absolute and theoretical terms is being solved by practical action." In the same spirit, see Schuman, France, p. 353: "We have gone beyond the stage of talk and theory and shown what we want to do and can do." Scores of other examples are easily found.

The international response to the Schuman Plan was extraordinarily positive, and not just in the countries of the subsequent European Coal and Steel Community. Washington in particular hastened to applaud the initiative of the French foreign minister. President Truman welcomed the Schuman Plan on May 18, describing it as "an act of constructive statesmanship," and Acheson and Hoffman took the same line.[124] The head of the US Liaison Office in Bonn, Pabsch, even noted: "The proposals [by Schuman] have been very warmly welcomed by American circles here" and "are certainly in accordance with the well-known, repeatedly expressed aspirations of American policy. The integration of Europe is, moreover, known to be the most important goal of the Marshall Plan."[125] As for the response in the press, it is striking that while the Schuman Plan was now identified with the term "integration," a clear distinction from US policy was emerging here as well. On May 17, the German Office for Peace Questions summarized the press coverage as follows:

> [Schuman's] new plan is a keystone of his whole concept for Europe, which amounts to turning Europe into a self-confident, intellectual, and economic power that is not just a vehicle for American strategic considerations. Of less prevalence is the interpretation that his plan might be viewed as a gesture addressed to the Americans. Certainly, the planned union corresponds in general to what American politicians have envisaged for Germany. It also fits in with the thinking of the OEEC planners. The new plan aims to do what the Marshall Plan and the Council of Europe have yet to accomplish: to enthuse the masses and present a grand idea as being achievable through the introduction of practical measures.[126]

The Schuman Plan had hardly seen the light of day when contemporaries declared it to be both the "fulfillment of US policy" as well as "European emancipation from America," almost in the same breath. Schuman himself emphasized that it was a compromise that made it possible to take a middle course, and both its pragmatism and unobtrusive nature were repeatedly praised. In this way, it was said, a new start could be made without provoking too much opposition.[127] This

124 New York Times of May 19, 1950: "Truman Hails Aim For European Pool. Calls French Coal-Stehen Plan a Sign of Leadership and a Hope for Whole World."

125 PA/AA, Abt. 2, 221–40, vol. 1, fol. 4066, Bonn, "Aufzeichnung" May 11, 1950.

126 PA/AA, Abt. 2, 221–40, vol. 1, Bonn, "Presseübersicht" May 17, 1950.

127 See Schuman, France, p. 358: "The 'functional' approach was chosen, however, for the practical reason that it seemed wiser to begin with integration in a restricted, technical sector of national life: the important thing was to go ahead quickly so as to catch the public imagination and win over doubters and scoffers. Also, though the fields in which unification was achieved are of the first importance they lie somewhat outside the areas of sharpest political controversy." See Dirk U. Stikker, The Functional Approach to European Integration, in: Foreign Affairs, 29 (1951), pp. 436–44, here p. 444: "The principle of functional integration is an expression of the middle road."

does indeed seem to be key to understanding the role of this plan: the Schuman Plan was not the formulation of a political concept, much less a theory, and its designated goal was left somewhat vague; first and foremost, it was intended to be a beginning, a first step to be followed by others – whatever they were to be.

As a first step, it was able to be justified from almost every theoretical standpoint, as soon became readily apparent. In this limited way, it was welcomed from a variety of perspectives: whether liberal, protectionist, federalist, functionalist, or that of location theory, the standpoint of the nation state or, last but not least, that of security policy. And now that the Americans had provided the world with their catchword – it was accepted as a contribution to "integration." Different elements were, of course, emphasized in different ways. While liberals might be impressed with the prospect of a larger market, protectionists could hope for the security afforded by tariff walls, federalists could see the supranational authority as the starting point for overcoming the nation state, functionalists could envision central focus being placed on an industry of technological importance, location theorists could appreciate the choice of Europe's industrial core region as the starting point for reintegration, and security-oriented politicians could hope that the French-German rapprochement implicit in the plan would promote peace, which also was likely to be seen as beneficial from perspectives anchored in the idea of the nation state.[128]

The Schuman Plan had quite a catalyzing effect as it, in part, returned to the old idea of the European customs union. Theoretical reflections on such a program had indeed progressed to a great degree. A few months prior to the proclamation of the Schuman Plan, in January 1950, the American economist Jacob Viner published his pioneering study "The Customs Union Issue." He examined the effects of what, from a liberal viewpoint, was an old paradox, that customs unions created larger markets while at the same time providing protection from the world market through tariff walls. He concluded that customs unions both created and diverted trade. Trade creation occurred when a previously protected local product was replaced by a less expensive product from another member country of the customs union after the tariffs imposed on it had been reduced or eliminated. Trade diversion occurred when the import of a less expensive product from a non-member country was replaced by a more

128 On the theoretical implications, see Charles Pentland, International Theory and European Integration, London 1973; a brief overview is given by Peter Behrens, Integrationstheorie. Internationale wirtschaftliche Integration als Gegenstand politologischer, ökonomischer und juristischer Forschung, in: Rabels Zeitschrift für ausländisches und internationales Privatrecht 45 (1981), pp. 8 ff.

expensive product from a union member after the new customs barrier had raised the price of the first product.[129]

The specific economic problems of the customs union theory pioneered by Viner can be neglected here, as it must be assumed that they were adopted into policy only in simplified form, if at all. What is important here is that Viner, who took historical and political developments into careful account in his study, wrote in full awareness that he was witness to a political paradox. This lay in the fact that, since the founding of the study group for the European Customs Union in 1947 within the framework of the CEEC,[130] both American and European politicians had found common ground in the customs union issue and that, astonishingly, both protectionists and free traders agreed on the general desirability of customs unions.[131]

In fact, at first glance at least, a customs union can be viewed as an ideal compromise between both positions as it seemingly fulfills the expectations of both.[132] But, the devil was in the details, namely in the size of the respective foreign tariffs. Viner thus doubted whether free traders and protectionists – for all their general agreement on the goal of a customs union – would ever be able to agree on the same specific type of union.[133] This conclusion preordained Viner's answer to the question of whether it might be in America's interest to encourage a European customs union. Like Haberler before him,[134] Viner distinguished between a larger customs union (all of Western Europe) and smaller unions, which he – in contrast to Haberler – rejected out of hand, unless they were regarded as a first step towards a larger customs union. But a union encompassing all of Western Europe, he said, would boost the region's economic autonomy and reduce its dollar shortage. He also noted, however, that even in purely economic terms, an increase in prosperity in Europe could not offset its loss of importance as an export market for the United States, at least not directly. As Viner wrote:

> For the United States, however, the political and strategic interest in a stable and prosperous and strengthened Western Europe, and the economic interest in a Western Europe able to pay for the imports necessary to maintain its economic and political health, are clearly of much greater importance than the size of the market which Western Europe offers for

129 See Viner, Customs Union Issue, pp. 41 ff.
130 See Committee of European Economic Cooperation, vol. 1, General Report, Paris, September 21, 1947 (U. S. Department of State, Publication 2930), pp. 34 ff.
131 See Viner, Customs Union Issue, pp. 41, 128 ff.
132 See Machlup, History of Thought, p. 102.
133 See Viner, Customs Union Issue, pp. 41 ff.
134 See ibid., pp. 178–79.

> American exports. Should the movement for customs union in Western Europe make rapid progress, however, it should be the American position that all friendly European countries should receive invitations to participate on equitable terms.[135]

The last sentence in particular should be kept in mind when considering Washington's reaction to the Schuman Plan. It was motivated by the concern that some European states – excluded from the sphere of European prosperity – would otherwise require American aid more than ever before. Viner, writing from a pro-free trade perspective, warned the Americans not to lose sight of the long-term objective in the euphoria over European plans for a customs union:

> For the long-run problem of raising the level of economic wellbeing for the peoples of the world in general, customs union is only a partial, uncertain, and otherwise imperfect means of doing what world-wide non- discriminatory reduction of trade barriers can do more fully, more certainly, and more equitably, and it will be a sad outcome of confused thinking on our part if we in effect abandon our pursuit of the greater economic goal because of our fresh, and romantic, infatuation with the lesser goal.[136]

Employing this analytical framework, which was indeed already put forward by liberal integration theory, the Schuman Plan was, at most, the third-best solution from a US standpoint. The plan started with the small customs union option, but only in one particular sector, albeit a very important one. This was a reasonable option only if, at the same time, the prospect of regional and sectoral enlargement was opened up and the overall global goal was at least declared. This indeed happened, making it acceptable from a liberal viewpoint, regardless of its political effects. The plan should therefore not be seen in contrast to the liberalization policy of the OEEC, but indeed within the context of this policy. Without it, the plan would hardly have been deemed acceptable. This declaration, connected to the Schuman Plan, served to relieve political pressure on European governments. It entailed higher goals that were to be achieved in a gradual process and would eventually seem to be confirmed by later events (EEC). While it was indeed the right political move at the time, it had grave consequences for the subsequent course taken in theory and ideology. It sparked and popularized the notion of a continuously progressing integration process that would someday result in political integration. This teleological approach was alien to the previous tradition of integration theory. In the 1950s, this was often justified, albeit falsely, by referring to Spencer. This error was rooted in

135 Viner, Customs Union Issue, p. 133.
136 Ibid., p. 135.

the fact that the Schuman Plan, though hailed as a success of European integration from every major theoretical position, was in fact accepted as just an initial step. This is also true of the second major school of thought of the post-war era, that of federalism.

Modern federalism is actually an American invention if we set aside Althusius and the late medieval world, as it is so much unlike the modern age.[137] The prototype of federalism is the union of the 13 American states with "The Federalist Papers" (1788) as its bible, which in turn refers to European examples (the Netherlands and Switzerland). The role that the American example played in federalist theory and the role Washington played in European post-war politics contributed to European politicians' dismissal of federalism as an unrealistic idea, irreconcilable with the complexities of Europe. In January 1950, Reynaud argued, in an analysis of American policy that was typical of the time, that it was clearly more difficult to bring different countries into a federation when each one had its own language, literature, and "a long and often glorious history, than it was to federate the 13 colonies on the Atlantic coast."[138] Although Washington had not been directly exerting pressure on the European governments, one still did not feel free of it, and each time the US Congress was to approve another round of ERP funds, there was a fear that its allocation depended on progress in terms of integration. It is interesting to see that, here too, the intellectual answer to the American challenge was characterized by pragmatism and by reducing an idealistic aspiration to the level of a realistic starting point.[139]

In economic terms, this federalism was anchored in a liberal regional concept,[140] and politically speaking, it was based on a constitution. The arguments favoring the Schuman Plan from the perspective of a liberal regional concept have already been discussed. But what about the constitutional aspect? In contrast to the open American call for "European unification," which overshadowed Washington's pragmatic course, the umbrella organization of the European federalist movement, the Union of European Federalists (UEF), developed a more nuanced concept at its Montreux congress in August 1947, under the influence of Marshall's speech and the Paris Conference. In the final declaration, the delegates faced reality with respect to both the question of Germany as well as European integration, without giving up on their overriding objective. This resulted in a

137 See Carl J. Friedrich, Trends of Federalism in Theory and Practice, London 1968.
138 Reynaud, Unifying Force, pp. 259–60.
139 See ibid., p. 263, and Stikker, Functional Approach, pp. 436 ff.
140 See, for instance, the position of Alexander Hamilton 1778; on this, see Machlup, History of Thought, p. 139.

"theory of dynamic federalism,"[141] which sought to proceed gradually from pragmatic initial steps toward the final goal. The unresolved situation in Germany was now to be instrumentalized, with the recommendation, as Wilhelm Cornides outlined,

> to implement measures in Germany that facilitate the exploitation of its industrial potential and mineral resources for the benefit of the European community in which the Germans participate. The Saar and the Ruhr should serve as motivation for economic cooperation pursued in the interest of all Europeans and extending gradually to include all of Europe's mineral resources and means of production.[142]

"Functional organs" at the European level needed to be created in a first step, he maintained, initially for the economy, beginning with the potential of the Saar and Ruhr, and then for other sectors. In a second stage, he added, a "federal authority" had to be created above the level of and supported by these functional organs, an authority that would need to be endowed with some of the rights of a sovereign state. According to Cornides, this federal authority needed to include the following:

> 1. A government that is accountable to the individuals and the groups but not to the federated states; 2. A supreme court that is able to rule on potentially emerging differences of opinion between member states of the federation; 3. An armed police force that is under the command of the federal authority and charged with enforcing its decisions. Without meeting these prerequisites, any attempts to form unions that are exclusively economic or cultural in nature are doomed to failure.[143]

What is remarkable about this model is the gradual evolution and emergence of the federal authority out of a pan-European solution to the problem of steering Germany's economic potential, as is the attempt to transform this solution to a practical problem into a vehicle for functional European integration and then into the driving force behind the development of a constitution. While the UEF certainly did not intend here to give up on drafting a federal constitution, as many later resolutions indicate,[144] it is just as certain that the concept encouraged a pragmatism that tended all too readily to focus on practical steps, leaving the resolution of the constitutional question for an undetermined point in the future.

141 Description coined by Cornides, Anfänge, here p. 4250.
142 Ibid.
143 Ibid.
144 See ibid., pp. 4250 ff.

This leads to one of the most important approaches taken to justify the Schuman Plan in terms of political theory, that of "functionalism," also astutely described as "fédéralisme à la carte."[145] A concept that had already come into its own during the interwar period,[146] it proceeded from the assumption that technological progress in the areas of communications, industry, and warfare, in conjunction with the growing number of economic and social problems in the modern industrial world, made international cooperation a necessity – a necessity, however, that the reactionary nation states could not face up to. Functional requirements, the argument went, forced the establishment of a complex and intermeshed network of transnational organizations and bureaucracies that would gradually take over the functions of the nation state and place them on a new foundation in the form of regional or global unions. This development would then also overcome the threat of war between states.

While the concept undoubtedly underestimated the persistence of the nation-state mentality, it also implied that nationalistic self-centeredness could be circumvented by creating supranational authorities in functional areas. This was a prospect of particular fascination to a class of leading civil servants so important to the process of European unification. It is no coincidence that, in addition to Monnet's proposal to establish such a functional bureaucracy via the coal and steel industries, there were also plans for the agricultural (Mansholt), transportation (Bonnefous), and energy (Monnet) sectors. In October 1950, Spaak wrote that it was necessary to concentrate on the "intermediate steps" in the process of European integration. Through "day-to-day experience" with integration in functional sectors, he noted, the dogma of state sovereignty could be undermined almost imperceptibly: "What cannot be achieved by frontal attack can be done by dividing the problem and laying before the people a series of concrete steps that call for gradual renunciation of sovereignty."[147]

How the move from functionalism to federalism was to be accomplished remained open, even as the intention to attain this goal was stressed time and again. "The form of organization," Dirk Stikker wrote just less than a year later, "must help meet immediate needs, but must be one from which a European federation can develop." Every opportunity, he argued further, had to be used for cooperation, no matter how limited in scope, as it would gradually transfer a bit of

145 L. Armand/M. Drancourt, Le Parti Europeen, Paris 1968, pp. 195 ff. See Pentland, International Theory, pp. 70 ff., 79.

146 See Mitrany, Progress, and idem, A Working Peace System. An Argument for the Functional Development of International Organization, London 1944.

147 Spaak, Integration of Europe, p. 97.

sovereignty to a new organization. This, he claimed, would give rise to "a limited federation – limited not geographically but functionally."[148] This author of the article "The Functional Approach to European Integration" put forward his own plan of action, known as the Stikker Plan, to advance the process of functional integration, and he clearly believed that the European federation would develop out of the creation of a number of functional bureaucracies.

If one analyzes the theoretical implications of the justifications for the Schuman Plan – and this could certainly be developed much further – what is striking is the gap between the pragmatic first steps and the ideal objectives. Since the Schuman Plan, thanks to its unobtrusive nature, fit in with all the prevailing schools of thought, the theorists now filled this gap. The long-term objective of uniting Europe, which the politicians continually reaffirmed for political reasons, now acquired new weight: Its approach as a theoretical model was linked to the actual process of European integration and canonized as such.

The answers to this, of course, diverged, depending on the respective theory. This seemed unavoidable, and set in motion a process of theory diversification. In the process, it was forgotten that substantial political reasons had forced European politicians to dress up their integration policy, which was connected to their practical interests, with the ideal goal of European integration. Alan S. Milward was thus able to surprise his audience at an international conference in Munich in 1984 with his remark that the entire ideological and theoretical superstructure of European integration did not alter the fact that the real historical process had served the separate national interests of the countries concerned.[149]

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"Theories," as Popper put it, drawing on an aphorism by Novalis, "are the nets we cast to catch 'the world': to rationalize, to explain, and to master it. We endeavor to make the mesh ever finer."[150] By means of summing up, we might ask: How finely woven was the mesh of contemporary integration theory, and what part of reality was caught in its net? What contours of European unification did it reveal? What explanations and interpretations has it suggested? How were the beginnings of this historical process to be understood in all of their complexity, and

148 Stikker, Functional Approach, p. 440.
149 See Alan S. Milward, Entscheidungsphasen der Westintegration, in: Ludolf Herbst (ed.), Westdeutschland 1945–1955. Unterwerfung, Kontrolle, Integration, Munich 1986.
150 Popper, Logik, p. 31 and epigraph.

what outlines have become discernible for historians seeking to sketch out the era of European integration?

In contrast with the euphoria of the 1950s and 1960s, which was also shared in integration theory – a euphoria that seems to mark the return of the nineteenth-century belief in progress and the excessive self-confidence of Wilhelminism – the integration theory prevalent through the end of the 1940s, to the extent that it was able to influence policy, was instead rather cautious and tentative, and anything but teleological. Contemporaries still lived in horror of the great upheavals and crises of the first half of the twentieth century, and viewed their own theoretical and political efforts within this context. Within the framework of a nearly cyclical view of history, and with reference to the conceptual triad from classical antiquity of integration, disintegration, and reintegration, the collapse of international relations after 1914 was understood as the disintegration of the global economic, political, and legal community of civilized peoples, and contrasted with a now idealized state of integration in the nineteenth century. The task of their own times, they believed, was to bring about reintegration in order to form a new community.

As simply returning to forms of the past is, of course, impossible, this lost community could only be recuperated in an altered form. The only theories that could be politically effective were therefore those that provided answers to the pressing issues of the time without focusing exclusively on the past in their approach to reintegration. A look at the developments in liberal theory has indeed shown how arduous this adjustment process could be, and how little progress was made during World War II in the planning "laboratories" for the post-war world. It would take the catalytic force unleashed in the crisis year of 1947 to propel the adjustment process firmly forward. It then became clear that the disintegration processes had continued into the post-war years and that regional disintegration in Europe was in fact threatening to reach an unprecedented scale. The integration of the production economies of core Europe was clearly ruptured: a large portion of the capital goods once exchanged in inner-European trade now had to be purchased from the United States using hard dollar currency. This crisis reached far beyond the economic sector and cast serious doubt on the continuing political existence of a democratically organized Western Europe.

The Marshall Plan provided actual shape to a regional reintegration intended to halt this disintegration process. At the same time, it complemented the global reintegration concept that the United States in particular had pursued up to that point. The contours of a concept for military and political reintegration then also became visible with the Treaty of Brussels and the Council of Europe. A key driving force behind this process was the opposition between East and West, whereby the United States and the USSR shared the role of "integrating power,"[151] in all the polarity of their power politics.

Shaped just as much by theoretical insights as by political pragmatism and historical traditions, this result of the European unification process can be understood *mutatis mutandis* as reintegration based on the model of the nineteenth century. It resulted in a regionally-based renewal of global economic integration in line with liberalism, bringing, in political terms, Western Europe together as a loose community as the Council of Europe and, in military terms, binding the region together with Canada and the United States in a defense alliance against the USSR. One cannot say that this policy failed, as the United States in particular had reason to be satisfied with the outcome that emerged in the late 1950s and early 1960s: Western Europe had stabilized, especially politically and militarily, and a functioning "global system" of Western industrial states had been established.

The policies pursued in accordance with the principles of a liberal pluralistic, "classical" concept of reintegration, however, still had to be expanded in one decisive point, in that it required a solution to the German problem and the closely related issue of security. This problem did not arise in 1948 and 1949 for the first time, of course. We can already find considerations pursued in American, British, and French post-war planning that gravitated towards a solution to the German problem, with all of its conflicting security and economic aspects, within the context of tighter European integration. There was a keen awareness in the US Congress, for instance, that Europe needed a political union precisely due to the German problem, and this union had to leave the standards of the nineteenth century and state sovereignty behind. This awareness, among other things, was the motor behind the political attempt, recurring from one debate to the next, to use the allocation of Marshall Plan aid to exert pressure on Europe to integrate. This standpoint, which was vehemently and ultimately unsuccessfully championed in Congress, was rejected by the US administration not because it was deemed inherently objectionable, but because the exertion of pressure on Europe to unify was considered politically inopportune. The government believed that any such initiative had to emerge from within the European governments themselves, in accordance with the saying "We can help only those who help themselves."[152]

After Britain failed to play the role of a pioneer in bringing about closer European cooperation, Washington hoped to find a new leader in France after October

151 Etzioni, Political Unification, pp. 37 ff.
152 Paul Hoffman, Peace Can Be Won, New York 1951, p. 90.

1949.[153] Washington's agenda thus meshed with developments that had already emerged in France: by the second phase of the London Conference at the latest, in the spring or early summer of 1948, an integration concept had emerged in Paris geared toward accommodating a "West German state," which was now regarded as unavoidable. The Schuman Plan was only one part of this overall concept. Other functional integration proposals followed, and should not be left out of the historical analysis, even if they had little to no success. The planned European Steel and Coal Community was specifically presented as merely a beginning, as a first step towards a closer union, in an attempt to stave off resistance. There were indeed few theoretical or political views of note with which the Schuman Plan was not compatible, even if perhaps as a "second-best solution" or a "Plan B."

The Schuman Plan unquestionably fit into the American perspective for a number of reasons. As a sectoral customs union, it opened up the prospect of a larger market, while as a closer-knit union of Europe's core countries it promised, above all, to firm up West Germany's economic and political reintegration and to solve the security problem of its western neighbors. In early 1950, just after the outbreak of the Korean War at the latest, international political factors had brought Washington to the point that any European initiative that underscored Western Europe's viability was welcomed – even when a conflict of objectives was inevitable.

From a European perspective, the objective of the Schuman Plan was paradoxical. While it was intended to serve the security interests of the individual nation states through the political reintegration of the European state system, it could achieve this only by disrupting the pluralistic and liberal character of the reintegration efforts previously undertaken, specifically by demanding that the participating states sacrifice certain aspects of their sovereignty. This seemed least burdensome in the steel and coal industries, which had been mostly subject to private-sector regulation up to this point. The private-sector cartels, which tended to be German-dominated, were replaced by the High Authority of the European Coal and Steel Community, who, acting at the political level, could bring into play France's preeminent political position to protect its economic potential, even as it was mitigated by supranational constraints.

The paradoxical nature of the Schuman Plan partly explains the "explosion of theories" that it triggered. The conflict between nation-state politics and supranational measures was seemingly resolved in functionalist theory. The hope was that, by being "lured into reason," the functional bureaucracies created upon the

153 See The Secretary of State to the Embassy in France, October 30, 1949, in: FRUS 1949, vol. 3, pp. 622–25, here p. 624.

initiative of the state would render superfluous the uppermost decision-making level of the nation state in the pursuit of their rational autonomy. We are confronted here with the difficulties involved in having different political strata, as bureaucracies of nation states revolted against their countries' decision-makers and sought to dispense with them due to their narrow views, well aware that bureaucracies with the same scope of responsibility could also be formed at the supranational level. It would thus be of great use to analyze the many functionalist integration proposals put forward by national bureaucracies.

With the incorporation of functionalism into integration theory linked to the paradox of the Schuman Plan, the adoption of federalism can be explained largely in political terms. The Schuman Plan was deliberately connected to the most ambitious federalist objectives as it promised relief both with regard to the federalist movement within Europe and to the wishes of Washington and the US Congress. It was not least for this reason that the unpopular American term "integration" was also adopted into European terminology.

With a view to the ensuing "explosion in theories," historians have every reason to bear the original terminology in mind. The term disintegration reflects how the post-war era was decisively shaped by the severe economic and political crises shaking Europe after 1914, how this process did not come to an end in 1945, and how, rather, a partial reintegration – i.e. limited to the West – had been underway since 1947. This regional form of reintegration thus rounded out a global concept that could not be realized directly. When will the reintegration process come to a conclusion? A good argument can be made for viewing the Schuman Plan as part of this political reintegration. With its supranational authority, on the other hand, it brought a new element into the process, however tightly bound it was to reactionary objectives. This element has become the starting point for the "integration" process and lived on in Euratom and the EEC following the failure of the European Defense Community and the political union. One must assume that tendencies toward reintegration and integration run parallel to one another. This has been accounted for in modern theory by distinguishing between "negative" and "positive" integration.[154] The terms mean the same as "reintegration" and "integration" did in the earlier model, but have the advantage that they do not suggest a strict temporal sequence. A cyclical way of looking at things cannot indeed do justice to the complexity of this process.

154 See J. Pinder, Positive Integration and Negative Integration. Some Problems of Economic Union in the EED, in: World Today 24 (1968), pp. 88–110, here pp. 90 ff. Pinder characterizes the dismantling of trade barriers etc. as "negative" and the establishment of new organizations and institutions as "positive" integration.

Even if one advocates for limiting the term “integration” or “positive integration” to the new tendencies and endeavors that move beyond the classical political framework – and modern language use leaves us little option in that regard – one should still be wary of drawing parallels between this form of integration and the formation of the nation states in the nineteenth century or the American union at the end of the eighteenth century, comparisons that are however still being made in modern federalism and in neo-functionalism.[155] It is instead advisable to showcase how valuable this terminology can be to an analysis of this process. The notion of a cyclical development, which is anchored both in the thought of classical antiquity and in the cycles of economic development, needs to be complemented here by the idea of simultaneity: these integrative, disintegrative, and reintegrative tendencies do not only follow one another in turn, but also occur in parallel. This idea had already been developed by Spencer in his distinction between a global and a local level. While modern theory has distinguished between levels of analysis to an extraordinary degree,[156] the interdependence between these levels must indeed be kept in mind. Integration processes at one level can be accompanied by disintegration processes at others, making cost-benefit assessments particularly complicated. The overall process that emerges here is that of a balancing act, not unlike the one Smend and Parsons once described for state and social entities.

155 See Haas, Uniting; Leo N. Lindberg/Stuart A. Scheingold (eds.), Regional Integration. Theory and Research, Cambridge/MA 1971; Brugmans/Duclos, Le Fédéralisme; Friedrich, Trends, and Walter H. Bennett, American Theories of Federalism, Alabama/AL 1964.
156 See Lindberg/Scheingold (eds.), Regional Integration.

Lucia Coppolaro

Theory, Trade and European Integration

A Comment on Ludolf Herbst's "Contemporary Theory and the Beginning of European Integration"

Introduction

When grading written exams, any professor of the history of European integration would be more than glad to read a definition of European integration as "the historical process whereby European nation-states have been willing to transfer, or more usually pool, their sovereign powers in a collective enterprise."[1] In fact, the definition is so accurate that the professor could only praise the student and award a positive grade for the answer.

What the professor would tend to underestimate is that, as Ludolf Herbst's article illustrates, "the term 'integration' was not particularly widespread" until the 1940s, and that, as a political concept, European integration was established only in the early 1950s, when "use expanded rapidly to include a much broader scope." With the Schuman Declaration of May 9, 1950, European integration became both a catchword and a key-word for the post-war period, entering common usage and acquiring a precise meaning that we now take for granted. As Herbst notes, "the success of the term certainly has something to do with its ability to refer to the process of European unification in general, the current state of this development, and the goal of the overall process."[2]

A similar story can be told about the word "globalization." This word became a catchword at the end of the 1990s, but we tend to ignore its origins and meaning. We assume that the semantic meaning has never changed, and we tend to forget that when liberal economic theories and economists referred to globalization in the 1920s, "integration" was the word they used.

Herbst's article traces the origins of the word integration and looks at integration theories. It provides an analysis of "the history of the political reception of these ideas, taking into account those theories that took on political relevance."[3] Adopting this original perspective, the article enables us to gain a better under-

1 Mark Gilbert, European Integration. A Concise History, Lanham/MD et al. 2012, p. 1.
2 Ludolf Herbst, Contemporary Theory and the Beginning of European Integration, in this Yearbook, pp. 21–70; all quotes are from pp. 22–24.
3 Ibid., p. 23.

standing of the origins and development of European integration. It shows how policy-makers pursued concrete national interests – rather than a theory – and brings out the relevance of trade in the origins of the integration that occurred. By putting the word integration and the theories associated with it into historical perspective, Herbst's article shows how the Marshall Plan (1947) and the European Coal and Steel Community (1951) were not the result of sudden choices made by US and European politicians, but responded to challenges that had been faced since at least the end of World War I. Thus, the article very usefully sheds light on the many misunderstandings that have come to surround European integration, above all that of seeing European integration as a process or journey inevitably leading to a United States of Europe. This perception of inevitability, curiously enough, again links the words integration and globalization, since both are often perceived as inexorable processes.

European Integration: a New Solution to Old Problems

Herbst's article reconstructs the semantic origin and development of the word integration from Terence to the Enlightenment, and then examines its use in the 19th century. The article notes how economists and liberal theories at the end of the 19th century and in the first half of the 20th century referred to the integration (and its opposite, disintegration) of world markets as economic historians would now refer to economic globalization. Moreover, Herbst shows that the term integration was commonly used in law and economics both in the interwar period and during World War II. Conversely, the word was almost unknown in the political sphere, and there "remained the exception." Tellingly, the movement seeking European unification used the word "federation" rather than integration to describe its goals.[4] The situation changed gradually, but only after World War II, when the term became popularized through adoption by the US government, the establishment of the Organization for European Economic Cooperation (OEEC, 1948) and the creation of the European Coal and Steel Community (ECSC, 1951).

Herbst's analysis thus reminds us that, even if the word integration was not employed in politics immediately after World War I, Europeans were already elaborating the sorts of plans that twenty years later would be labeled as ones promoting European integration. These plans were precise responses to the two

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4 Ibid., p. 32.

key questions European integrationists addressed after World War II: first, how to encourage economic growth and, hence, political and social stability in Europe; second, how to control the German economy to ensure that it favored economic growth in Europe as a whole, rather than risk provoking a major conflict. Thus, the Schuman Declaration in 1950 and the ECSC in 1951 responded to a security issue that had already been raised – albeit unsuccessfully – just after World War I. There was nothing essentially new in the plan for a coal and steel community. It had been tried before the war by the French Minister Louis Loucheur (though the word integration was not employed). As Dominque Barjot has shown, Loucheur campaigned for the development of international inter-firm agreements and cartels. He saw cartels as instruments that could be used for rebuilding the European economy and resolving the difficult problem of reparations. Above all, Loucheur believed that cartels were the only way to bring about lasting reconciliation between France and Germany and help Europe compete with the US economy. Loucheur also saw cartels as a means to facilitate the unification of Europe.[5] By the same token, the supranational structures of the ECSC had been finalized by Jean Monnet and his British economist friend Arthur Salter in the 1920s, and were not an abrupt stroke of genius on Monnet's part in 1949.[6]

Equally important, in September 1929, the French prime minister, Aristide Briand, launched the idea of a European federal union at the Assembly of the League of Nations in Geneva. Briand noted that "the new European association will be first of all economic, for that is the most urgent aspect of the question. Still, I am convinced that, politically and socially also, this federal link might do useful work, without affecting the sovereignty of any of the nations."[7] Briand did not employ the word integration, but the economic issue was raised. Gustav Stresemann, the then German minister of Foreign Affairs in the coalition government, agreed with Briand at Geneva, and aimed at furthering the economic and financial unification of the European nations – that is to say, a Europe without borders and customs. Briand and the French government presented a Memorandum on the Organization of a System of Federal European Union on May 1, 1930.[8] However, by then, the situation was rapidly taking an unfavorable turn. The Wall

5 See Dominique Barjot, Les bases du relèvement économique de l'Europe selon Louis Loucheur, in: Entreprises et histoire 76 (2014), pp. 116–19.

6 See Sherrill Brown Wells, Jean Monnet. Unconventional Statesman, Boulder/CO 2011.

7 Proceedings of the Tenth Assembly of the League of Nations, Sept. 1929, in: Proceedings of the American Society of International Law and its Annual Meeting (1921–1969) 25 (1929), pp. 323–25.

8 See Wim Roobol, Aristide Briand's Plan. The Seed of European Unification, in: Menno Spiering/Michael Wintle (eds.), Ideas of Europe since 1914. The Legacies of the First World War, London 2002, pp. 32–46.

Street Crash in October 1929, the death of Stresemann in the same month and the collapse of the Weimar Republic made any European unification plan unfeasible.[9]

It is against this background that we should understand the use of the word integration after World War II. As Herbst reminds us, the US administrations favored integration, and by that they meant the integration of the world economy. Well before the end of World War II, President Roosevelt and his secretary of state, Cordell Hull, were convinced that one of the causes of the war had been the lack of an open world economy during the 1930s. As they planned a new post-war economic order, they considered it imperative to prevent the reappearance of the protectionism and unilateralism that had marred the pre-war years. By the end of 1941 the United States was already planning a post-war system grounded on new, multilateral institutions that would ensure the stability of monetary relations, reduce trade barriers, limit discriminatory tariff preferences and, from all this, enhance integration. To enforce the envisaged multilateral system and perform the key functions of regulating international trade and payments, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) were established at the international conference at Bretton Woods in 1944. In 1947 the General Agreement on Tariffs and Trade (GATT) was established to provide a set of rules directed at achieving a substantial reduction of tariffs and the elimination of discriminatory treatment. The GATT, it was intended, would have the major role of promoting integration at world level.[10]

However, a problem for advocates of liberal integration within the Roosevelt administration, and then in Truman's, was that they did not provide an answer to the core questions the Europeans had been facing since the end of World War I, namely how to promote security in Europe and deal with the German problem. Even during World War II, the US government had been considering whether it should encourage the establishment of a European customs union. An economically unified Europe would provide a European market more economically efficient than the single markets of the individual countries. It would have the potential to enhance European economic growth, which might, in turn, advance political stability and could provide a bigger market for outsiders' exports. European unity would also accommodate the new German state's economic resources

9 See Conan Fischer, A Vision of Europe. Franco-German Relations during the Great Depression, 1929–1932, Oxford 2017.

10 On the origins of the GATT see Douglas A. Irwin/Petros C. Mavroidis/Alan O. Sykes, The Genesis of the GATT, Cambridge/NY 2008.

and merge it economically and politically with its European partners. The reconstruction of Western Europe required the return of Germany to full production through a return to statehood and a general reduction of trade barriers among the western European nations. Hence US plans coincided with the ones the Europeans had been elaborating since 1919. By 1947 Western European governments – especially those in France and the United Kingdom – were already unconvinced that worldwide competition, multilateral liberalization, and the full convertibility of their currencies, supported by the Bretton Woods system, represented the right path to follow in post-war reconstruction.[11]

In 1947, to promote European growth and solve the German problem, Washington launched the Marshall Plan. And it was exactly at this point that the word integration underwent a major change and became "European integration," as Herbst underscores. Members of the Truman administration started to use the word integration when referring to Europe; and after George C. Marshall's famous Harvard Speech of June 1947, the term European integration gained ground. Herbst reminds us, nevertheless, that integration was still used as a synonym for other terms such as "cooperation," "coordination," "organization," "unification," and "federation."[12] The term became widespread because it was not precisely defined and, as such, would not be subject to debates and polemic. With the Marshall Plan, the Western Europeans were spurred on to take steps that would enable them to move towards open trading policies with each other and, then with the rest of the world. The US initiative was a key moment in Western Europe's path towards freer internal trade, and more generally towards a broadly liberal trade policy, and the reintegration of (West) Germany. In 1947, to pursue its policy of reconstruction, Western Europe opted for a regional and, therefore, smaller and discriminatory framework within which, gradually and slowly, it could liberalize trade.

The liberalization of Western European trade started on a regional basis and was done through regional institutions, bypassing the multilateralism of the Bretton Woods agreements. In 1947, the Truman administration not only launched the Marshall Plan, but also signed the GATT. While the GATT represented US support for a multilateral, non-discriminatory, global trade system (in other words, for globalization or international integration), the OEEC and the European Payments Union (EPU) endorsed the principle of discrimination to be practiced

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11 The best account of post-war economic policy remains Alan S. Milward, The Reconstruction of Western Europe 1945–1951, London 1984. See also Barry J. Eichengreen, The European Economy since 1945. Coordinated Capitalism and Beyond, Princeton/NJ 2007, pp. 52–85.

12 Herbst, Contemporary Theory, p. 35.

by the participants in the Marshall Plan (regional integration). US support for European regional integration came to coexist with GATT multilateralism, and doubts about the consequences of discriminatory European integration were put aside. According to the US plan, European integration would, in the long run, strengthen the West European economy and would finally make the implementation of a multilateral trade and payments system possible. Moreover, regional integration would strengthen the area socially and politically and would eventually foster international integration. There was no opposition between regional and international integration. For the time being, however, Western Europe could discriminate in its trade relations and could do so with the full encouragement of the ally it discriminated against.[13]

As Herbst emphasizes, European integration remained above all an "American" phrase in the post-war period. It was only with the Schuman Declaration of May 9, 1950 that "'integration' began its rise to success across Europe as well."[14] This is when the word first became a widely accepted European term. In this transition, the term acquired a new meaning: it now referred to supranational authorities, was limited to Western Europe, and was essentially applied to the coal and steel sectors. With this shift, the Europeans found a word, or label, to define the security and economic questions they had tried to address in the inter-war period: how to re-launch Germany as an engine of growth; how to promote economic growth and establish social and political stability. Following Milward, explaining the origins of the Schuman Declaration, which led to the ECSC, Herbst reminds us that the "political actions did not follow theoretical insights, but practical needs." Thus European politicians "repeatedly sought to justify their actions by drawing on those theoretical elements that best suited their current ways of thinking."[15] Rather than pursuing the goal of establishing a United States of Europe, European policy-makers addressed specific challenges. The Schuman Declaration and the ECSC were successful because they gave something to everybody. Free-traders, protectionists, federalists and functionalists all regarded the measures as positive. Moreover, as Herbst notes, the Schuman Declaration launched the policy of making a "first step" towards a United States of Europe and set European countries on their "inevitable journey."

13 See Milward, Reconstruction.
14 Herbst, Contemporary Theory, p. 36.
15 Ibid., p. 57.

Integration, Trade and the EEC

When the first step of this inevitable journey was validated by a second step in 1957 – the Treaty of Rome and the establishment of the European Economic Community – the notion of "a continuously progressing integration process that would someday result in political integration" was further strengthened and popularized.[16] This rather downplayed the fact that the six founding governments were using the EEC and its supranational institutions to face specific challenges and to promote their different national interests. They were not following a theory of European integration or planning an additional step in a journey they saw as inevitable.

Historians tend to underestimate the relevance of trade for European integration. Herbst's article has the merit of compelling us to reassess the origins of the EEC and to recognize the fundamental role trade liberalization played. The customs union was the most important single achievement of the Treaty of Rome, and foreign trade became the first field in which the original members of the Communities pooled their sovereignty, voluntarily delegating their authority to the EEC's control. Today the European Union – the ultimate institutional development emerging from the previous three European Communities – is a leading player in the World Trade Organization (WTO). International trade remains one of the few fields in which the present-day European Union is able to speak with a single and powerful voice. Yet, the relevance of regional trade integration is often forgotten by historians – above all by diplomatic historians – in explaining the origins of the EEC. Historians usually emphasize how, after the failure of the European Defence Community in 1954, the leaders from the six governments of the ECSC re-launched the European integration process and the journey toward European unification by implementing a customs union. This explanation neglects the importance of regional trade integration at OEEC level and it forgets that export-led economic growth was a major goal of Western European governments. Moreover, the explanation does not explain why a customs union – and not a free trade area – was established.

As Milward has shown, the origins of the EEC can be traced back to the OEEC and the EPU, with the ECSC providing the institutional template.[17] And, as Asbeek Brusse has further pointed out, they should also be traced back to the failure of the GATT to promote a reduction of tariffs at European level.[18] The OEEC

16 Ibid., p. 61.

17 See Alan S. Milward, The European Rescue of the Nation-State, 2nd ed., London/New York 2000, pp. 117–223.

18 See Wendy Asbeek Brusse, Tariffs, Trade, and European Integration, 1947–1957. From Study Group to Common Market, New York 1997.

promoted the removal of trade restrictions between the participating countries by concentrating on the removal of quantitative restrictions. Tariffs had lost most of their protective clout due to widespread changes in international prices; and, in any case, reduction of tariffs made little sense as long as quantitative restrictions remained the main mechanism for regulating trade in Western Europe. Moreover, the GATT had been created as a specific institution to deal with tariffs as limitations on trade.

The OEEC quota removal was not painless. Initially, member states were able to respect the agreed targets of reductions, since quotas were removed in those sectors where they were no longer necessary or effective. However, in 1951, when the lifting of quotas began to involve vested domestic interests or to interfere with austerity programs, the pace of trade liberalization slowed down. Moreover, quota removal raised the problem of tariffs. Major European countries, like the United Kingdom, France, Italy and West Germany, reacted to the loss of protection expected from the elimination of quota restrictions either by reintroducing previously suspended, pre-war tariff schedules or by establishing new rates, often with generous "bargaining" margins aimed at negotiations in the GATT rounds. The tariffs registered at the Annecy Round GATT trade conference (1949) were generally high, and, although for the most part they were intended as a bargaining tool, they started to be enforced in 1950 just as quotas were removed. As a result, by the early 1950s, tariffs had made their reappearance as instruments of protection. Thus, the removal of quotas within the OEEC raised the problem of how to handle tariffs, calling the GATT into question; and they linked regional developments with those taking place at the multilateral level.[19]

The first GATT trade conference, the Geneva Round of 1947, achieved satisfying results, with negotiators settling upon an average tariff reduction of 20 percent. However, none of the four following rounds, taking place between 1949 and 1956, had as large an impact as that of 1947. One of the causes can be found in the domestic politics of European countries. Italy and France, well aware that US products were more competitive, resisted any meaningful multilateral reduction. The United Kingdom refused to dismantle, or even reduce, its colonial preferences. In this period, only the Federal Republic of Germany took a more liberal stance. Despite these differences, one fact appeared evident to all: one of the conditions for joining in across-the-board tariff reductions was that the United States would have to make large tariff cuts too; only if this happened could the Europeans increase their exports. However, throughout the 1950s, the US Congress never granted the government in Washington the authority to reduce tariffs. There was

19 See ibid., pp. 81–83.

considerable domestic opposition in America to widespread, across-the-board tariff reductions, while non-tariff barriers reinforced protection and made any tariff cut unstable. Thus US policy made tariff rates inherently unstable and tariff negotiations precarious, offering few prospects of long-term benefit to overseas trading partners. This meant that the problem of reducing tariffs in Europe also had a US dimension.[20] The cumbersome reduction procedure used in Geneva to encourage a major scaling-down of tariffs further complicated tariff reductions. Governments bargained bilaterally on an item-by-item basis and then, if agreement was reached, the reduction was multilateralized. This bilateral-multilateral method had been designed by the US drafters of the GATT who had presumed that the United States, being the major supplier of most goods, would take the lead in offering major tariff cuts. However, the plan underestimated the impact the protectionist mood had on Congress. The US government was not able to offer substantial cuts, and not all the Europeans were ready to reduce tariffs on a multilateral basis either.[21]

The OEEC's practice of focusing on quotas and leaving tariff cuts to the GATT's cumbersome item-by-item procedure favored protectionism in Europe because, indirectly, it encouraged high tariff countries to reactivate their customs schedules. As quotas were removed, the low-tariff countries – Benelux and the Scandinavian countries – considered it particularly urgent that tariffs should be reduced as well. Between 1950 and 1953, they presented various plans at both OEEC and GATT level, calling for the harmonization of tariff rates at a mandated ceiling. The United Kingdom, France and Italy resisted this method, as it was not grounded in reciprocal concessions.[22]

This failure to agree on ways to reduce tariffs at OEEC or GATT levels should be weighed against the boom in trade that took place in Western Europe in 1953/54. West Germany had a vital role in this expansion, and this was important too. The Western European countries' exports to West Germany started to grow much faster than exports to the rest of the continent. Crucially, these flows contributed to a qualitative change in the structure of exports to those sectors of higher value-added manufacturing which governments were then encouraging as part of their strategy of economic modernization.

20 See ibid., pp. 131–42.
21 See Douglas A. Irwin, The GATT's Contribution to Economic Recovery in Post-War Western Europe, in: National Bureau of Economic Research, Working Paper no. 4944, Cambridge/MA 1994, pp. 127–50.
22 The best account of the tariff plans elaborated in the 1950s is still Asbeek Brusse, Tarrifs, pp. 79–142.

In this way, the West German market became fundamental for the balance of payments surplus and for the modernization that governments were struggling to achieve. West Germany's industry re-equipped Western European industry from 1949 onwards, but its manufactured exports grew in connection with the exports the other Western European countries made to the German Federal Republic. The pattern of West German trade in the most rapidly growing sectors could be characterized as a dynamic growth of both imports and exports, closely linked to the rapid industrialization of Western Europe. Even more importantly, in this trade boom, a particular trend emerged: from 1954 onwards, foreign trade between the six members of the ECSC grew faster than foreign trade elsewhere in Europe. Well before the formation of the EEC in 1957, its six original member states had represented a trading network and the relevance of the regional dimension of trade between them was already apparent. The Treaty of Rome, which led to an increase in trade, sustained a trend that had previously been established.[23]

The rapid export growth of 1953/54 and its characteristics made a regional initiative for dealing with tariffs urgent. Unsurprisingly, the initiative was taken by the Dutch government – in 1953 and then again in 1955. The Benelux countries, the Netherlands in particular, saw the tariff disparity in Europe as a major impediment to a full and stable expansion of their exports. They aimed at drastically reducing the tariff barriers of the United Kingdom, France, Italy and West Germany before opening their domestic markets (still partially protected by quotas) to the full force of European competition. Faced with the difficulties in reducing duties in Geneva, they insisted on linking tariffs and quotas by bringing both of them under the OEEC's competence. Ultimately, experience of the inequity of the removal of non-tariff barriers in the OEEC and the hopelessness of tariff reduction at the GATT led the Dutch government to promote the establishment of a customs union with automatic tariff reduction within the framework of the ECSC.[24]

The debate at the GATT and the OEEC over the tariffs issue appeared to show that it would be possible to reduce, or even eliminate tariffs, and guarantee the expansion of intra-European trade only within a smaller and therefore more manageable framework. The incapability of the OEEC and the GATT provided a strong incentive for proposing a different kind of preferential scheme to cut tariffs and, it was thought, reach the crucial objective of maintaining the growth of exports. Effective, long-term commercial and economic arrangements could only be managed in a smaller, supranational framework of a more binding nature.

23 See Milward, European Rescue, pp. 117–223.
24 See ibid.

Here tariff liberalization would be accompanied by common policies to smooth the impact of increased competition. A supranational institution could enforce elimination according to an agreed timetable, so that tariffs would be phased out in a permanent and credible way, ending the long history of national tariff bargaining, and harmonizing tariff removal with quota removal. The customs union could provide protection from US competition and multilateral liberalization through a common external tariff and, at the same time, it could offer a strong bargaining position in the GATT. As Milward has shown, one of the motivations leading to the establishment of the EEC, with a customs union at its foundation, was to favor freer trade at the regional level through a new form of intra-European cooperation labeled "integration." The aim was to sustain ongoing economic growth. Milward has described this move as a "rescue" operation for the European nation-states and has illustrated how the ultimate aim of the pooling of sovereignty through integration was not to get rid of the nation-state itself, but rather to strengthen it. Integration allowed governments to pursue the welfare policies that were considered indispensable for the political and social stability of the state, but which governments could not sustain by themselves at a national level. As such, integration gave the nation-state the tools to maintain its legitimacy. Milward's conclusion is that there was no antithesis between the nation-state and the supranational character of the EEC. Far from undermining nation-states, as neo-functionalism and federalism have suggested, European integration was an instrument used to enhance the authority of the national governments involved and to respond to specific challenges.[25]

Conclusions

The original perspective of Herbst's analysis allows us to reflect on the origins of European integration and to grasp how this was the result of a longer process and of older problems. While illustrating the evolution of the term integration and its theories, the article situates the Marshall Plan, the OEEC and the ECSC Treaty in the context of policies pursued by European states from 1919 on. These were policies designed to encourage economic growth and social and political stability; also to solve the German problem by ensuring that German economic

25 See ibid. Also: Alan S. Milward, The Frontier of National Sovereignty. History and Theory 1945–1992, London 1994. In these two works, Milward has shown the structural resilience of the nation-state in the post-war integration of Western Europe and how European integration was a means of strengthening national power.

dynamism could foster economic growth in Europe in a peaceful way. Herbst's analysis reminds us how the problems the European policy-makers faced after World War II had already been unsuccessfully addressed by policy-makers after World War I, and that, by pooling sovereignty, the nation-states were trying to overcome specific challenges or problems rather than start off on a journey that would inevitably lead to a United States of Europe. Moreover, the article brings out the relevance of commercial interests and the key role of the Federal Republic of Germany in Western European trade – the German problem again – both of which played a key role in the origins of the EEC and its development. The Common Commercial Policy was the first policy implemented by the Community after 1957, and it was in the arena of international trade that the EEC became an international power.[26] This is an aspect that is often underestimated in European integration theory and in historical accounts.

26 On this aspect see Lucia Coppolaro, The Making of a World Trading Power. The European Economic Community (EEC) in the GATT Kennedy Round Negotiations (1963–1967), London 2016.

Kiran Klaus Patel

The *Deutscher Bauernverband* from 1945 to 1990

From Uncompromising Stance to Rescue through Europe

Introduction

The *Deutscher Bauernverband* (the German Farmers' Association, DBV) was one of the most important pressure groups in the "old" Federal Republic. In recent years too, rivalry with the *Bundesverband Deutscher Milchviehhalter* (Federal Dairy Farmers' Association) and fluctuations in agricultural prices resulting from globalization have kept the DBV in the news. Yet historians have yet to reach a consensus about its role. Many general surveys of West German history since 1945 have simply ignored it or touched on it only briefly in a sweeping requiem for the rural world.[1] Other studies, in contrast, have argued that even though the DBV certainly helped stabilize democracy, it was not able to assert its agrarian policy interests with much force. Christoph Kleßmann, for instance, warns against overestimating the "actual and enduring successes of the agrarian lobby."[2] According to Gesine Gerhard, on the other hand, the DBV proved capable of exerting enormous influence on agricultural policy, but it did little or nothing to affirm democracy. At least in the 1950s, Gerhard also claims, it resorted to "traditional and radical right-wing ideologies of rural life" to "support its goals."[3]

Drawing on hitherto unused archival sources, this article reassesses the history of the DBV, situating it within a longer-term perspective on agrarian pressure groups as well as a broader European context. It argues that the DBV played

Translation by Paul Bowman.

1 See for example Eckart Conze, Die Suche nach Sicherheit. Eine Geschichte der Bundesrepublik Deutschland von 1949 bis in die Gegenwart, Munich 2009; Edgar Wolfrum, Die Bundesrepublik Deutschland (Gebhardt Handbuch der deutschen Geschichte, vol. 23, 10th ed.), Stuttgart 2005, and Peter Graf Kielmansegg, Nach der Katastrophe. Eine Geschichte des geteilten Deutschland, Berlin 2000.

2 Christoph Kleßmann, Zwei Staaten, eine Nation. Deutsche Geschichte 1955–1970, 2nd ed., Bonn 1997, p. 134.

3 Gesine Gerhard, Zwischen Systemkonformität und -opposition. Der Deutsche Bauernverband und die politische Eingliederung der Bauernschaft in die Bundesrepublik in den fünfziger Jahren, in: Österreichische Zeitschrift für Geschichtswissenschaften 13 (2002), pp. 129–38, here p. 130.

a paradoxical role in three respects. First, it was astonishingly successful in asserting its policy interests into the early 1950s, and it was able to push through vital interests in many fields even later. This success, however, often proved to be more detrimental than beneficial to the majority of its clientele. Second, despite flirting with right-wing ideas, particularly in the early days of West Germany, the DBV actually contributed significantly to stabilizing the political order. Third, although the DBV initially eyed European integration with obstinate skepticism, it was precisely the European Economic Community (EEC) that helped to secure the association's influence.

Adopting an Uncompromising Attitude and Affirming Democracy from 1945 to 1964

The DBV's later successes were by no means a foregone conclusion. Founded in September 1945, the first pressure group to represent agrarian interests on a supra-regional level was immediately abolished by the Allied Control Council. Over the next few years, agrarian associations were organized at the regional level, but things were sometimes makeshift and improvised. In Lower Saxony, for example, a regional branch had to make do with a "single borrowed room" and a "bench under a copper beech" served as the "meeting hall." The *Deutscher Bauernverband* did not emerge from these difficult beginnings until 1948 – the first unified, voluntary organization in the history of agricultural interest groups in Germany. In contrast to the pre-1933 situation, there was no longer an array of coexisting associations representing divergent political, denominational, regional, and socio-economic positions. The situation in Germany also differed from that of other European countries, such as Italy, Belgium and France, where a plurality of organizations continued to exist after 1945.[4]

4 Niedersächsisches Landesarchiv, Hannover (henceforth: NLA), VVP 38/323, Sonnemann to Rehwinkel, September 5, 1960; see also Deutscher Bauernverband (ed.; henceforth: DBV), Der Deutsche Bauernverband. Seine Mitglieder und andere landwirtschaftliche Organisationen, Bonn 1987; Edmund Rehwinkel, Gegen den Strom. Erinnerungen eines niedersächsischen, deutschen und europäischen Bauernführers, Dorheim, no year given (ca. 1973), pp. 34–38; for a European perspective, see for example Barbara Burkhardt-Reich/Wolfgang Schumann, Agrarverbände in der EG. Das agrarpolitische Entscheidungsgefüge in Brüssel und den EG-Mitgliedsstaaten unter besonderer Berücksichtigung des Euro-Verbandes COPA und seiner nationalen Mitgliedsverbände, Kehl 1983. However, there were also other countries, such as Denmark and the United Kingdom, with a unified representation of interests.

Four main factors fed into the DBV's unique position. First, many agricultural officials drew lessons from their experiences with the *Reichsnährstand* (RNST), a public corporation that the Nazi regime had forced all agricultural organizations to join. After 1945, these same officials wanted to maintain unity at almost any price. Having said this, influential opponents of the Nazi regime held similar views, for example the Rhineland Catholic Andreas Hermes who had served as the first minister of agriculture in the Weimar Republic. Indeed, many would have preferred it if – as in the "Third Reich" – not only the representation of policy interests, but also the various chambers of agriculture and the agricultural cooperatives had remained under the umbrella of a single organization. While the Allied Control Council authorities prohibited such plans, they did retain key aspects of the agrarian policy apparatus left over from the Weimar and Nazi periods. Divested of all the racial ideology components, the Allies hoped that using these remnants from the past would help to overcome the food crisis of the early postwar years. Although the DBV was not built from above, but rather was created by combining several regional and trade associations, the continuities at the state level – the main stage for interest-driven politics – led it to become the sole farmers' association.[5]

Second, altered socio-economic structures favored the emergence of a single body representing farmers' interests. The loss of the eastern territories and the division of Germany meant that agriculture was more socially homogenous. With the lands "East of the Elbe" gone, the country had lost the majority of the large estates that had previously proven to be extraordinarily effective in asserting their own particular demands. While agriculture in the territory of the Federal Republic defied reduction to a common denominator with respect to the size and structure of farms or the focus of production, there can be no doubt that the peasantry was strengthened significantly. Large swaths of West Germany were populated with small- to medium-sized farms; around one third of all operations possessed only two hectares of land or less. But West German agriculture also

5 For more on Hermes, see Günter Buchstab (ed.), Politische Mitte und nationale Einheit. Andreas Hermes 1878–1964, St. Augustin 1994; Heide Barmeyer, Andreas Hermes und die Organisationen der deutschen Landwirtschaft. Christliche Bauernvereine, Reichslandbund, Grüne Front, Reichsnährstand 1928–1933, Stuttgart 1971. Further: NLA, VVP 38/173, "Redemanuskript Rehwinkel," undated (February 17, 1947); on the continuities in more detail, see John E. Farquharson, The Western Allies and the Politics of Food. Agrarian Management in Postwar Germany, Leamington Spa 1985. See also the above-average number of former "party comrades" in the Federal Ministry of Agriculture: 41.9 percent of all officials (1952). Bundesarchiv (henceforth: BArch) Koblenz, B 106/7696, "Bundesinnenministerium, Aufstellung Anteile in der Bundesverwaltung," April 1, 1952–September 30, 1952.

became more dominated by family farms because these small- and medium-sized operations were employing fewer and fewer non-family laborers in comparison to the interwar period. Owing to further rationalization and modernization measures in the primary sector and, even more important, the increasing capacity of industry – where attractive employment opportunities were readily available – to absorb new workers, the relative homogenization of agriculture continued beyond the immediate postwar years.[6]

The third factor was the important role of a few outstanding individuals in the success of the DBV, not least the aforementioned Andreas Hermes. Usually addressed in the postwar years as "Herr Reichsminister," Hermes was able to put his reputation, built up over decades, to good political use and was elected the DBV's first president in 1948. The fact that he was active in the resistance movement during the Nazi period meant that he was more likely to be accepted by the Allied powers. Overall, Hermes became for agrarian policy what Adenauer was for politics as a whole – a unifying figure capable of not only balancing the social concerns of agrarian policy with denominational interests, but also taming centrifugal forces.[7]

Fourth and finally, the DBV offered its rank and file members a convincing ideology, and it was actively engaged in the world of everyday farm life. It consistently focused on government intervention – an emotionally charged demand that had been deeply rooted in the psychological makeup of agricultural policy ever since the shift to agrarian protectionism in the 1870s. At the same time, the "family farm" became the backbone of this ideology – a stronghold of Christian and conservative values, underpinned by moderate anti-modernism and less-restrained anti-Communism. Given these basic tenets, there were obvious connections with the RNST ideology of the 1930s. The DBV succeeded, however, in adapting its understanding of farm life to the political framework of the young Federal Republic. It kept these ideas vague enough so that this form of agrarian romanticism could serve as an ideological umbrella. As the longer historical perspective

6 See the Bundesministerium für Ernährung, Landwirtschaft und Forsten (ed.; henceforth: BMEL), Statistisches Jahrbuch über Ernährung, Landwirtschaft und Forsten der Bundesrepublik Deutschland, Hamburg 1975, p. 48; Grüner Bericht, Berichte der Bundesregierung über die Lage der Landwirtschaft und Maßnahmen, Bundesdrucksache, Bericht 1975, Bonn 1975, p. 13; for the overall context, see also Ulrich Kluge, Vierzig Jahre Agrarpolitik in der Bundesrepublik Deutschland, 2 vols., Hamburg 1989, here vol. 1, pp. 41–43; Andreas Eichmüller, "I hab' nie viel verdient, weil i immer g'schaut hab', daß as Anwesen mitgeht." Arbeiterbauern in Bayern nach 1945, in: Thomas Schlemmer/Hans Woller (eds.), Bayern im Bund, vol. 2: Gesellschaft im Wandel 1949 bis 1973, Munich 2002, pp. 179–268.

7 See Buchstab (ed.), Mitte.

and the example of other countries mentioned above would indicate, this was by no means a specifically German development. It is remarkable, however, that the DBV proved capable of reconciling the various lines of conflict and disruptive tensions that were left behind after the fall of Nazi Germany.[8] Moreover, the DBV offered its members a host of different services that ranged from legal advice and bookkeeping services to organizing village fairs. For the farmers, the DBV was more than a special interest group. It provided a firm sense of orientation that perfectly suited the world in which they were living every day.[9]

The DBV's membership numbers reflect its unifying dynamic: the notorious *Bund der Landwirte* (German Agrarian League) had around 330,000 members in 1913, at a time when the agrarian population numbered some 17 million. In the late 1950s, only five million farmers were left, but the DBV had garnered the support of almost 90 percent of those employed full-time in the agricultural sector. The DBV was thus able to mobilize around 5.5 percent of the electorate – at least if credence can be given to its own figures.[10] At the same time, however, the DBV did not keep even an approximate count of its members, let alone how many of these members supported its politics. Crucial for its influence on agricultural policy was that politicians, the general public, and academia all believed that it was powerful.[11]

Along with its claim to be the sole representative of farming interests and the strength of its membership numbers, two further factors explain why the DBV was able to assert itself with such force. First, the DBV merely represented the most important nodal point of a broader, largely informal network in agrarian policy, a network that went beyond the narrower confines of agriculture, relevant research institutes, and organs of the media as its reach extended into the CDU (*Christlich Demokratische Union Deutschlands*) and CSU (*Christlich-Soziale Union*) parties (collectively known as the Union faction), the regional parliaments, the Bundestag, and the pertinent ministries. Hermes was not only the first president

8 See Lorraine Bluche/Kiran Klaus Patel, Der Europäer als Bauer. Das Motiv des bäuerlichen Familienbetriebs in Westeuropa nach 1945, in: Lorraine Bluche/Kiran Klaus Patel/Veronika Lipphardt (eds.), Der Europäer – ein Konstrukt. Wissensbestände, Diskurse, Praktiken, Göttingen 2009, pp. 135–57.

9 See Rainer Sontowski, Der Bauernverband in der Krise. Ein Beitrag zur politikwissenschaftlichen Neubestimmung gruppenkollektiven Verhaltens, Frankfurt a. M. 1990, pp. 88–91.

10 This is the view put forward, for instance, in: Der Spiegel of December 23, 1964: "Wir sind tatsächlich eine Macht"; Erich Andrlik, The Farmers and the State. Agricultural Interests in West German Politics, in: West European Politics 4 (1981), pp. 104–19; Hans-Peter Ullmann, Interessenverbände in Deutschland, Frankfurt a. M. 1988, p. 249, and Ann-Christina L. Knudsen, Farmers on Welfare. The Making of Europe's Common Agricultural Policy, Ithaca/NY 2009, p. 66.

11 NLA, VVP 38/42, DBV, Note, October 1, 1965.

of the DBV, but also the founding chairman of the CDU in the Soviet zone of occupation. Of the 509 deputies elected to the Bundestag in 1953, 62 had an agricultural background – and 45 of them were in the Union faction. In turn, many of these representatives were also presidents of regional branches of the DBV. Agriculture, as measured against its economic importance, was therefore overrepresented. Officially, the DBV was not affiliated with any political party. In reality, however, it was closely tied to the Union faction, and its weight there was so considerable that it was able to prevail even over Adenauer. The DBV, for instance, wanted to install Wilhelm Niklas as the first federal minister of agriculture; the chancellor would have preferred to give the post to Hans Schlange-Schöningen, who, in contrast to the pro-agrarian Niklas, stood for a consumer-oriented policy course. Theodor Sonnemann, a director of one of the DBV's regional branches, was appointed Niklas's undersecretary. Hermes had lobbied for Niklas to receive this appointment. With Niklas subsequently plagued by health problems and frequently forced to take leave, Sonnemann was the de facto head of the ministry. These examples make it clear that the aforementioned network held the key posts for agrarian policy.[12] In 1950, an official of the US Military Administration in West Germany quite rightly described the Federal Ministry of Food, Agriculture, and Forestry as "little more than a sideshow for the *Bauernverband*."[13]

Another factor was the authoritarian and charismatic leadership style of the DBV, perfected by Edmund Rehwinkel in particular. Coming from the regional branch "Lower Saxon Landvolk," he assumed sole leadership of the DBV in 1959, which, following Hermes's departure in 1955, had been in the hands of a triumvirate.[14] By the mid-1960s, Rehwinkel was probably the best-known interest group representative in West Germany. According to opinion polls, more Germans recognized his name than that of the powerful chairman of the metalworkers' union: *IG Metall*.[15] His gruff and polemical manner, his hefty physique, and his manner

12 Archiv für Christlich-Demokratische Politik, St. Augustin (henceforth: ACDP), 01–90/30/1, Manteuffel, DBV, to Hermes, October 5, 1949; see further Auftakt zur Ära Adenauer. Koalitionsverhandlungen und Regierungsbildung 1949, ed. by Udo Wengst, Düsseldorf 1985, pp. 16, 31, 79–80, 454. Also: BArch Koblenz, B 116/36378, Hermes an Niklas, 7.11.1949; see Theodor Sonnemann, Jahrgang 1900. Auf und ab im Strom der Zeit, Würzburg 1980, pp. 358–59.
13 Quoted in Alan S. Milward, The European Rescue of the Nation-State, 2nd ed., London/New York 2000, p. 239.
14 ACDP, 01–128/14/1, "Anlage zur Niederschrift über die 96. Sitzung des Gesamtpräsidiums," October 14, 1958; see also Rolf G. Heinze, Verbandspolitik zwischen Partikularinteressen und Gemeinwohl. Der Deutsche Bauernverband, Gütersloh 1992, pp. 54–61 (emphasis by the author).
15 See Elisabeth Noelle/Erich Peter Neumann (eds.), Jahrbuch der öffentlichen Meinung, 1965–1967, Allensbach 1967, p. 252.

of dress inspired by regional tradition, all contributed to making Rehwinkel the perfect embodiment of an agrarian lobbyist in a post-feudal age. His public demeanor was carefully orchestrated; the DBV tailored all of his activities to fit the image of this defiant champion of farmers' interests. Rehwinkel demanded this and clamored for that; Rehwinkel came, spoke, and conquered. One important way that he exerted influence was through open letters penned to leading politicians. His "direct talks" with the chancellor, though, were even more significant. Along with representatives of the churches, employers, trade unions, and ethnic Germans expelled from Eastern Europe, farmers' representatives were invited by Adenauer and, to a lesser extent, his successors to regular, semi-official meetings. The DBV leadership thus had direct "access to the holder of power" (Carl Schmitt). Rehwinkel's leading role and the effect of his unprecedented style on the social milieu he represented are best illustrated by his personal archive, which contains numerous admiring and deferential letters from farmers across West Germany. The attempt to influence by charisma proved very successful here, and Rehwinkel contributed greatly to integrating and mobilizing the rank and file membership.[16]

The agrarian political network also employed other strategies from the lobbyist arsenal to exert political influence. Highly remunerated positions were given to political decision-makers; Undersecretary Sonnemann, for example, moved directly from the Ministry of Agriculture to the presidency of the Raiffeisen Association [editor's note: cooperative organization of agriculture and food companies].[17] The DBV also intervened in politics by making substantial donations to political parties. In a letter from Rehwinkel to the undersecretary in the Office of the Federal Chancellery, Hans Globke, the DBV bluntly linked the financial support given to the CDU-led federal government for the election campaign to political demands: "But, dear Mr. Globke, please believe me when I say that the election battle – to which, by the way, the agricultural sector will contribute around 30,000 marks – can be won only if it now becomes manifest, without any further delay, that Bonn will give us effective help."[18]

There is also evidence that the DBV tried to directly influence the nomination of candidates for political office by promising its financial support. Although he was not officially affiliated with any party, Rehwinkel, for example, was involved

16 NLA, VVP 38, e.g. file 46; see, for instance, the apotheosis by Antonius John, Bauernköpfe 1946–1976, Bonn 1986, pp. 129–33.

17 BArch Koblenz, B 136/8640, Barth, Bundeskanzleramt, to Adenauer, December 1, 1961.

18 BArch Koblenz, B 136/708, Rehwinkel to Globke, March 7, 1955; similarly NLA, VVP 38/316, Rehwinkel to Lübke, May 7, 1955.

in compiling the CDU party candidate list for Lower Saxony in the Bundestag election of 1965; many of the candidates that he had supported did not forget to thank him politely after the election.[19]

The Federal Agricultural Law of 1955 clearly shows the magnitude of the clout wielded by the DBV-centered agrarian network. Up to this point, the measures undertaken in West Germany had essentially been geared toward reconsolidating the set of interventionist and protectionist instruments in the area of agrarian production and trade that had crystallized after the Great Depression and continued to exist in Nazi Germany and during the Allied occupation. Politically, this course was quite uncontroversial. In 1955, however, much more was at stake, namely income parity between those employed in the agricultural sector – which was lagging behind economically – and employees in the booming industrial sector. Despite all the protectionist measures put into place, the structural problems of agriculture were beginning to mount up. According to some contemporary estimates, farmers had the lowest income of all occupational groups. Given the difficulty of the situation, the DBV actually put forward its own draft bill in the end. The government was put on the defensive to such a degree that, at a cabinet meeting, Adenauer "urgently" recommended that it "comply with the demands of the 'green front' before the Bundestag forces even greater concessions." At the same time, however, research has often overestimated the power of the DBV, claiming rather misleadingly that the Agriculture Law was essentially based on the draft presented by the DBV. This does not hold true for the key issue of income parity, where the DBV was unable to push through its demands.[20] Hence, one needs to put the DBV's achievements in perspective: in an international comparison, the West German version of protectionism was only in the mid-range in Europe. Norway, Sweden, Switzerland, and the Netherlands, for example, were all giving their farmers more far-reaching assurances at this time, at least on paper.[21]

19 NLA, VVP 38/411, Siemer to Rehwinkel, May 18, 1965, and Conring to Rehwinkel, September 26, 1961; examples from later years are to be found in: NLA, VVP 38/388.

20 Quoted in "Kabinettssitzung, June 8, 1955," in: Friedrich P. Kahlenberg (ed.), Die Kabinettsprotokolle der Bundesregierung, vol. 8: 1955, ed. by Michael Hollmann/Kai von Jena, Munich 1997, pp. 351–62, here p. 359. Also: NLA, VVP 38/742, Rehwinkel to Bernhard Bauknecht, June 13, 1955. See further Curt Puvogel, Der Weg zum Landwirtschaftsgesetz, Bonn 1957, and Dieter Gessner, Marktregulierende Agrarpolitik in Deutschland 1924/25 bis 1967. Entwicklung, Ziele, Alternativen und Handlungsspielräume, in: Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte 93 (2006), pp. 131–71, here pp. 163–64.

21 See Michael Tracy, Agriculture in Western Europe. Challenge and Response, 1880–1980, 2nd ed., London 1989, pp. 229–53; Milward, Rescue, pp. 253–55; for Germany, see Kluge, Jahre, vol. 1, pp. 85–230.

In general, the influence of the agrarian political network headed by the DBV should not be overestimated. By international standards, there was nothing particularly remarkable about the extent to which state agrarian policy was shaped by the representatives of the sector itself; what was striking was merely the homogeneity of the interests advanced by the DBV, not to mention the fact that hardly any contrary standpoints were expressed. Within this context, an elaborate protectionist system was put in place from 1955 onward. It combined price and purchase guarantees for important products with high levels of protection against foreign competition. The "Green Plans" played a pivotal role in the state's "support"; these plans, based on the Agriculture Law, had to be presented annually by the federal government to improve the situation of the sector. The agricultural budget reflected this shift accordingly: in 1951, it amounted to 1.1 billion marks, but by 1958 it had risen to an impressive 2.4 billion, with more than half of this amount poured into the "Green Plan."[22]

These considerable sums funneled into agriculture were not enough, however, to rectify the structural deficiencies in the sector, which ultimately resulted in a mass exodus of workers. Yet these budget allocations make it clear that the agrarian network relied on a strong, protectionist state, exerted enormous influence on the state in matters of agricultural policy, and, at the same time, it had made itself dependent on the state. Agrarian policy at this time became social policy for the producers: less concerned with agriculture per se, policy was geared toward enabling producers, through financial injections, to keep up with the overall pace of economic development and the general expansion of the welfare systems.[23] These policies neglected not only consumers and taxpayers, but also producers in other countries and ecological arguments. More importantly, they even disregarded the economic needs of most farmers: the subsidies chiefly benefited large producers, and the DBV's mantra-like complaint about the crisis of agriculture was misleading. There were enormous disparities and differences in the sector's development; the income disparities within agriculture were greater than those between industry and agriculture. The situation of *the* German farmer simply did not exist. The DBV managed to establish a false image in the minds of the public, namely that all farmers faced the same problems. Under this guise, it was able

22 BArch Koblenz, B 126/51759, "Bundesfinanzministerium, Aufstellung," undated (1967).

23 See Michael Ruck/Marcel Boldorf (eds.), Geschichte der Sozialpolitik in Deutschland seit 1945, vol. 4: 1957–1966. Bundesrepublik Deutschland – Sozialpolitik im Zeichen des erreichten Wohlstandes, Baden-Baden 2007, and Hans Günter Hockerts, West und Ost – Vergleich der Sozialpolitik in den beiden deutschen Staaten, in: Zeitschrift für Sozialreform 55 (2009), pp. 41–56.

to espouse positions that primarily benefited large producers, who were, in fact, clearly overrepresented among the DBV's leaders.[24]

Plans for European integration, however, threatened to dismantle this symbiotic relationship between the DBV and the government at an early stage. Consequently, the DBV rejected the first attempt to create a common agricultural market in the 1950s, the Pool Vert project. The DBV was able to assert its position effectively, in large part because Adenauer made a crucial mistake: he entrusted Hermes, whom he had known for decades, with the task of leading the German delegation in the international negotiations. This seemed to be a wise choice, given Hermes's international experience and reputation, but the negotiating partners found it disconcerting that the DBV chairman was representing the Federal Republic. Moreover, Hermes did not follow his instructions, which were to follow a pro-integration course. Instead, he sought to deepen contacts with his colleagues from the Belgian and French farmers' associations, both of which also rejected the Pool Vert project. The negotiations thus resulted in strong transnational cooperation between agrarian associations, but this was an alliance against the goal of a unified agrarian Europe.[25]

The DBV further toughened its course in the late 1950s, when the member states of the European Economic Community (EEC) negotiated, on the basis of the Rome Treaties, the creation of a joint agricultural policy. It largely rejected the Brussels proposals; in particular, the idea of a common grain price was like a red rag to a bull, as it would have meant lowering the present price level in Germany. For four long years, the West German government opposed this plan, for all intents and purposes thereby giving the DBV an almost unrestricted veto. The enormous clout wielded by the DBV on the German national level had grave repercussions for the EEC.[26]

24 See Kiran Klaus Patel, Europäisierung wider Willen. Die Bundesrepublik Deutschland in der Agrarintegration der EWG, 1955–1973, Munich 2009, pp. 137–39; Elmar Rieger, Das Bauernopfer. Das Elend der europäischen Agrarpolitik, Frankfurt a. M. 1995; for the DBV's reaction to criticism in this regard, see Deutsche Bauern-Korrespondenz of November 30, 1963: "Vernachlässigt der DBV die Kleinbetriebe?"

25 See Guido Thiemeyer, Vom "Pool Vert" zur Europäischen Wirtschaftsgemeinschaft. Europäische Integration, Kalter Krieg und die Anfänge der Gemeinsamen Europäischen Agrarpolitik 1950–1957, Munich 1999, pp. 31–126.

26 See N. Piers Ludlow, The Making of the CAP. Towards an Analysis of the EU's First Major Policy, in: Contemporary European History 14 (2005), pp. 347–71; on the grain price, see Paul Ackermann, Der deutsche Bauernverband im politischen Kräftespiel der Bundesrepublik. Die Einflussnahme des DBV auf die Entscheidung über den europäischen Getreidepreis, Tübingen 1970, pp. 15–95; this criticism of the DBV directed at the EEC is ignored by Gerhard, Systemkonformität, pp. 135–36.

When it came to European integration, the DBV was once again primarily representing the interests of a tiny segment of German farmers, one that was, however, very prominent in the DBV's leadership – the large grain producers. Smaller farming operations and the processing industry would have profited far more from structural reforms than from a policy geared to ensure premium prices. In fact, the Brussels proposals included such restructuring ideas at first, though they quickly disappeared once the international negotiations got under way, drowned out not least by the polemics of the DBV, which was totally fixated on grain prices.[27]

During this phase, the DBV expressed and asserted its position uncompromisingly. It relentlessly emphasized the existential crisis facing agriculture, threatening repeatedly to withdraw its support for the Union parties. Furthermore, it unleashed a wave of protests and other public campaigns designed to pressure the West German government into adopting the DBV's course. The Damocles sword of a repeat of 1933 hung over the debate, especially since the agrarian radicalism of the 1920s and early 1930s had been a key factor in the rise of the National Socialists. The farmers adroitly fueled these fears by using symbols of that era, such as black flags that were often embroidered with a silver plow and a red sword. These images drew on a protest tradition from the 1920s that sought to evoke the history of the Peasants' War in the sixteenth century. All told, the farmers' association was playing a nuanced game that bore the threat of a historical repeat, although it raised the specter of the past in well-considered doses. Astonishingly, *völkisch* (ethnic-national) and nationalistic vocabulary was only a peripheral element in the rhetoric involved; one has to dig deep into collections of private papers and similar documents to find anything of the sort. Some Lower Saxon agrarian activists, for instance, used the "old German" names for the months of the year, a practice once very popular in the RNST.

Considering the fact that the Lower Saxon DBV branch in particular was full of RNST veterans, it is surprising that *völkisch* thinking remained on the margins. For instance, the chief press officer for the Lower Saxon *Landvolk*, Günther Pacyna, had risen in the "Third Reich" to the post of section chief in the press department of the RNST. Although some things could perhaps still be uttered within a small circle in Dithmarschen or Krummhörn, these "nostalgic" sentiments had become unacceptable in public discourse during the first twenty years after the war.[28]

27 For more on this in general, see Patel, Europäisierung, pp. 113–288.

28 NLA, VVP 38/49, Schulze-Lohne to Rehwinkel, November 22, 1964 ("Nebelmond"); VVP 38/346, Benecke to Kaczenski, November 20, 1960; see Landvolk of February 16, 1954: "Organi-

Why? The West German government's willingness to make concessions certainly dampened the ardor of agricultural protests. But, two other factors were also significant. First, the potential for protest and radicalization remained regional and was mainly based in northern Germany with its above-average sized farms.[29] Naturally, there was a split between those who had a lot to lose and therefore tended to be more stubborn and the owners of marginal and sub-marginal operations, who were glad to receive any state assistance at all. Given such divergent positions, any genuinely radical action would have exposed internal rifts in the agricultural sector. In this sense, the monopoly position enjoyed by the DBV, in contrast to its predecessor organizations before 1933, had a moderating effect.

Second, the entanglements between the DBV and the Union parties played a mitigating role. While the DBV could influence government action, its political maneuverability was reduced through its ties to the Union – which helped to keep it in democratic, conservative waters. As the board meetings of the DBV show, it was representatives with high positions in the Union in particular who repeatedly contributed to ensuring moderation. In 1963, for instance, when a radical wing briefly challenged the DBV, men such as Bernhard Bauknecht, Detlef Struve, and Otto von Feury came under fire. All three were Bundestag deputies for the Union, but each of them also headed a regional agricultural association. Together with Rehwinkel, they succeeded in marginalizing more extreme positions.[30] The structure of the DBV also helped to keep things in line: its hierarchical principle of delegated representation meant that conflicts mostly remained limited to the local level and only rarely ended up being an issue for the DBV at a national level.[31]

Overall, the DBV banked on cultivating a polemical, gruff, and even partly crude public profile during the Rehwinkel era. It borrowed stylistically from the modern form of agrarian populism that had been readily found in Germany since the nineteenth century, the same populism that had paved the way for catastrophe during the interwar years. The DBV was able to mobilize and integrate large sections of its rank and file membership by continuing this tradition. That said, the limits of this radicalization and the cracks in these continuities should

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sation und Wirken des Landvolkverbandes." Even a random sample analysis of the "Bauernblatt für Schleswig-Holstein" failed to find any significant signs of "völkisch" thinking. On Pacyna and the general context: NLA, VVP 38/177; see also Ludger Elsbroek, Vom Junglandbund zur Landjugend. Ländliche Jugendverbandsarbeit zwischen Berufsstand und Jugendkultur, Frankfurt a. M. 1996, pp. 163–89, 269.

29 See Patel, Europäisierung, pp. 137–41.

30 BArch Koblenz, B 428/88, "Niederschriften Präsidiumssitzungen des DBV," May 7, 1963 and October 18, 1963; on Rehwinkel's stance: NLA, VVP 38/49.

31 See Sontowski, Bauernverband, pp. 86–88.

not be overlooked. There were hardly any violent incidents during the first two postwar decades, for example, and antisemitism scarcely played a role. Attempts by extremist forces on both the right and the left to mobilize angry farmers also proved unsuccessful. Likewise, there was no revival of the violence against public institutions that had become an everyday occurrence during the Weimar years. In contrast, what did come to the fore were blustering threats with vague slogans.[32]

The DBV's strategy was deftly measured to strengthen its own position. Although the press occasionally sought to talk up internal disputes,[33] the association's stance inwardly and outwardly remained astonishingly consistent. The DBV made use of an aggressive nationalist rhetoric, which never escalated into any openly extremist or undemocratic positions. Obviously, the limits of what could be said – at least when it was meant to be put into practice – had clearly shifted in comparison to the interwar years, and the DBV was the force in the agrarian sector that cemented these new conventions of language and action. In large measure, it was the enormous influence of the DBV, both organizationally and in everyday life, that kept the protesting farmers from crossing the Rubicon of violence because it managed to channel and confine the farmers' potential for protest. Considering the extremism of the interwar period, the DBV proved itself to be a hitherto underestimated and underappreciated factor in the postwar years, one that decisively contributed to the stabilization and affirmation of democracy in society, albeit with an undeniably authoritarian and conservative tenor.[34]

The same holds true in a European comparison. During the *trente glorieuses* from 1945 to 1975, no Western European country was subject to the kind of radicalization that had taken place thirty or forty years earlier. Yet violence against property and, to some extent, against persons continued to be used as a means of political protest, especially in Italy, France, and Belgium. West German farmers, in contrast, were far more civil.

32 Occasionally Rehwinkel sent the federal government the necessary "reading help" to understand his statements, justifying his coarse style with "internal association politics": BArch Koblenz, B 136/8633, "Bundeskanzleramt, Praß an Erhard," July 16, 1964.

33 See, for example, Der Spiegel of November 13, 1957: "Herrn von Feurys Geschäfte."

34 In contrast, see Gesine Gerhard, Das Ende der deutschen Bauernfrage – Ländliche Gesellschaft im Umbruch, in: Daniela Münkel (ed.), Der lange Abschied vom Agrarland. Agrarpolitik, Landwirtschaft und ländliche Gesellschaft zwischen Weimar und Bonn, Göttingen 2000, pp. 124–42.

The DBV is Rescued by Europe: 1965 till 1990

In 1965 the DBV found itself in an extremely grave situation, especially with respect to its key issue, the grain price. After tough resistance, the West German government had finally been forced at the end of 1964 to bow to the overwhelming power of its EEC partners who insisted on price alignment as part of the process of supranational integration. For the DBV, this was tantamount to the worst defeat in its history. As compensation, the West German government approved adjustment payments amounting to 1.1 billion marks over several years, but the pressure of a minor economic crisis forced the Erhard cabinet to break this promise just two years into the deal. The government terminated its binding obligations and significantly reduced the budget for the agricultural sector. In 1967, for example, the budget was cut by 550 million marks from what it had been the previous year. The general plan was to lower the proportion of the total budget allotted to agriculture from 7.6 to 4.8 percent. Thus, only 1.2 billion marks would be made available in 1971 for national agrarian policy, whereas this amount was still an impressive 2.7 billion marks in 1965. Ex post, the special position enjoyed by agriculture in the Adenauer era became all the more obvious – an impression that would be reinforced under the grand coalition and later the social-liberal coalition.[35] Although the agrarian network itself was hardly less unified than in the immediate postwar years, it nonetheless lost some of its ability to decisively shape the course taken by the government. Several factors contributed to this shift, including the decline of the primary sector and its parliamentary representation, economic problems and priority changes within the government (*nota bene*: this occurred before the consumer-friendly SPD – *Sozialdemokratische Partei Deutschlands* – was part of the government), and a new social climate in which hopes for modernization and practical solutions gradually supplanted agrarian romanticism with its conservative leanings.

The DBV and its clientele found itself being "rescued" – or more precisely, at least partially compensated for its losses – by a surprising source: whereas the agrarian network had thus far dismissed most of the concrete proposals put forward by the EEC, it now came to realize that "Brussels," with its nascent Common Agricultural Policy (CAP), offered many advantages. The potential of integration seemed all the more promising as support for the DBV was eroding in Bonn. The EEC milk-market regulation of 1966 proved to be a good example of these shifts. In this case, the majority of the other member states commanded a

35 See Bulletin des Presse- und Informationsamtes der Bundesregierung of February 22, 1967: "Der Zwölfte Grüne Bericht." Also: BArch Koblenz, B 136/3562, "BMEL, IVA1 an Chef Kanzleramt," December 11, 1967; see also Patel, Europäisierung, pp. 361–65.

higher milk price than in Germany, and ultimately agreement was reached on a price level that was one pfennig more than the German milk price.[36]

In general, Brussels was becoming increasingly important for the agricultural sector. Many of the instruments used thus far by the West German government to help agriculture were now being used in the EEC market. Measures to ensure external protection and regulate prices and demand for the most important agricultural products were adopted at the EEC level up to 1968, when the CAP was finally completed. Decisions such as the one concerning the common milk price also meant that the European budget for agriculture exploded; at times in the 1970s, it even amounted to over 80 percent of the EEC's total budget. Between 1969 and 1973, the costs doubled and added up to more than four billion units of account (EUA); in 1962, this figure had been just 38 million EUA.[37] These giant sums were not handed out exclusively or even primarily to German farmers, of course, but they helped to compensate for the deficits at the national level. The money from Brussels was distributed on the basis of market criteria rather than structural needs, which meant that the large producers profited the most. But, because all producers were interested in higher prices, this imbalance could be concealed relatively well. And, even more importantly, the outcomes achieved in Brussels were institutionally more secure than the promises made in Bonn. In the EEC, it was essentially the agricultural ministers of the member states who made the decisions, and by no later than the late 1960s, a consensus had formed among them that no further burdens should be placed on their clientele. Although opposition from other departments prevented this increasingly transnational "Green Front" in Brussels from achieving any fundamental improvements, the agrarian network did ensure that the community's continually growing agriculture budget was not cut back. It was also adept at torpedoing any reform plans, the notorious Mansholt Plan of 1968 being the prime example.[38]

36 On the negotiations at both the German and the EEC levels, see BArch Koblenz, B 136/8319; further: Historical Archives of the European Union in Florence, BAC 13/1969–5, Rehwinkel to Mansholt, August 31, 1965.

37 See Hans Eberhard Buchholz, Agrarmarkt. EWG-Marktordnungen, in: Willi Albers et al. (eds.), Handwörterbuch der Wirtschaftswissenschaft, vol. 1, Stuttgart 1976, pp. 87-106. Owing to parity price changes, it is more accurate to use account units than German marks. In the Bretton Woods system, the account unit was exactly one US dollar: 1 ounce of gold = 1 dollar = 1 account unit.

38 On the history of the CAP in general, see Kiran Klaus Patel (ed.), Fertile Ground for Europe? The History of European Union and the Common Agricultural Policy since 1945, Baden-Baden 2009; see also the classic study by Fritz W. Scharpf, Die Politikverflechtungs-Falle. Europäische Integration und deutscher Föderalismus im Vergleich, in: Politische Vierteljahresschrift 26 (1985), pp. 323–56.

While the agrarian network contributed substantially to preventing a structural reorientation of the CAP at the EEC level, the DBV was forced to make the first concessions in this direction at the national level in the 1970s. Whereas it had firmly resisted structural change up to this point, it dropped its unconditional demand for the guaranteed existence for all farms. The DBV now conceded that agrarian policy should also aim to mitigate the adverse effects of the contraction process in agriculture through social policy measures and the provision of economic compensation. The DBV thus adopted a two-pronged strategy: price-centered demands in Brussels and a cautious move toward structural change in Bonn. But because Brussels was increasingly setting the tone in agricultural policy, the DBV's new course ultimately continued to privilege large producers.[39]

This course correction by the DBV was unavoidable, especially given the enormous transformations taking place in the sector. Between 1957/58 and 1973, the number of individuals employed in agriculture sank from 4.8 to 2.7 million; one third of farms had ceased operation since 1949. Many farms were barely surviving on the threshold of the poverty line.[40] At the grassroots level, many farmers were calling for radical opposition at both the national and the European level. Moderate positions prevailed in the DBV, however. Wilfried Hasselmann, for instance, head of the *Bund der Deutschen Landjugend* (Federation of Rural German Youth) and concurrently the minister of agriculture in Lower Saxony, emphasized at a DBV board meeting in August 1966 that, in response to Bonn's planned cutbacks, "only constructive proposals" would be helpful.[41] The example of Hasselmann also illustrates the DBV's deep attachment to CDU positions. The board member was a nephew of the DBV president. "In order to integrate rehwinkel [sic!] somewhat," the Union had specifically supported Hasselmann's political career at the regional level since the early 1960s. This investment was now paying off, and, in general, it was mainly the elected representatives of the CDU who supported a moderate line within the DBV during this phase.[42] Certainly, Rehwinkel himself

39 See Sontowski, Bauernverband, pp. 67–73; Heinze, Verbandspolitik, pp. 89–98; on the likewise rather passive role of the DBV in agrarian social policy, see Peter Mehl, Reformansätze und Reformwiderstände in der Agrarsozialpolitik der Bundesrepublik Deutschland, Berlin 1997, pp. 265–70.

40 See BMEL, Jahrbuch 1975, p. 48; Grüner Bericht 1975, p. 13.

41 BArch Koblenz, B 428/192, "Niederschrift Präsidiumssitzung des DBV," 30.8.1966, and for a later period, BArch, B 428/127, "Niederschrift Präsidentenbesprechung des DBV," January 16, 1968.

42 ACDP, 01–248/14, Münster to Fricke, February 26, 1963, and 01–369/01/3, Fratzscher to Ehlers/Fricke, May 5, 1954; in general, see Frank Bösch, Die Adenauer-CDU. Gründung, Aufstieg und Krise einer Erfolgspartei 1945–1969, Stuttgart 2001, pp. 291–92; insights into the closeness betoccasionally played with fire, as when he met with politicians from the far-right *Nationaldemokratische Partei Deutschlands* (NPD) in 1967. It is not completely clear what the president was hoping to gain. Most likely, he was seeking to deliberately aggravate the Union rather than initiate a new course for the DBV. In any case, documents show that several important regional branch presidents categorically rejected any establishment of close relations with the NPD; not one of them advocated such a step. The whole fuss soon died down.[43]

At the same time, the uncompromising attitude of the DBV was toned down in the 1970s. Instead of black flags, the DBV now resorted to more contemporary marketing and public relations instruments. Moreover, Rehwinkel's successor, Baron Constantin von Heereman (president from 1969 to 1997), even learned French so that he could participate directly in talks at the EEC level.[44] Although ideas with an air of agrarian romanticism are still to be found today, the agrarians adjusted their legitimation strategies to the changing times. Instead of insisting on the cultural importance of family-run farms, they emphasized the growth in productivity achieved by agricultural entrepreneurs. At times – in the early 1970s and even more so from the late 1980s – the DBV underlined the contribution of the primary sector to the preservation of the countryside. In addition to tapping into the emerging environmental debate, this approach was also intended to promote mass tourism.[45]

Overall, the DBV played by the rules of parliamentary democracy. Even in the stormy climate of the late 1960s and 1970s, it stressed "discipline," "order," respectability, and a role supportive of the state, eschewing illegal protest and violence. The DBV was thus different not only from its predecessors and its partner organizations in France, Italy, and Belgium, but also from the *außerparlamentarische Opposition* (Extra-Parliamentary Opposition) and the new social protest movements. Consequently, the DBV adhered more to the values of parlia-

ween the CSU and DBV are to be found in the papers of Hermann Höckerl, who was the federal agriculture minister for a time: Archiv für Christlich-Soziale Politik, Munich, "Nachlass Hermann Höcherl"/19, 39.

43 BArch Koblenz, B 428/192, "Niederschrift Präsidiumssitzung des DBV," April 4, 1967, and B 428/188, "Niederschrift Präsidiumssitzung des DBV," November 29, 1967; see also Patel, Europäisierung, pp. 365–69; for von Heereman, who joined the CDU as early as the 1950s, see Kluge, Jahre, vol. 2, pp. 221–22.

44 See Patel, Europäisierung, pp. 477–79.

45 BArch Koblenz, B 116/45259, "DBV, Vermerk Heereman," June 11, 1975. See also for example Deutsche Bauern-Korrespondenz of December 20, 1971: "Nur Umwelt-Schocker," and of October 15, 1972: "Leitsätze zur Agrarpolitik"; Heinze, Verbandspolitik, pp. 106–18.

mentary democracy than many groups associated with the protest movements of 1968, yet it received little gratitude.

The DBV also proved astonishingly successful at the EEC level, if the protection of its interests is taken as the standard of judgment. During the initial decade of the CAP up to 1968, it came to terms with the fact that Brussels was the center of power more quickly than the West German government. The DBV was also quick to figure out how the emerging multilevel system worked, where the principle of unanimity prevailed in important decisions affecting agriculture until 1967. During this phase, when the DBV influenced the stance of the West German government, the unanimity principle was often sufficient to prevent unwelcome decisions. But the DBV was also directly present in Brussels: in 1958 the European Commission had urged the agricultural organizations of the six member states to form a joint representation, considering a transnational entity the best method to integrate them. By the 1960s, thanks to its size, clout, and the cleverness of its leadership, the DBV had already managed to turn the newly formed *Comité des Organisations Professionnelles Agricoles* (COPA) into a mouthpiece for its own interests on several occasions.[46] Over time, strategic ploys of this kind receded in favor of serious transnational cooperation between lobby groups in the framework of the COPA and other institutions. The DBV was thus adapting to the changed parameters – having now accepted that the future of agriculture could be secured only through rescue by Europe.

Besides increasing transnationalization, which may be explained in particular by the altered decision-making mechanisms in the EEC from the late 1960s, the DBV also introduced internal reforms, altering its own actions to fit the new times. The CAP made agrarian policy more and more complex; increasingly, along with the agrarian producers, it was the food industry that benefited from the system. Heereman thus cooperated more closely with other sectors of the economy than his predecessors.[47] At the same time, it was becoming more difficult to convince the rank and file membership of the successes produced by pressure-group politics. Hence, symbolic politics came to play an increasingly important role. In 1971, the DBV organized a mass demonstration in Bonn that attracted around 40,000 protesters – the largest single demonstration the federal capital had seen by that point. Just what the demonstration was against remained rather vague, espe-

46 On the COPA, see Burkhardt-Reich/Schumann, Agrarverbände, pp. 327–62; on the DBV in this context: ACDP, 01–128, "Entwurf d. Protokolls über 3. Kontaktsitzung zw. Mansholt und COPA," July 7, 1961; see also Knudsen, Farmers, pp. 192–93.

47 See Sontowski, Bauernverband, pp. 115–28.

cially since the West German government sided with the DBV.[48] What counted, in this case, was the grand gesture. Generally, Bonn was often spared from then on, while Brussels was berated. Through this channeling and moderating of its rank and file membership, the DBV continued to successfully absorb radicalizing tendencies and prevent a second influential body representing agrarian interests from emerging in West Germany.[49] The DBV also made itself indispensable by assuming an intermediary role between the national and European administrations and the producers: a highly interventionist and complex system like the CAP needed a body that offered farmers help when they were confronted with complicated paperwork and protracted procedures, while at the same time assuring the authorities that the farmers were actually sticking to the rules.[50]

Parallel to this, the transformation of agriculture continued apace at the economic level. Fewer farmers were able to provide for greater numbers of people: in 1900 a farmer had provided food for around four people in Germany; in 1950, this number had risen to ten, and today it is around 150. This is not the only aspect that needs to be mentioned in countering the one-sided picture of a sector plagued by crisis – many of the farms, above all the large streamlined operations, were running at a profit.[51] The DBV continued to represent the interests of this segment of agriculture. Criticism of the CAP was growing, however, given the exorbitant surpluses and costs, and although the DBV exerted enormous pressure, the West German government could no longer refrain from accepting a first step toward its reform. In 1984, the EEC introduced the so-called milk quota, and producers were no longer able to sell any amount they wished at guaranteed prices. This reform was damaging to large producers in particular. The DBV protested so vehemently that the Kohl government torpedoed the next reform step planned for the following year, resorting to an instrument that was as rarely used in the community as it was draconian: with a veto, it prevented a lowering of the grain price. At the European level, the West German government greatly damaged itself with this veto, because it had complained about exploding costs for decades but put on the

48 In addition Erich Geiersberger, "ARD-Fernsehkommentar," broadcast from February 28, 1971, written version in: BArch Koblenz, B 136/8635; see also Frankfurter Rundschau of February 27, 1971: "Die Bauern demonstrieren am falschen Ort," and the position of the DBV in: Geschäftsstelle Deutscher Bauernverband, Berlin, unsigned, file "Mitgliederversammlung."

49 On the most important attempts to initiate a breakaway organization, see Onno Poppinga, Bauern und Politik, Frankfurt a. M. 1975, and Sontowski, Bauernverband, pp. 163–73.

50 See Dieter Wolf, Deutscher Bauernverband. Einfluss und Rechtsbefolgung, in: Annette Zimmer/Bernhard Weßels (eds.), Verbände und Demokratie in Deutschland, Opladen 2001, pp. 183–208.

51 See the brochure published by the ministry, Landwirtschaft leistet mehr, Berlin 2008, p. 6.

brakes now that something finally was to be done.[52] The Kohl government continued to take a similarly ambivalent stance in the years that followed. Chancellor Kohl justified this with the need to "avert greater damage to our farmers."[53] The DBV welcomed this – and at the same time was able to announce to its farmers that it had made great headway.

Certainly, the DBV had not only already demanded high prices prior to 1985, but also, as a concession to smaller producers, it had lobbied for direct subsidies. Adhering to the primacy of pricing policy was alluring – an offer could be made that made sense to all farmers, even if it in fact privileged a small group. In the 1980s, *Der Spiegel* and other left-liberal journals eagerly reported on internal conflicts in the DBV and tensions with the Union, illustrated by the spectacular snubbing of the federal minister of agriculture, Kiechle, by retracting his invitation to the Bauerntag in 1987.[54] Socially marginalized and without any identifiable political alternative, the agricultural sector did in fact experience growing frustration and discontent. The DBV hardly moved, however, and the fact that the snubbing of a minister was one of its most radical acts demonstrates once again how moderate its course ultimately was. Ex post, it is the continuities that stand out. At the same time, some of the DBV's earlier victories had now become merely symbolic. This was certainly true of its seemingly greatest triumph: the veto the West German government exercised in 1985 at the urging of the DBV. What at first glance – and this includes the fine detail of the rationale – recalled the close alliance between the DBV and the government in the Adenauer era had little substance and did not last long, for shortly afterward Brussels enforced its position by means of impersonal administrative procedures.[55]

52 See Eckart Gaddum, Die deutsche Europapolitik in den 80er Jahren. Interessen, Konflikte und Entscheidungen der Regierung Kohl, Paderborn 1994, pp. 93–187, and Andreas Wirsching, Abschied vom Provisorium 1982–1990. Geschichte der Bundesrepublik Deutschland, Stuttgart 2006, pp. 524–31.

53 Helmut Kohl, Erinnerungen, 1982–1990, vol. 2, Munich 2005, p. 588, 441–44.

54 See for example Die Zeit of April 6, 1984: "Geschenk an die Verbraucher" (interview with Heereman); Der Spiegel of May 5, 1986: "Kein Bauer mit 'ner Kuh wählt heute noch CDU"; Die Zeit of March 14, 1986: "Bonner Buhlen um Bauern." For Kiechle, see Sontowski, Bauernverband, p. 135; on the atmosphere, see Hans Pongratz, Bauern – am Rande der Gesellschaft? Eine theoretische und empirische Analyse zum gesellschaftlichen Bewußtsein von Bauern, in: Soziale Welt 38 (1987), pp. 522–44.

55 See Wirsching, Abschied, pp. 526–28.

Agrarian Policy since 1945: Special Interest Groups and the Political System

Hardly any other sector of society went through such radical change in the twentieth century as the rural and agrarian world. Nonetheless, the "farewell to farmland" was not accompanied by violence in the Federal Republic because it took place on the basis of consensus, which was very different from what had occurred after 1918.[56] This success was also a success of the DBV – in a dual sense:[57] its forceful and effective special interest politics benefited large- and medium-sized farmers, no longer prioritizing the large landowners as in the Weimar Republic. Although the supporting funds were not allocated efficiently, the "shotgun approach," the principle of all-round distribution, reduced the protest potential of a segment of society that was particularly susceptible to radicalization. Even more important than the financial resources was the fact that the state now also symbolically recognized the material plight and subjective distress of farmers. In this way too, the DBV's lobbying defused the potential for genuinely radical protest. The DBV thus deliberately fostered the acceptance of democracy among its rank and file; economically, however, a large part of its clientele would have profited more from a course focusing on structural reforms.

European unification complicated agrarian policy, making negotiations more difficult to steer and the outcomes more unpredictable. Ultimately, the DBV lost some of its room to maneuver and its influence dwindled. Yet the European project, which the DBV initially made every effort to oppose, actually secured considerable resources for the agricultural sector for an extended period of time. The reorganization of agricultural policy, which the EEC promoted, certainly did not match the wishes of the DBV's leadership. When the CAP shifted away from its fixation on price policy after 1984 and even more so after the 1990s, European policies proved to be more beneficial economically for many DBV members than the old course of their organization. Because the DBV successfully performed the balancing act of helping to shape policy in the EEC, even under ever more complex conditions, while at the same time criticizing Brussels, it was able to secure the trust of large sections of its membership. Certainly, discontent was growing, and it was only a question of time until the DBV's monopoly would encounter its first serious challenge.

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56 See Münkel (ed.), Abschied.

57 There were certainly other factors, above all the outstanding economic development of the postwar decades and the changed international context; see Gerhard, Ende, in: ibid., and Conze, Suche.

Nevertheless: according to its own figures, the DBV still organized 90 percent of all the farms in Germany in the late 2000s.[58] At the time, more than 40 percent of the EU budget was still poured into the agricultural sector, although agriculture accounted for a mere two percent of the population, in contrast to the early 1950s when it constituted around 20 percent.[59] German reunification in 1990 changed the character of German agriculture fundamentally; nonetheless, the DBV swiftly managed to become the mouthpiece of farmers in eastern Germany. Several reforms – McSharry 1992, the "Agenda 2000" of 1999, and further measures implemented in subsequent years – have attempted to significantly reduce the scope and costs of the CAP.[60] By no means has the influence wielded by agrarian interest groups abated. Whether the DBV, now part of an increasingly transnational network, has lost any influence, measured against the number of people it represents, thus remains an open question.[61] Thanks to its effective pressure group, agriculture still occupies a special position at the beginning of the twenty-first century. Now, however, that position has two levels: that of the Federal Republic, which had to cede much of its power and authority to Brussels and has thus become much more European, and that of the EU itself, where agrarian policy still holds a key spot on the agenda.

58 See www.bauernverband.de/aufgaben-ziele-507890 [accessed February 18, 2019].
59 See Statistisches Bundesamt (ed.), Statistisches Jahrbuch 1952 für die Bundesrepublik Deutschland, Wiesbaden 1952, pp. 84, 452–53; ibid. (ed.), Statistisches Jahrbuch 2008 für die Bundesrepublik Deutschland, Wiesbaden 2008, pp. 330–65.
60 See Ann-Christina L. Knudsen, European Integration in the Image and the Shadow of Agriculture, in: Desmond Dinan (ed.), Origins and Evolution of the European Union, Oxford 2006, pp. 211–16.
61 See also Wolf, Bauernverband, in: Zimmer/Weßels (eds.), Verbände.

Guido Thiemeyer

Stepchildren of Integration

The West German *Länder* and the Emergence of the European System of Multilevel Governance from 1950 to 1985

Dynamic Contradictions

Over the last few years, political scientists have been describing the European Union as a multilevel system of governance, indicating that policy decisions are made on at least three political levels: regional, national, and supranational. By no means hierarchical, this system is characterized by a complex allocation of responsibilities across various levels that also vary depending on the policy field. Federal states are in a special situation within this multilevel system: they are made up of federated entities, each possessing the characteristics of a state. In recent years, political scientists have extensively sought to analyze the political structures and processes of the European multilevel system by employing the concept of governance. Their focus, however, has been limited solely to the period since the 1980s.[1] These studies have shown that, depending on policy field and point in time, different forms of governance have existed in Europe. They address not only the complexity of the system, but also its dynamics. As European institutions have changed, multilevel politics has triggered adjustment processes within the union's respective member states. It has become clear that the member states have not only shaped and influenced the European institutions, but also that the political systems of the individual states have changed within the context of the multilevel system.[2]

Historical studies have addressed this problem thus far only in a rudimentary way. We know very little about the origin and development of the European multi-

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Translation by Paul Bowman.

1 See Liesbet Hooghe/Gary Marks (eds.), Multi-Level Governance and European Integration, Lanham/MD 2001, and Michèle Knodt, Tiefenwirkung europäischer Politik. Eigensinn oder Anpassung nationalen Regierens?, Baden-Baden 1998.

2 See Timm Beichelt, Deutschland und Europa. Die Europäisierung des politischen Systems, Wiesbaden 2009, pp. 278–91; Roland Sturm/Heinrich Pehle, Das neue deutsche Regierungssystem. Die Europäisierung von Institutionen, Entscheidungsprozessen und Politikfeldern in der Bundesrepublik Deutschland, 3rd ed., Wiesbaden 2012, pp. 86–116, and Michael Goldsmith/Kurt Klaudi Klausen (eds.), European Integration and Local Government, Cheltenham 1997.

level system prior to 1980 in particular. Some studies do examine how the "Europeanization" of individual policy fields has affected German administrations.[3] Transnational social integration and its consequences for the Federal Republic of Germany have also attracted the interest of scholars.[4] And yet it is surprising that, to date, there is no historical analysis of how the European multilevel system has affected German federalism. This is all the more astonishing because it is clearly evident that transferring national sovereignty to the supranational level was of major significance for the federalist system of West Germany.[5]

Conflict between these levels was already inherent in the constitution. The *Grundgesetz* (Basic Law of the Federal Republic of Germany, GG), which came into force on May 24, 1949, formulated two principles for German politics. First, it demanded that the federation, or Bund, integrate West Germany into a "unified Europe" – unspecified as to its form – as a way of preserving peace. Art. 24 I GG therefore expressly authorizes the West German federal government to "transfer sovereign powers to international organizations." This commitment to self-integrate into Europe was thus an element of the raison d'état of West Germany from the outset. Second, West Germany was constituted as a federal state. While this was an Allied demand, federalism as a structural principle was also widely accepted among the West German politicians and administrators in authority.

The Länder within the West German federation possess their own sovereign powers. Moreover, at key points they take part in the federal legislative process via the federal assembly, the Bundesrat (Art. 32 II GG). This configuration, however, created tension: whenever the Bund transferred sovereign powers to a supranational organization, it simultaneously curtailed the sovereignty of the Länder without the latter having a veto. Moreover, once the supranational organizations had gained authority in a particular policy field, the West German Länder

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3 See Kiran Klaus Patel, Europäisierung wider Willen. Die Bundesrepublik Deutschland in der Agrarintegration der EWG, 1955–1973, Munich 2009; Martin Conway/Kiran Klaus Patel (eds.), Europeanization in the Twentieth Century. Historical Approaches, New York 2010, and Sibylle Hambloch, Europäische Integration und Wettbewerbspolitik. Die Frühphase der EWG, Baden-Baden 2009.

4 See Hartmut Kaelble, Sozialgeschichte Europas. 1945 bis zur Gegenwart, Munich 2007.

5 See Rudolf Hrbek, Europapolitik als Kontroversthema zwischen Bund und Ländern, in: Hanns Jürgen Küsters (ed.), Deutsche Europapolitik Christlicher Demokraten. Von Konrad Adenauer bis Angela Merkel (1945–2013), Düsseldorf 2014, pp. 383–418; Doris Fuhrmann-Mittlmeier, Die deutschen Länder im Prozess der europäischen Einigung. Eine Analyse der Europapolitik unter integrationspolitischen Gesichtspunkten, Berlin 1991, and Jean-Louis Georget, Les Länder et la construction européenne. Le long chemin pour la reconnaissance des acteurs régionaux comme acteurs de la construction européenne, in: Dominique Herbet/Hélène Miard-Delacroix/Hans Stark (eds.), L'Allemagne entre rayonnement et retenue, Villeneuve-d'Ascq 2016, pp. 131–42.

then lost their ability to formulate and conduct policy, a right guaranteed by the Basic Law.

But how did the West German Länder react to this transfer of national sovereignty to the European level? How did the West German federalist system change as a result of "Europeanization"? Or, to put it differently: how did the development of the European multilevel system affect West German federalism? The present analysis focuses on the period between 1950 and 1985. The French proposal for a High Authority to take control of the German and French coal and steel industries marked the beginning of a discussion about the role of the Länder in supranational European integration. In the mid-1980s the West German Länder gradually established offices in Brussels to act as permanent representations to the European Community (EC). While this did not mean that the development of the multilevel system was complete, the decision by these Länder to maintain permanent representative offices in Brussels certainly marked an important watershed.

Between Foreign Policy and Economic Policy: Adenauer, West Germany's Länder, and the European Coal and Steel Community

Put forward by French Foreign Minister Robert Schuman on May 9, 1950, the proposal to place the German and French coal and steel industries under the control of a High Authority with its own legislative powers set off – for the first time – a debate on the role of the West German Länder in the process of European integration. North Rhine-Westphalia was at the forefront of this initiative, while the other Länder responded cautiously at first. It had become clear to the Land government in Düsseldorf quite quickly that this was more than an economic problem: there were fundamental political questions at hand.

The discussion revolved around the constitutional position of the Länder in this supranational organization. In particular, the minister for federal affairs in North Rhine-Westphalia, Carl Spiecker (*Christlich Demokratische Union Deutschlands*, CDU), insisted that the government of his Land needed to forcefully assert its right to participate in the negotiations on the Schuman Plan.[6] Spiecker called

6 See Ursula Rombeck-Jaschinski, Nordrhein-Westfalen, die Ruhr und Europa. Föderalismus und Europapolitik, 1945–1955, Essen 1990, pp. 86–131; Hans Eberhard Birke, Die deutschen on Article 32 II of the Basic Law, which required the federal government to consult a Land before concluding a treaty "affecting the special circumstances of a Land." From the standpoint of the North Rhine-Westphalian government, there could be no doubt that the special interests of the Land were being affected by the plans to form a common market and establish a High Authority overseeing the coal and steel industry.

A completely different set of concerns shaped the stance taken by the federal government. For Chancellor Konrad Adenauer's foreign policy strategy, the successful conclusion of the negotiations had utmost priority. He saw the Coal and Steel Community as a key step in this plan, a plan that envisaged the West German state gradually attaining sovereignty through its integration, on an equal footing, into the institutions of the Western world.[7] The Chancellor was convinced that the political interests of the Länder and economic concerns needed to take a back seat to foreign policy. Together with his chief negotiator, Walter Hallstein, Adenauer therefore blocked every external attempt to influence the negotiations. Despite the insistence of the minister-president of North Rhine-Westphalia, Karl Arnold (CDU), the German delegation to the Schuman Plan negotiations did not include a representative of his Land's government. The governments of the Länder therefore had no way to directly influence the talks. They were informed on the progress of the negotiations by Hallstein, the head of the German delegation, on March 15, 1951. At a session of the Foreign Affairs Committee of the Bundesrat, Hallstein emphasized once more the overriding importance of the treaty for the federal government's foreign policy, which meant in his view that the Länder had to exercise restraint.[8]

Given these circumstances, the Länder governments were first informed about the concrete details after the signing of the treaty on the European Coal and Steel Community (ECSC) on April 18, 1951. The ratification process that now began was complex and essentially determined by two sets of factors: political party considerations on the one hand and the political and economic interests of the Länder on the other. The SPD (*Sozialdemokratische Partei Deutschlands*)

Bundesländer in den Europäischen Gemeinschaften, Berlin 1973, pp. 36–37, and Günter Jaspert, Die Beteiligung des Bundesrates an der Europäischen Integration, in: Siegfried Magiera/Detlef Merten (eds.), Bundesländer und Europäische Gemeinschaft, Berlin 1988, pp. 87–110.

7 See Klaus Schwabe, L'Allemagne, Adenauer et l'option de l'intégration à l'Ouest, in: Andreas Wilkens (ed.), Le Plan Schuman dans l'histoire. Intérêts nationaux et projet européen, Brussels 2004, pp. 81–105.

8 Landesarchiv Nordrhein-Westfalen, Abt. Rheinland (henceforth: NW) 74–170, "betr. Staatssekretär Walter Hallstein über Schuman-Plan. 14. Sitzung des Ausschusses für auswärtige Angelegenheiten des Bundesrats," March 15, 1951.

rejected the treaty. While this was of no consequence in the Bundestag, where Adenauer could rely on the Christian-liberal government majority, it certainly played a role in the Bundesrat. The danger here was that the Länder in which the SPD governed or co-governed would also reject the treaty. From the perspective of the federal government, it was therefore all the more crucial that the Länder governed by either the CDU or the CSU (*Christlich-Soziale Union*) vote in favor. Accordingly, North Rhine-Westphalia and Bavaria would play a key role in the process. The CDU/CSU governed in coalitions with the SPD in both these Länder, and both Länder were important in the Bundesrat because of their geographical size and population. Fearing the foreign policy signal that might be sent out, Adenauer wanted to avoid the treaty's rejection in the Bundesrat after ratification in the Bundestag, which would necessitate convening the mediation committee. For this reason, the chancellor dispatched his two most important advisors on ECSC issues, Hallstein and Herbert Blankenhorn, to Düsseldorf on April 8, 1951, to persuade Minister-President Arnold to agree to the treaty.

Arnold maintained his position, however, clarifying it again a few weeks later during the debate on the so-called act of consent (*Zustimmungsgesetz*) in the Bundesrat on June 27, 1951. According to Arnold, the Schuman Plan was conceived as merely the first step toward "European consolidation." When one realized, he argued, that soon other sectors of the economy would follow, the role of the West German Länder would be reduced to that of "mere administrative units." He believed that a "structural change in the constitution" of West Germany would be unavoidable in the face of European integration. Under the terms of the present treaty, only one of the two West German legislative bodies, namely the Bundestag, would be involved in the political decision-making process. For its part, the federal government could exert political influence through its representative in the ECSC's Special Council of Ministers. Thus, "only the third constitutional pillar, the Länder, is excluded from participating in the political decision-making process." This was all the more paradoxical, Arnold pointed out, because the sovereign powers transferred to the ECSC by the treaty mostly came from the Länder level. "Moreover," he noted, "the argument that the Bund is exclusively responsible for foreign policy cannot be invoked to justify *liquidating the Länder*."[9] This

9 "Deutscher Bundesrat. Sitzungsbericht. 61. Sitzung am 27.6.1951," p. 446; www.bundesrat. de/SharedDocs/downloads/DE/plenarprotokolle/1951/Plenarprotokoll-61.pdf?__blob=publicationFile&v=2 [accessed February 6, 2017] (emphasis in original). See also Kurt Düwell, Karl Arnold. Überzeugter Föderalist zwischen gesamtdeutschen Zielen und europäischen Visionen, in: Karl Arnold. Nordrhein-Westfalens Ministerpräsident 1947 bis 1956 (= Schriften des Landtags Nordrhein-Westfalen, vol. 13), Düsseldorf 2001, pp. 91–112, and Detlev Hüwel, Karl Arnold. Eine politische Biographie, Wuppertal 1980, pp. 268–72.

was the first time that the core problem of supranational European integration for the West German Länder was formulated publicly: if the federal government transferred elements of national sovereignty to an international organization, it was simultaneously depriving the Länder of their right to participate in shaping West German policies. Arnold´s deliberately harsh formulation was supposed to draw attention to this problem.

Although the problem affected all the Länder, it was by no means discussed in a uniform manner across the country. By rejecting the ECSC treaty, the SPD-governed Länder of Hesse and Hamburg sought at least to delay its ratification, while CDU-governed Länder advocated quick ratification to support the federal government's foreign policy. However, three Länder – Württemberg-Baden, Bavaria, and North Rhine-Westphalia – focused on the constitutional problems as elaborated by Arnold and called for further negotiations with the federal government as a means to ensure the involvement of the Länder in the decision-making process on European issues.[10] Besides Arnold, Bavarian minister-president Hans Ehard (CSU) in particular defended the participatory rights of the Länder, including their right to have a say in foreign policy. On March 29, 1951, Ehard traveled to Düsseldorf and gave a keynote speech on federalism in Germany.[11] Together with Arnold, he called for greater participation by the Länder in foreign and European policy. But whereas Ehard's primary aim was to strengthen West German federalism, which had just been regained, Arnold was also interested in something else, namely economic issues, although he also shared Ehard's concerns.

Over the summer and autumn of 1951, two options for strengthening the political influence of the Länder on the supranational communities were bandied about. One proposal was to send delegates from the Bundesrat to join the Bundestag deputies in the Common Assembly of the ECSC. This idea was rejected, however, by a Bundestag majority. Moreover, since the Common Assembly merely had an advisory function in the legislative process of the ECSC, it did not really offer a genuine opportunity for the Länder to exert political influence. The second option therefore sought to legally mandate the federal government to consult the Länder governments regarding the instructions that were to be given to the German representative in the Special Council of Ministers at the ECSC. This was the path Arnold pursued. It appeared promising because, following Arnold's

10 See Ursula Rombeck-Jaschinski, Die Bundesländer und die Gründung der Montanunion 1951/52. Die Ratifikation des EGKS-Vertrags durch den Bundesrat, in: Geschichte im Westen 6 (1991), pp. 190–201, here p. 196.

11 See Karl-Ulrich Gelberg, Hans Ehard. Die föderalistische Politik des bayerischen Ministerpräsidenten 1946–1954, Düsseldorf 1992, pp. 371–72.

speech in the Bundesrat, Adenauer had conceded that the remarks made by the minister-president of North Rhine-Westphalia indeed possessed a "kernel of truth," a clear indication that the chancellor was fully aware of the problem. In addition, the chancellor likely feared that the ratification process would stall if North Rhine-Westphalia and Bavaria rejected the treaty.

The negotiations in all their complexity carried on. Yet, on December 5, 1951, after a series of tough discussions, the federal government finally yielded to the Länder and agreed to an addendum to the so-called act of consent, stating that, aside from emergency cases, it would issue instructions to the German representative in the ECSC Special Council of Ministers only on the basis of "*mutual agreement* between the federal government and the Bundesrat."[12] To the surprise of all involved, however, this addendum was defeated in the parliamentary session on January 11, 1952 by a chance majority in the Bundestag. To avoid protracting the process any further, a so-called administrative agreement was arranged between Adenauer and Arnold; the federal government assured the North Rhine-Westphalian government that it would instruct the German representative in the Special Council at the ECSC only after consulting the Land government. In other words: the government in Düsseldorf was involved in shaping German policy regarding the ECSC. Two things are remarkable about this. First, the Länder failed to obtain a legally binding commitment from the federal government that would give the Bundesrat a say in European policy. The administrative agreement had merely the status of a voluntary political commitment on the part of the federal government. Second, only the North Rhine-Westphalian Land government was involved in European policy in the ECSC context; the other Länder governments were still left out.

While surprising at first glance, this last point becomes more understandable when one considers the economic dimensions. North Rhine-Westphalia's special relationship to the ECSC stemmed not least from the economic structure of this Land. In 1950, 98 percent of the coal mined in West Germany and around 80 percent of the steel produced came from the Ruhr valley located in North Rhine-Westphalia. It is therefore hardly surprising that the coal and steel industry, through its associations, quickly sought to influence the negotiations in Paris. This industry's main goal was to eliminate the restrictions placed on production in the Ruhr valley by the international authority. In addition, it did not want to be put at a further disadvantage vis-à-vis its foreign competitors, above all the French. In principle, the industrialists were not opposed to a common European market for coal and steel. They feared, however, that the High Authority

12 Quoted from Rombeck-Jaschinski, Nordrhein-Westfalen, p. 125 (emphasis in original).

would be far too dirigiste and intervene politically in the markets.[13] Foiled by the federal government, however, the industry associations – like the Land government – failed in their attempt to send a representative in the German delegation to the Schuman Plan negotiations. The industry responded by trying to persuade the North Rhine-Westphalian Land government to support the interests of the economy in the Rhine and Ruhr region. This initiative was successful insofar as it added to the political clout of Arnold's government. Adenauer was keenly aware of the Ruhr industry's importance for West Germany's political and economic structure. Moreover, most of the other Länder considered the ECSC primarily in terms of economic aspects and therefore underestimated its political relevance.

Thus, in the early years of supranational European integration between 1950 and 1952, it was mainly the North Rhine-Westphalian Land government that addressed the political dimension of this new supranational body, drawing attention to the problems this posed for German federalism. The Land government attempted to pre-empt the imminent erosion of federalism by getting the federal government to guarantee its right to be consulted on ECSC policy. Yet even these attempts failed to solve the fundamental problem.

The Long Hard Slog

The question as to the relationship between the Bund, the Länder, and Europe was posed anew in the summer of 1956 when the intergovernmental negotiations on the founding of a Common Market and on the European Atomic Energy Community (EURATOM) began in Brussels. The Common Market encompassed not just a single economic sector but, in principle, the entire market of European goods; it also influenced agricultural and transportation policy in particular. Thus, from the outset, it was obvious to all the West German Länder that their interests were affected by European integration. But, as was the case in 1950, Chancellor Adenauer and the Foreign Ministry, which was now in charge of this issue, considered European policy to be an essential component of foreign policy. As earlier with the consultations on the ECSC, they endeavored to keep the Brussels negotiations free of regional or sectoral special interests.

How did the Länder respond to this new challenge? Overall, the Länder adopted four main approaches, some of which they pursued in parallel, some

13 See Werner Bührer, Ruhrstahl und Europa. Die Wirtschaftsvereinigung Eisen- und Stahlindustrie und die Anfänge der europäischen Integration 1945–1952, Munich 1986, pp. 203–06.

of which were dependent on each another. Similar to the tactic chosen at the beginning of the 1950s, one option was to take the legal road and try to make the federal government facilitate Länder involvement in European policy. The minister-president of North Rhine-Westphalia, Fritz Steinhoff (SPD), got the ball rolling with a letter sent to the minister-presidents of the other Länder on April 5, 1957. According to Steinhoff, the treaty on the European Economic Community (EEC) and EURATOM – in its present form – only outlined a general framework in certain key areas, which future community policy was supposed to flesh out: "To complete the framework marked out by the agreement, ongoing legislation will be required, in which primarily the federal government, through its representatives in the Special Council of Ministers, and the Bundestag, through the parliamentary members to be delegated to the assembly, will participate." But the Länder, the North Rhine-Westphalian minister-president warned, would be excluded from this law-making process because these laws would not be subject to mandatory Bundesrat approval. In his opinion, the federal government should only issue instructions to the German representative in the Community Council after consulting with a committee of Länder delegates to be created by the Bundesrat for this very purpose. Steinhoff therefore proposed adding an article to the authorization law (*Genehmigungsgesetz*) that would require the Bund to issue instructions to the German member of the Council of Ministers only "after consultation with a committee of Länder representatives to be formed by the Bundesrat." In addition, this committee was to be kept informed of the "business conducted in the Council of Ministers."[14] This amounted to relaunching the initiative, which had failed in 1952, to legally require the Bund to include the Länder in European policy decisions. The new committee put together by the Bundesrat thus served a double function. First, the Länder would be able to influence European policy by participating in the formulation of instructions to the German representative on the Council of Ministers at the ECSC. Second, the Länder would be kept informed about the proceedings at the European level.

While Steinhoff's proposal was greeted with general approval in Bavaria and Baden-Württemberg, other Länder had misgivings. Above all, Schleswig-Holstein Minister-President Kai-Uwe von Hassel (CDU) pointed out the practical problems of such an approach. For one thing, the instructions issued by the federal government to the German representative on the Council of Ministers at the EEC were secret; once they were debated in the Bundesrat, however, secrecy could obviously no longer be maintained. This might prove detrimental to German policy

14 NW 708, no. 80, "Fernschreiben an die Ministerpräsidenten der Länder, betr. Vertrag zur Gründung der Europäischen Wirtschaftsgemeinschaft," April 5, 1957.

on Europe. For another thing, von Hassel said, Steinhoff was assuming that the Länder would always share a common position on all EEC issues. Experience had shown, however, that this was not the case; thus, he asked, what would happen when views differed?[15] The head of the European section at the Foreign Ministry, Karl Carstens, put forward similar arguments.[16]

At a conference in Lindau at the end of October 1957, representatives of the Länder chancelleries and the federal government reached an agreement in principle to include the Länder in federal European policy: "If and when international treaties in spheres under the exclusive authority of the Länder create an obligation on the part of the Bund or of the Länder, then the assent of the Länder is to be procured." Another stipulation required the consent of the Länder before the agreement concerned could become binding under international law. In addition, the agreement stated that the Länder were to be informed as early as possible on projects conducted at the supranational level.[17] This outcome, however, meant that the second attempt by the Länder governments to legally bind the federal government to cooperate in European policy had failed. One decisive factor here was undoubtedly the ongoing stalling tactic employed by the federal government, in particular the Foreign Ministry, which wished to maintain its free hand in European policy. It is clear, however, that the practical difficulties voiced by Schleswig-Holstein Minister-President von Hassel also led to this less-than-satisfactory result for the Länder.

In a second approach, closely related to the first, the Länder sought to create suitable instruments of communication between the Bund and the Länder within the framework of the Bundesrat. Steinhoff, in fact, had already made moves in this direction. Immediately after the signing of the Rome Treaties, an independent committee exclusively responsible for European policy issues was formed within the Bundesrat. Initially, its main task was to prepare for the ratification of the new treaties.[18] As early as December 1957, however, a decision was made to turn the Special Committee for the Common Market and Free-Trade Zone into a permanent body, with an organizational structure now specified in greater detail. Every Land was now supposed to have just one representative in the committee. These "chief advisors" were to communicate EEC-relevant information to their

15 NW 708, no. 80, "Fernschreiben von Kai-Uwe von Hassel an Fritz Steinhoff," May 1, 1957.
16 NW 708, no. 80, "Aufzeichnung Dr. Kordt für Ministerpräsident und Staatssekretär," May 31, 1957.
17 NW 708, no. 80, "Beschlüsse der Konferenz der Staatskanzleien in Lindau," October 23–25, 1957.
18 NW 708, no. 80, "Minister für Bundesangelegenheiten des Lands Nordrhein-Westfalen, Karl Siemsen, an den Chef der Staatskanzlei," April 13, 1957.

governments and simultaneously coordinate the various Länder positions on European policy issues. In addition, further subcommittees were to be set up to deal with the various sectors of integration, including committees for agricultural policy, transportation policy, labor and social policy, and taxation and finance. Moreover, influential figures were appointed to the committee. Bavaria's Minister-President Hanns Seidel (CSU) was named chairman, and his deputy was Hermann Kohlhase (*Freie Demokratische Partei,* FDP), the minister of economics in North Rhine-Westphalia. The other committee members were ministers or state secretaries, indicating the importance that the Länder governments attached to European policy.

But this new institution soon hit its limits. On May 13, 1958, the federal government sent the Bundesrat the draft of an EEC regulation on social security for migrant workers to consider. The North Rhine-Westphalian minister for federal affairs, Karl Siemsen (SPD), called the regulation "a prime example of supranational institutions creating new laws directly applicable in West Germany."[19]

In Siemsen's view, it was problematic that the federal government had first sent the draft regulation to the Bundesrat a mere week before the scheduled adoption by the EEC Council of Ministers. A thorough discussion and any ensuing formulation of a position by the Länder, Siemsen said, was simply impossible under these circumstances. For Siemsen, the federal government was clearly violating the agreement it had made in Lindau to provide the Länder with information in good time. But this was not the only problem facing the Special Committee. As early as March 1958, when the EEC and EURATOM had just commenced their work, it had become clear that a single committee was incapable of dealing with the flood of information coming from these new community bodies. The Special Committee could not get a good handle on "what needed to be dealt with" because of the "vast amount of material."[20] For this reason, it was agreed that, going forward, a task force would prepare for the sessions so that the committee could work more efficiently. A new problem soon arose, however. The high-ranking composition of the committee was intended as a clear signal of the importance that the Länder attached to European policy, but the workload and obligations already shouldered by the ministers and secretaries of state in their respective positions meant that they could not work as intensely as required. It

19 NW 708, no. 80, "Minister für Bundesangelegenheiten des Lands Nordrhein-Westfalen, Siemsen, an Ministerpräsident Steinhoff," May 24, 1958.

20 NW 708, no. 80, "Aufzeichnung Dr. Hilker für Herrn Minister über Herrn Staatssekretär, betr. Wirtschaftsministerkonferenz am 12. Juni 1958," May 27, 1958.

was soon obvious that, in its present form, the Bundesrat's Committee for European Affairs simply could not live up to expectations.

A third way that the Länder sought to influence European policy decisions was by ensuring the participation of the Bundesrat in the parliamentary assembly of the EEC. As in the case of the ECSC, this body was made up of delegates from the national parliaments. The West German Länder, however, now called for members of the Bundesrat, and not just Bundestag deputies, to be sent to the assembly in Strasbourg. The mayor of Hamburg, Kurt Sieveking (CDU), wrote a letter to West German Foreign Minister Heinrich von Brentano (CDU), pointing out that other member states of the EEC were sending deputies from both houses of parliament to Strasbourg. He requested that the foreign minister support an initiative put forward by the Länder in the Bundestag. When the Länder then presented a corresponding document to the Special Committee of the Bundestag, the proposal was met with "icy disapproval." None of the parties in the Bundestag were prepared to support the initiative. Speaking for the SPD, the parliamentary party leader Erich Ollenhauer pointed out that the members of the consultative body were sent from the national parliaments only until such time as a direct election could take place. Moreover, the consultative body possessed little clout.[21] But, once again, the decisive factor behind the failure to support this initiative was a practical one. The workload of the delegates in the consultative body proved to be so great that it could be shouldered only by full-time deputies. The Bundesrat delegates, however, were usually also members of their Länder governments and therefore were hardly able to attend the assembly sessions on a regular basis. Thus, once again, this attempt by the Länder to offset their impending loss of authority through structural reforms in federal politics ran aground.

The Länder also tried a fourth approach, which they pursued in parallel to their other attempts. During the negotiations on EURATOM and the Common Market in the autumn of 1956, the Länder governments of Bavaria and Baden-Württemberg had been able to convince Foreign Minister von Brentano to permit the Länder to have an observer as a member of the German delegation. This observer was granted access to all documents and was present at the German delegation's internal deliberations. This Länder observer proved to be a very efficient instrument for gathering and providing information on the Brussels negotiations. Baden-Württemberg's minister for federal affairs, Oskar Farny (CDU), therefore urged – successfully, as it turned out – that the Länder observer

21 NW 708, no. 82, "Vermerk betr. Besprechung der Regierungschefs und Länderminister über die Behandlung der Stellungnahme des Bundesrats zum Gemeinsamen Markt im Sonderausschuss des Bundestags," June 21, 1957.

should also participate in the upcoming negotiations on the European free-trade zone as a member of the German delegation.[22]

The Länder observer to these European bodies was based in Baden-Württemberg's representative office in Bonn. He received information from the Federal Ministry of Economics, which had been responsible for issues concerning the EEC since 1958, but also took part as a member of the German delegation in the sessions of the Council, the Permanent Representatives, and the working groups dealing with specific questions in Brussels.[23] The observer developed into the Länder's most important information channel regarding the political processes in European policy. But this medium for the passage of information also had its limits. The observer gathered and provided important information, of course, but this post did not lend itself to exerting influence at either the national or the European level. Admittedly, the Länder governments were now kept abreast of what was happening at the European level, but they could not represent their interests in this context. In addition, the observer post at the European bodies did not have a secure legal status: the Bund merely tolerated it for political reasons. Though its existence was accepted by the federal government, particularly by the Ministry of Economics, the Länder possessed no legal rights in this respect. And, ultimately, the Länder observer faced the very same problem that had plagued the EEC Committee in the Bundesrat: a single office could scarcely cope with the flood of information coming from Brussels. As early as 1960, a deputy was assigned to the observer.[24] Moreover, the Länder soon set up so-called EEC working groups where the practical problems were discussed by advisors from the corresponding ministries.[25] The working group for the economy, which included the respective EEC advisors from the Länder governments and a representative from the federal government, became responsible for coordinating the European policy of the West German Länder.

Overall, the Länder were also unsuccessful in the 1960s in their attempts to use structural reforms to prevent the impending loss of sovereign powers resulting from supranational European integration. This failure increasingly led the

22 NW 736, no. 416, "Vermerk betr. Beteiligung eines Vertreters des Bundesrats an den Freihandelszonen-Verhandlungen," July 3, 1958.
23 See Birke, Bundesländer, p. 53.
24 NW 736, no. 416, "Europäische Wirtschaftsgemeinschaft – Beobachter der Länder bei den Verhandlungen über die Freihandelszone – und bei der EWG, Vermerk betr. Benennung von Ministerialrat Weinfurth als Stellvertreter von Herrn Ministerialrat May als Beobachter der Länder bei der Kommission der EWG und den Verhandlungen über eine Freihandelszone," November 21, 1959.
25 See Birke, Bundesländer, p. 56.

Länder to create new, unofficial structures for the dual purpose of gaining information about policy developments at the supranational level and exerting influence accordingly. As a result, a network of unofficial structures slowly emerged that connected the individual Länder and the EEC. From the 1960s onward, this networking included, for example, visits to the European Commission by Länder ministers or minister-presidents.[26] Advisors from the Länder ministries, too, often used personal contacts to commission officials to obtain specific information quickly. The observer Fritz Stöger directly called on the Länder to forge and cultivate these unofficial contacts.[27] As of 1958, the Ministry of Economics of North Rhine-Westphalia had a permanent representative in attendance at the proceedings of the parliamentary assembly of the EEC in Strasbourg. Lacking the status of a parliamentary deputy, this representative followed the discussions from the public gallery. At the same time, he also maintained contact with parliamentary deputies, in particular with those from North Rhine-Westphalia, who passed on background information. This information was then sent back to Düsseldorf in detailed reports.[28] From the viewpoint of the Länder, such an exchange of information was becoming all the more important because the common European agricultural and foreign policies emerging in the 1960s affected key Länder-level interests.

The core problem facing the Länder persisted, however. Although an increasingly dense network of unofficial ties and contacts between the Länder and the EEC developed in the 1960s and 1970s, the Länder continued to be refused a legally guaranteed say in EEC matters. In the mid-1970s, the Länder launched a new attempt. In June 1963, at a conference in Saarbrücken, a commission was established to discuss this problem.[29] The federal government steadfastly maintained its position that, through the Basic Law, it was solely responsible for foreign policy and in some questions had the right to transfer national sov-

26 See the dissertation by Hermann Schmitz-Wenzel, Die deutschen Länder und ihre Stellung im europäischen Einigungsprozess. Ein Beitrag zur Wahrnehmung der internationalen Beziehungen im Bundesstaat, Bonn 1969, pp. 113, 147–48.

27 NW 736, no. 416, "Vorlage des Länderbeobachters Dr. Fritz Stöger zur Vorbereitung von TOP1a der Sitzung des Arbeitskreises der EWG-Referenten der Wirtschaftsministerien der Länder," November 26, 1981.

28 NW 736, no. 114, "Niederschrift zur internen Sitzung des Sonderausschusses Gemeinsamer Markt und Freihandelszone," February 5, 1959.

29 See Birke, Bundesländer, pp. 62–64, and Rudolf Morawitz/Wilhelm Kaiser, Die Zusammenarbeit von Bund und Ländern bei Vorhaben der Europäischen Union, Bonn 1994, pp. 49–52. Morawitz writes from the perspective of a contemporary – he was a civil servant in the Federal Ministry of Economics.

ereignty to supranational European organizations. The Länder could articulate their rights via the Bundesrat in the corresponding act of consent, the federal government contended, but were then no longer part of the procedure. In contrast to this view, the Länder insisted that the mutual federal allegiance anchored in the Basic Law obligated the federal government to seek agreement with the Länder on a case-by-case basis.

The discussions dragged on through the 1960s and 1970s, but a concrete agreement was never reached. On the other hand, however, the European Community became all the more important in the 1960s. Common policies emerged for agriculture and foreign trade, and these were followed by European regional policy in the early 1970s. All these sectors were crucial for the West German Länder. In the mid-1970s, therefore, the ongoing negotiations between the Bund and the Länder intensified once again. The trigger was a series of legislative initiatives launched by the EC in areas falling either completely or partly within the jurisdiction of the Länder.[30] In the spring of 1975, for example, the European Commission issued a directive on the quality required of surface water in the production of drinking water. The Bavarian State Chancellery maintained that this problem did not fall under European Commission jurisdiction, but rather that of the Länder in West Germany.[31] The Rhineland-Palatinate minister for culture and educational affairs, Hanna-Renate Laurien (CDU), argued similarly when the commission prepared a regulation on school enrollment for the children of migrant workers, viewing this as impinging on the authority of the Länder in education policy.[32]

Once again the Länder set up a committee to discuss the problem. Under Bavarian leadership, the Länder now demanded that European policy decisions should be made jointly by the Bund and the Länder. The Länder saw the scope of authority claimed by European bodies growing to such an extent that, should they fail to gain a statutorily regulated say, their very existence would be in danger. As a result, the Länder demanded an agreement on European policy between the Bund and the Länder that would be legally binding for both parties. In contrast, the head of the chancellery, Manfred Schüler, advocated a "pragmatic," i.e. not legally codified, provision for Länder participation in European policymaking:

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30 Bayrisches Hauptstaatsarchiv (henceforth: BayHStA), Staatskanzlei, 16479-81, "Abkommen zwischen Bund und Ländern betreffend den Erlass von Vorschriften der Europäischen Gemeinschaft auf Gebieten, die zur Gesetzgebungskompetenz der Länder gehören."

31 BayHStA, Staatskanzlei, 16479, "Leiter der bayerischen Staatskanzlei an den bayerischen Staatsminister und Bevollmächtigen des Lands Bayern beim Bund," March 18, 1975.

32 BayHStA, Staatskanzlei, 16479, "Staatssekretärin im Kultusministerium Rheinland-Pfalz an die bayerische Staatskanzlei," April 28, 1976.

> I reiterate the federal government's interest in seeking, above all, pragmatic improvements to the cooperation hitherto practiced between the responsible federal and Länder ministries with regard to EC proposals. A debate on constitutional principles, which the federal government would certainly not try to sidestep, however, holds little promise of success, in my view. It could quickly lead to an impasse between contradictory legal views.[33]

The result was an exchange of letters between Chancellor Helmut Schmidt and the chairman of the Conference of Minister-Presidents, North Rhine-Westphalia's Minister-President Johannes Rau (SPD). Schmidt declared on behalf of the federal government that it would uphold the relationship of loyalty between the Bund and the Länder as demanded by the constitution and would strive to achieve "close and trusting cooperation" with the Länder in European policy questions. Moreover, the federal government would inform the Länder "in good time and in detail" about EC projects and proposals. In so far as these – either in full or, with respect to some provisions, in part – came under the legislative authority of the Länder, the latter would have the opportunity to present their standpoint extensively in detail. In this case, however, Schmidt said that the Länder must make every effort to formulate "a unified position" and present their statements of position in "reasonable time." In principle, he continued, the Bund would endeavor to reach a "common position" with the Länder and to deviate from it only for "compelling reasons of foreign policy and integration policy." Should Länder authority alone be affected, he stated, the federal government would add two Länder representatives to the consultative bodies "whenever this is possible." In addition, the obligation to inform the Länder would be incorporated into the Joint Rules of Procedure for the federal ministries.[34] Rau confirmed the approval of the Länder in a letter.[35]

Overall, the assurances given by the chancellor did little to change the political situation of the Länder. As in the agreements reached in the 1950s, here, too, the Länder failed to gain binding commitments from the federal government regarding cooperation in European policymaking. Like Adenauer's assurances, Schmidt's letter merely offered a political self-commitment by the federal government with respect to the Länder; it was not legally binding and, moreover, allowed for a large number of exceptions. The "New Länder Participation Proced-

33 BayHStA, Staatskanzlei, 16482, "Chef des Bundeskanzleramts, Manfred Schüler, an den Leiter der bayerischen Staatskanzlei, Rainer Keßler," September 12, 1977.

34 "Der Bundeskanzler an den Vorsitzenden der Ministerpräsidentenkonferenz, Johannes Rau," September 19, 1979, in: Morawitz/Kaiser, Zusammenarbeit, pp. 153–55.

35 "Der Ministerpräsident des Lands Nordrhein-Westfalen an Bundeskanzler Helmut Schmidt," September 26, 1979, in: ibid., p. 156.

ure" that was initiated with this exchange of letters essentially altered nothing. The predicament that the Länder faced in the process of European integration remained unchanged.

Strike Together or March Unostentatiously? On the Path to Länder Representation

Parallel to these discussions with the federal government, some Länder decided to embark on a proactive course and establish direct relations with the European Commission. Despite the much-discussed "eurosclerosis," one reason behind this decision was the commission's dynamic development in the 1970s, especially in the field of regional policy.[36] As a result, the Länder not only showed a stronger interest in policymaking on the supranational level, but also they were increasingly willing to intervene in the ongoing political processes at this level, seeking to represent their interests at an early stage. Finally, the rise of European regional policy created a situation in which the West German Länder were forced to compete for financial resources from the various European regional funds. In the early 1970s these three elements – the dynamic development of the European Community, the ardent wish of the Länder to become actively involved at the supranational level, and the increasing competition between the Länder – again exacerbated the problem besetting German federalism within the context of supranational European integration that had been going on since the 1950s.

Among the West German Länder, two different political strategies to address this fundamental problem emerged: while the first solution was geared toward continuing and intensifying negotiations with the Bund for more meaningful participation in European policy within the framework of the Bundesrat, the second sought to strengthen the various direct relations already existing between the Länder and the EEC Commission in Brussels.

The first solution had already been proposed back in the 1970s during the negotiations between the Länder and the federal government on this issue.[37] Ini-

36 See Antonio Varsori/Lorenzo Mechi, At the Origins of the European Structural Policy. The Community's Social and Regional Policies from the late 1960s to the mid-1970s, in: Jan van der Harst (ed.), Beyond the Customs Union. The European Community's Quest for Deepening, Widening and Completion, 1969–1975, Brussels 2007, pp. 223–50.
37 BayHStA, Staatskanzlei, 16484, "Vermerk betr. Erlass von Vorschriften der Europäischen Gemeinschaften auf Gebieten, die zur Gesetzgebungskompetenz der Länder gehören oder deren wesentliche Interessen berühren," June 29, 1979. See also Hans Boldt/Werner Reh, Instrumente

tially on a pilot basis, the Länder governments adopted a “New Länder Participation Procedure” on January 30, 1980. This measure proved to be rather ineffective, however, and the problems were all too familiar: above all, the increasing flood of information from Brussels during negotiations on the “Single European Act” was too difficult to handle within this framework. On June 10, 1983, at the initiative of the North Rhine-Westphalian and Baden-Württemberg Länder governments, a working group of EC advisors from the economics ministries was again set up to bolster cooperation with the West German Länder within the framework of the Bundesrat and adapt it to the new structures forming at the European level. A variety of measures for meeting the needs of the Länder in European integration were discussed here by the spring of 1984. These ideas included holding regular special Länder ministerial conferences, in which representatives from the Bund and the respective directorates-general of the European Commission were to take part whenever possible: “Resolutions from conferences of the departmental ministers – adopted at a favorable point in time – can definitely have an impact on the formation of opinion in the federal government and the EC Commission.”[38] The committee also determined that it would be helpful if officials from the Länder ministry departments were involved in specific negotiations. The inclusion of such experts in the German delegation put together by the federal government had been a standard practice since the 1950s. Direct personal contacts between officials from the Länder ministries with the European Commission were also deemed useful. Finally, the Länder Commission proposed to strengthen the role of the Länder observer at the European Community. Until this point, the observer had been based in Baden-Württemberg’s representative office in Bonn. The proposal now put forward was to set up an office for the Länder observer in Brussels, ideally in the already existing permanent representation of the Bund at the EC. Although these proposals sought to intensify the Länder’s activity in European policymaking, it nonetheless remained – in accordance with the proposals of the Bundesrat Commission – within the framework of official and unofficial institutions created in the 1950s. Essentially these were the Bundesrat with its various committees responsible for European policy, the Länder observer at the EC, whose presence in Brussels was now to be bolstered, and the various unofficial contacts between administrators at the Länder and EC levels. In political terms,

der Landespolitik in der Europäischen Gemeinschaft, in: Ulrich von Alemann/Rolf G. Heinze/Bodo Hombach (eds.), Die Kraft der Region. Nordrhein-Westfalen in Europa, Bonn 1990, pp. 59–71.

38 NW 736, no. 417, “Bericht der ressortübergreifenden Länderarbeitsgruppe ‘Verbesserung der Information und Beteiligung der Länder in EG-Angelegenheiten’, Entwurf,” April 16, 1984.

this meant that the Länder were to continue to present a united front vis-à-vis the Bund and the European institutions.

The new European policy activities of the Länder soon ran into difficulties again, however. Bavarian Minister of Economics Anton Jaumann (CSU) asked the undersecretary in the Foreign Ministry, Hans Lautenschlager, whether the permanent representation of the Bund in Brussels could provide office space for the Länder observer. This request was denied. There was already an acute shortage of space, it was explained, and this would also complicate administrative regulations. According to Lautenschlager, should the Länder observer set up official residence in the permanent representation, he would be answerable to its director. Thus he would be subject to the latter's directives, and the official correspondence of the Länder representative would always have to pass through the head official. It could not be in the interest of the Länder, he claimed, for their observer at the EC to be subordinate to a Foreign Ministry official.[39]

Although not wrong in principle, these arguments were really more of a pretext. They show that in the federal government, and above all in the Foreign Ministry, there was still considerable opposition to the Länder's involvement in European policy. In contrast to the Foreign Ministry, however, Chancellor Helmut Kohl sympathized with the wishes of the Länder. At a conference with the Länder minister-presidents in Bonn on June 7, 1984, Kohl explained that he understood "the wish of the Länder for better information and involvement in EC matters." In this case, he elaborated, one should not attach too much importance to bureaucratic misgivings. It was decided to set up a "high-level working group" to overcome the "information bottlenecks" between the Länder and the supranational institutions. The final document also expressly mentioned the possibility of integrating the office of the Länder observer into the federal government's permanent representation in Brussels. Kohl thus overrode the stance taken by the Foreign Ministry.[40]

This important success for the Länder was certainly due in part to Kohl's own political background. As a former minister-president of Rhineland-Palatinate, he was far more familiar with the European policy problems of the Länder than Adenauer or Schmidt. On the other hand, the core problem remained unresolved. Kohl, too, had merely given a non-binding assurance to make greater allowances

39 NW 736, no. 418, "Bayerischer Staatsminister für Wirtschaft und Verkehr, Anton Jaumann, an den Staatssekretär des Auswärtigen Amts, Hans Lautenschlager, betr. Beteiligung der Länder bei Vorhaben der Europäischen Gemeinschaften," August 12, 1983.

40 NW 736, no. 418, "Besprechung des Bundeskanzlers mit den Regierungschefs der Länder am 7.6.1984 in Bonn."

for the European policy interests of the Länder. This assurance did not evolve into a legal obligation for the Bund.

Under these circumstances, it was not surprising that the Länder opted to focus on another approach toward solving the problem. Some Länder governments had already intensified and systematically expanded their direct contacts to the European Commission in the 1970s. One example of the newly created relationships between the different political levels was the visit by the mayor of Hamburg, Peter Schulz (SPD), to the EEC Commission in October 1973. The visit was the idea of the head of the press office of the Hamburg Senate, Paul O. Vogel, who suggested in May 1973 that Schulz visit the EEC Commission before the Landtag election scheduled for the following year, so that the mayor's international engagement and Hamburg's importance could be played up in the election campaign.[41] In the following months, the senate administration made preparations for this "information and orientation" visit, which the mayor undertook "in his function as the head of government of a German federal Land;" the Land government departments, the Hamburg Chamber of Commerce, and the trade unions all nominated topics which they felt needed to be discussed with the European Commission.[42] These were the sectors for which the EC Commission was politically responsible, particularly the common agricultural and foreign trade policies that were crucially important for Hamburg as a port city, but also the fields of social and educational policies, where the EEC Commission had only a coordinating function. Because Hamburg's senate administration lacked the necessary expertise in questions of common agricultural policy, the head of the Hamburg Senate Chancellery, Harald Schulze, asked the parliamentary undersecretary in the Foreign Ministry, Hans Apel (SPD), to review the considerations of the Hamburg civil servants. In response, Apel not only presented a detailed assessment – including handwritten remarks and personal comments – by Foreign Ministry experts, who were obviously unaware that this was information for the upcoming visit of Hamburg's mayor, but also passed on the contact addresses of the Brussels correspondents of leading German newspapers. All this took place unofficially and confidentially, rather than in the official channels of administra-

41 Staatsarchiv Hamburg (henceforth: STAHH), Senatskanzlei, 131–1 II_4946, "Europäische Gemeinschaft. Besuche und Gegenbesuche. Besuch der EG-Kommission in Brüssel durch Bürgermeister Peter Schulz," October 5–10, 1973.

42 STAHH, Senatskanzlei, 131–1 II_4946, "Protokoll betr. Besuch des Ersten Bürgermeisters Schulz bei der EG-Kommission in Brüssel," September 18, 1973.

tive cooperation. Schulze and Apel obviously knew each other personally from other contexts, most likely from working together on SPD committees.[43]

At the same time, and independently of these preparations, Foreign Minister Walter Scheel (FDP) was also informed of the visit planned by Hamburg's mayor, as was West Germany's permanent representation to the EC in Brussels. From October 8 to 10, 1973, talks were held between Schulz and the leading representatives of the EC Commission, Commission President François-Xavier Ortoli, as well as Vice Presidents Carlo Scarascia Mugnozza, Henri François Simonet, and Wilhelm Haverkamp. In addition, Schulz paid visits to the Belgian government and the German ambassador, Ulrich Lebsanft. Detailed off-the-record conversations with German journalists in Brussels rounded off his trip.[44]

From the perspective of Hamburg's mayor, the Brussels trip was an unqualified success. As he confidentially told his party colleague Apel, the talks with the commission's most important representatives had been "open" and "positive." Schulz considered the contacts to be

> a great boost, and the broad scope of the first-hand information gained in this way is enormously beneficial. Conversely, I took the opportunity to present Hamburg's standpoint on the fields of specific importance for Hamburg, transportation policy, shipping and seaport policy as well as regional and development policy. […] The visit to Brussels was very positive, and I believe we have found starting points enabling us to continue the dialogue with the European Commission in a number of important areas […].[45]

The mayor's visit to Brussels sheds light on some of the characteristics of relations between the Länder and the EC Commission in the 1970s. For one thing, the Hamburg Senate acted with assurance and confidence as the government of a sovereign state, seeking in an election campaign to emphasize to the public at home the importance of Hamburg and its Senate on the international level. In terms of organization, the visit resembled a classic official state visit, with the mayor of Hamburg received by the EC Commission like the head of government of a nation-state, an impression that was only further confirmed by the meeting with the Belgian government. On the other hand, however, the internal preparations for the visit indicate that the senate was venturing into uncharted territory.

43 This is indicted by the unofficial, confidential tone of the correspondence; STAHH, Senatskanzlei, 131–1 II_4946, "Staatsrat Harald Schulze an den Parlamentarischen Staatssekretär im Auswärtigen Amt, Hans Apel," September 21, 1973.

44 STAHH, Senatskanzlei, 131–1 II_4946, "Vorläufiges Programm Reise Bürgermeister Schulz nach Brüssel," October 7–10, 1973.

45 STAHH, Senatskanzlei, 131–1 II_4946, "Bürgermeister Schulz an Staatssekretär Apel," November 19, 1973.

The unofficial contact to the parliamentary undersecretary in the Foreign Ministry, Apel, who provided not only expertise on the complex policy issues but also important contacts in Brussels, was of great importance. Neither the expertise nor the contacts were available to the Hamburg Senate at this point in time.

Moreover, it was apparently this visit that first made Hamburg's senate administration aware of the commission's relevance for the interests of the city-state. From now on, Hamburg senators regularly traveled to Brussels to gather information and address problems specific to Hamburg in talks with representatives of the European Commission. Soon, special importance was also attributed to talks with the "Social Democratic Circle" in Brussels, a group made up of leading officials in the commission who were members of the SPD.[46] Once again, the significance of the political party networks for the emerging concept of multilevel governance became apparent. Concomitantly, a gradual structural change took place in the Hamburg senate administration. Particularly after his visit to Brussels in November 1975, Mayor Hans-Ulrich Klose (SPD) ensured that the detailed minutes of the talks were passed on to the respective policy departments, expressly calling for the issues under discussion to be pursued further and enlarged upon. Gradually, the Hamburg senate administration turned its attention to EC matters. Through this new orientation, the issues subject to negotiation between the senate and the commission became more concrete. Thus, Klose's visit to Brussels in February 1979 was not about general questions of European integration, but rather about locating EC research institutions in Hamburg and gaining support for Hamburg's shipyards. At the same time, the regional economy was integrated more effectively. In cooperation with the trade and industry representation from Bremen, the Hamburg Chamber of Commerce had meanwhile set up its own office in Brussels, which also participated in preparing for discussions.[47] The director of this office was a former ministry section head in the senate administration, Eberhard Bömcke, who provided very specific information and advice for the forthcoming visit. In this case, too, the importance of the personal contacts and unofficial structures was quite apparent. At the same time, Hamburg officials were becoming adept at dealing with the European Commission. The Foreign Ministry was now no longer directly involved in the preparations; there was merely a brief

46 STAHH, Senatskanzlei, 131–1 II_4947, "Europäische Gemeinschaft Besuch der EG-Kommission in Brüssel durch Bürgermeister Hans Ulrich Klose," November 25/26, 1975, and "betr. Reise zur EG auf Einladung von Präsident François-Xavier Ortoli," November 4, 1975.

47 STAHH, Senatskanzlei, 131–1 II_5266, "Reise von Bürgermeister Klose und Senator Jürgen Steinert am 8.–9.2.1979 zur EG nach Brüssel. Schreiben Senatsdirektor Hans-Herbert Groothoff an den Ständigen Vertreter der Bundesrepublik Deutschland bei der EG, Sigrist," January 25, 1979.

meeting between Klose and the German ambassador, while the Belgian government now received information concerning the visit solely through the channel of the consulate general. Over the course of the 1970s, Hamburg's EC policy became more uniform and consistent, geared toward achieving specific targets, and more structured – a trend that was characteristic of all the Länder during these years.[48]

On March 14, 1984, Schleswig-Holstein's Minister-President Uwe Barschel (CDU) surprised his colleagues in an interview with *Die Welt* by announcing that the northern German Länder and Berlin were planning to open a joint office in Brussels. Having just one representative for all of the Länder was not efficient enough, he stated. "And I expect," Barschel said, "that at least the larger Länder will draw their own conclusions and announce that they'll be opening their own offices in Brussels." The concerns of northern Germany must be represented "more effectively," he said, not least because the European Community was "increasingly meddling in regional policy." As Barschel put it:

> We have to make sure that we are not presented with a fait accompli every time approval of an EC directive is put before the Bundesrat. [...] Why shouldn't the northern German Länder try to influence the shaping of opinion in Brussels through the power of persuasion, with the support of such an office? If we are successful there, we will have reached our goal more quickly than if we'd first tried via the Bundesrat to get something changed by offering our view on resolution proposals that had already been prepared. Ordinarily, this is hardly ever achievable.[49]

Barschel was formulating a strategy here that had already played a role in northern Germany. In February 1984, the Hamburg legislative assembly had discussed whether the senate should seek closer cooperation with the city's Chamber of Industry and Commerce, which was already operating an office in Brussels.[50] Barschel's proposal, discussed in other Länder, gave fresh impetus to the debate. While the Länder had attempted to gain information and influence political processes through direct contact to the institutions in Brussels in the past, these unofficial and isolated contacts were now to be given an institutional form.

Barschel's announcement was sharply criticized, however. For one thing, Foreign Ministry diplomats expressed constitutional objections, especially because some of the Länder representations in Brussels were challenging the

48 The development in Bavaria was similar; BayHStA, Staatskanzlei, 16587, "Besuch des Präsidenten der Europäischen Kommission, Jean Rey," 1970.
49 Die Welt of March 14, 1984: "Uwe Barschels Initiative für Berlin."
50 NW 736, no. 417, "Bürgerschaft der Freien und Hansestadt Hamburg, Drucksache 11/1957, Antwort des Senats," February 7, 1984.

Bund's sole responsibility for foreign policy. The Länder seemed to be pursuing a kind of auxiliary foreign policy, which the diplomats thought would be damaging for West Germany as a whole.[51] Even harsher was the criticism leveled by North Rhine-Westphalia's Minister-President Rau, who was supported by the governments of Baden-Württemberg and Bavaria. Rau, too, was convinced it was "hugely important to be promptly involved in measures of the European Community that affect them." The "subject-specific and policy work of the Länder governments," he said, required quick and comprehensive information if it was to exert a timely influence. In Rau's view, however, this was possible only if the Länder abided by a unified approach:

> As shown especially by the negotiations with the Bund on the Länder participation procedure for EC measures in areas subject to the legislative authority of the Länder or affecting their key interests, the Länder can gain a say only when they assert their interests together. I therefore fear that the creation of "special representations" in Brussels might ultimately weaken the position of all the Länder.

Rau therefore advocated strengthening the role of the Länder observer at the European Community by moving the office from Bonn to Brussels.[52] Once again, a fundamental conflict had broken out between the Länder, a disagreement that dated back to the 1950s. Barschel favored bypassing the Bundesrat and the federal government in order to extend and institutionalize the longstanding unofficial contacts of the Länder to Brussels, as a way of countering the increasing regulatory activity at the supranational level. Such an approach would be more efficient, he believed, because it was better adapted to the specific problems of the individual Länder. By contrast, Rau wanted to strengthen the position of all the Länder vis-à-vis the Bund in European policy issues. The prerequisite here, however, was that the Länder represent a united front in their dealings with the federal government. This was the path hitherto supported by the large Länder of North Rhine-Westphalia, Bavaria, and Baden-Württemberg, bolstered not least by the idea that they would play a greater role in the internal coordination of the Länder than their smaller brothers and sisters. In contrast, Schleswig-Holstein,

51 NW 736, no. 417, "Besprechung des Chefs des Bundeskanzleramts mit den Chefs der Staats- und Senatskanzleien der Länder," May 17/18, 1984, and "betr. Verbesserung der Information und Beteiligung der Länder in EG-Angelegenheiten," May 10, 1984.

52 NW 736, no. 417, "Ministerpräsident des Lands Nordrhein-Westfalen, Rau, an den Ministerpräsidenten des Lands Schleswig-Holstein, Uwe Barschel," April 9, 1984. For Rau's European policy, see Wilfried Loth, Im europäischen "Kernland" NRW. Johannes Rau und die Europapolitik, in: Jürgen Mittag/Klaus Tenfelde (eds.), Versöhnen statt spalten. Johannes Rau, Sozialdemokratie, Landespolitik und Zeitgeschichte, Oberhausen 2007, pp. 225–37.

Hamburg, and Bremen did not display any great initiative in this matter until the early 1980s, most likely because they also knew that the scope of their influence was limited, considering the dominance of the large Länder in these affairs.

Although North Rhine-Westphalia's Minister-President Rau did all he could to block Barschel's proposal, he was soon fighting a lost cause. Bavaria was decisively involved in this matter. Bavaria had always supported the position taken by North Rhine-Westphalia, but in a circular to his Länder colleagues dated August 13, 1984, Bavarian Minister-President Franz Josef Strauß (CSU) announced a change of tack in European policy. The integration of the Länder representative in the Bund's permanent representation in Brussels, the prospect held out by Chancellor Kohl, could be accepted, Strauß said, only if the Länder were also given the opportunity "to independently and flexibly safeguard their interests in EC affairs." If the need arose, he believed, it must be possible to enlarge the office without the federal government becoming involved. "It must also be possible that, with respect to issues of special interest, all or some of the Länder can dispatch additional representatives."[53]

The Bavarian minister-president must have been aware that these demands could not be enforced, given the skeptical attitude of the Foreign Ministry. Shortly afterward, Bavarian Minister of Economics Anton Jaumann informed the joint Länder representative, Stöger, that the official delegated by the Bavarian government to the Länder observer would "from now on have to attend to special tasks for the Bavarian Land government in particular cases and [would] therefore no longer be completely at the disposal of the Länder observer at all times."[54] Bavaria also began to organize its own representation in the summer of 1984. Similar plans were being pursued by Berlin, Saarland, and Hamburg; together with Saarland, the northern German Länder were then the first to open their own representations in Brussels in the autumn of 1984. With Bavaria's openly announced policy shift, the decision had basically been made: all the Länder would maintain their own representations in Brussels. The direct relationships of the West German Länder to the EC were thus institutionalized. The efforts to jointly formulate and coordinate European policy with the federal government within the framework of the Bundesrat therefore became less significance, but they were not abandoned entirely.

53 NW 736, no. 718, "Bayerischer Ministerpräsident an die Ministerpräsidenten der Länder," August 13, 1984.

54 NW 736, no. 719, "Bayerischer Minister für Wirtschaft und Verkehr an den Beobachter der Länder bei den Europäischen Gemeinschaften," October 17, 1984.

Outcome, Prospects and Desiderata

The institutionalization of direct relations between the Länder and the EC through the establishment of permanent representations in Brussels marks a decisive turning point in the genesis of the European multilevel system. But the fundamental debate was by no means finished. Rather, the process described here was the first phase of a discussion about the relationship between the various levels of government that had emerged from the rise and expansion of the multilevel system between the 1950s and the 1980s. This system is still characterized today by its dynamism and rapid adjustment to new circumstances. A constitutional solution did not emerge until 1992, when, in the context of the negotiations on the Maastricht Treaty, the Länder secured, in Art. 23 GG, a binding commitment by the Bund to cooperate with the Länder in European policy.

How did the European multilevel system come about? From a German viewpoint, it was characteristic that – in contrast to the genesis of the system at the supranational level – there were no constitutional models or political blueprints wherein the peculiarities of West Germany's federalist system could be given adequate consideration with respect to European integration. Rather, relations between the Länder, the federal government, and the supranational institutions developed through trial and error, in a process that was shaped to a large degree by unofficial structures. The most important institutions in this system, the Länder observer at the European Community and later the Länder representations in Brussels, had no legal basis, but were the result of a political agreement. Until 1992, the same was true of the relationship between the federal government and the Länder with regard to European policy issues. The result was a system of such complexity that it is difficult to reconstruct it even in retrospect: a system in which official and unofficial structures commingled and changed very rapidly. While the framework of joint decision-making, or *Politikverflechtung*, detected by Fritz Scharpf can be historically and empirically demonstrated,[55] it did not lead to the feared political logjam. Whenever a barrier loomed, the actors created new structures and continued to communicate. This high degree of flexibility was possible precisely because of the system's pronounced unofficial character.

From the standpoint of democratic and constitutional theory, the system was highly questionable precisely because of its unofficial nature. Although the Länder governments and their administrations succeeded in adapting quickly, the new structures, by and large, defied parliamentary control. The Länder par-

55 See Fritz W. Scharpf, Die Politikverflechtungs-Falle. Europäische Integration und deutscher Föderalismus im Vergleich, in: Politische Vierteljahresschrift 26 (1985), pp. 323–56.

liaments thus had almost no influence on the development of the European multilevel system, even though it affected key Länder interests. The real losers in the Europeanization of German federalism were therefore – at least into the 1980s – not the Länder governments and their administrations, but rather the Länder parliaments, the Landtage.

Moreover, "double joint decision-making" in the policy sector was characteristic. An ever-intensifying vertical intertwining of the policy levels developed over time: during the first phase, hierarchically structured relations were dominant, as the Länder initially tried to gain influence at the European level through the Bund. To the Länder governments, this seemed to be the most obvious approach at first, given the federal government's exclusive responsibility for foreign policy. Only in North Rhine-Westphalia, owing to its specific economic structure, was there a recognition of the particular significance of supranational integration, over and above foreign policy. The Land government in Düsseldorf was thus the first – in the early 1950s – to establish direct contacts to the supranational level.

The more the supranational level strengthened its legal and economic regulative authority, however, the more the relations between the Länder and the supranational institutions intensified in a process of vertical joint decision-making. At the latest with the establishment of the Länder representations in Brussels, if not earlier, a vertical network of relations had emerged in which the Länder fostered both direct ties to the EC and indirect ties through the federal level. In addition, European integration altered the horizontal interlacing of relations between the Länder. In the context of the negotiations on the Treaties of Rome from 1954 onward, those responsible in the Länder governments realized that the Länder would be able to actively shape Germany's European policy only if they spoke with one voice. This required intensive communication and coordination among the Länder governments. The decisive body in this context was the Länder observer to the European Community, who gathered and pooled key information from Brussels. Also of importance were the conference of the ministers of economics of the Länder and its associated committees. At the same time, it soon became clear that the Länder were rivals amongst themselves, competing for information, influence and, not least, substantive resources from Europe.

Overall, the federalist system of the Federal Republic of Germany changed under the influence of supranational European integration. This process took place as part of a fundamental political, economic, and social change, a change that one can characterize as "Europeanization." At the same time, however, further questions emerge. First, was this process of "Europeanization" similar in all the political and economic sectors, or are differences discernible? To determine this, further source-based studies of individual policy fields would be necessary. Second, consideration needs to be given to the process of "Europeanization" in other political systems. How did other federalist states, such as Belgium, respond to the process, and how did this process develop in centralist states like France? We know far too little about the process at present as much research remains to be done.

Werner Becker

Twelve Years of the Euro

From Calm Waters to Turbulent Seas

Europe's Long Road to the Euro

While monetary policy was an integral part of the unification of Europe after World War II, the debate over a single currency was slow off the mark in the history of integration. For a long time, the focus was on taking measures in the real economy to secure prosperity and peace, such as the creation of a Common Market under the 1957 Treaty of Rome. In 1950, the French finance expert Jacques Rueff farsightedly remarked: "Europe will be made through the currency or not at all."[1] Nevertheless, two decades elapsed before the Werner Report on the creation of a monetary union, named after Luxembourg's Prime Minister Pierre Werner,[2] triggered a political debate on the issue. Yet the subject soon disappeared from the agenda again because of differences of opinion sparked by the oil crises.

Then, at the end of the 1980s, the political debate on a European monetary union was revived. It was prompted by the 1987 Single Act that provided for the creation of a single European market by 1992, which the EU hoped would stimulate the stalled integration process. The envisaged single market was to be given monetary backing in the form of a single currency[3] in order to create a single economic and monetary area similar to that of the United States. In economic terms, the time was ripe for a monetary union because the European Monetary System (EMS) had generated improved stability and most EU countries had stable prices once again. The EU summit held in Hanover in June 1988 established a working group chaired by Jacques Delors, then president of the European Commission, to submit proposals for the creation of a European Economic and Monetary Union

Translation by Christopher Marsh.

1 Jacques Rueff, L'Europe se fera par la monnaie ou ne se fera pas, in: Synthèses 4 (1949/50), no. 45, pp. 267–71.

2 This was the first EU document on the subject of a European monetary union.

3 See One Market, One Money: An Evaluation of the Potential Benefits and Costs of Forming an Economic and Monetary union, ed. by Commission of the European Communities, Brussels 1990 (= European Economy 44/1990).

(EMU) with a European Central Bank and a single currency. The Delors Report[4] of April 1989 proposed a three-stage model, thereby outlining a good blueprint for the future.

The subject soon developed a considerable momentum of its own,[5] decisively spurred on by the fall of the Iron Curtain and German reunification. Politically, the major issue became the irrevocable integration of post-reunification Germany into Europe. With the Treaty of Maastricht signed in December 1991, the EU governments created the framework for the establishment of an EMU with a single currency. The euro was introduced in 1999, first as "book money" in the financial markets and then, in 2002, also in the form of banknotes and coins. On its tenth anniversary, the euro received widespread acclaim as a success story.[6] But then – with the sovereign debt crisis developing in the spring of 2010 – the EMU found itself confronted with its first major test. So, twelve years after the launch of the euro, the time has come for a new critical assessment of its performance. Metaphorically speaking, the ship of the EMU has sailed from calm waters into turbulent seas. The twelve-year history of the euro not only has its highpoints, but also some mixed results and disappointments, which will be outlined below. Likewise, this article will take a look at the causes of the sovereign debt crisis and its effects on the euro.

Assessment Criteria for the Monetary Union

A comprehensive assessment of the euro must focus on the objectives, advantages, and fundamentals of the EMU. The euro was created to serve both economic and political objectives. In economic terms, the main goal was to strengthen growth

4 See the report on an economic and monetary union in the European Community (April 17, 1989) commissioned by the European Council in June 1988. The report was called the "Delors Report" after Jacques Delors, who was president of the European Commission at the time and chaired the committee. In addition to Delors, the committee included the national central bank governors and three independent experts; aei.pitt.edu/1007/1/monetary_delors.pdf [accessed March 27, 2018].
5 See Hans Tietmeyer, Herausforderung Euro. Wie es zum Euro kam und was er für Deutschlands Zukunft bedeutet, Munich/Vienna 2005.
6 See European Commission, EMU@10, Successes and Challenges After Ten Years of Economic and Monetary Union, ed. by European Commission, Brussels 2008 (= European Economy 2/2008); David Marsh, Der Euro. Die geheime Geschichte der neuen Weltwährung, Hamburg 2009; Werner Becker, Der Euro wird zehn. Den Kinderschuhen entwachsen, Deutsche Bank Research, Beiträge zur Europäischen Integration, EU Monitor 57, June 17, 2008; www.dbresearch.de/PROD/RPS_DE-PROD/PROD0000000000461750/Der_Euro_wird_zehn%3A_Den_Kinderschuhen_entwachsen.pdf [accessed March 27, 2018].

in the internal market and permanently anchor price stability and budgetary discipline in Europe in order to reap the benefits of stability in the form of low interest rates. By eliminating currency risks, the euro has offered economic actors greater planning security for trade and investment; in addition, it has given them access to greatly improved financing and investment terms in a large euro financial market. The euro has also promoted growth in the internal market through greater price transparency and competition.

Politically, as mentioned above, the issue was primarily the irrevocable integration of a unified Germany into Europe. At the same time – from the German perspective, for example – the euro was supposed to blow wind into the sails of political integration. Moreover, the dominance of the German Bundesbank's monetary policy played an important role for Germany's EU partner countries. The establishment of an independent European Central Bank (ECB) was designed to create a common decision-making body in which all member states could make their voices heard.[7] The ultimate goal was to strengthen Europe's influence in the International Monetary Fund (IMF) and the G7, while also creating a European counterweight to the US dollar. The introduction of the euro was thus a political decision with economic benefits. The EMU, designed as a "stability union," was built on three pillars:

(1) an independent ECB with a *central monetary policy* primarily committed to the objective of price stability;

(2) a steady, *decentralized fiscal policy* coordinated and monitored in the framework of the Stability and Growth Pact (SGP) – with liability for the debts of other member states explicitly excluded ("no-bailout clause");[8]

(3) an efficient, closely integrated economy based on the open European single market with its famous four freedoms: the free movement of goods, services, persons, and capital.

7 The objective was implemented in the ECB's Governing Council – the ECB's main decision-making body on matters of monetary policy – according to the principle of "one man, one vote." Prior to the introduction of the euro, the situation was dominated by the Bundesbank. The decision-making process was once described by a high-ranking representative of the central bank of Austria, whose currency was firmly linked to the German mark, as follows: We can only take note of the Bundesbank's interest rate decisions on our green screens. But we would also like to sit at the green table to compare arguments and participate in monetary policy decisions for Europe.

8 This clause, which was intended to strengthen budgetary discipline, is to be found in Article 125 Treaty on the Functioning of the European Union. It stipulates that neither the European Community nor the member states may assume responsibility for the liabilities of another member state. Article 122, however, permits emergency financial aid in the case of no-fault events.

The combination of a centralized monetary policy and a decentralized financial and economic policy necessitated a high degree of cooperation and coordination in order to ensure compliance with the rules of the EMU; the lax fiscal policy of one country, for example, could have significant negative spill-over effects for other members. To ensure a solid footing for the EMU initially, the first members therefore had to qualify by passing a convergence test[9] in the spring of 1998.

The Euro in the Eye of the Critics

The launch of the euro in 1999 was accompanied by great expectations, but also by numerous concerns and much criticism. At the international level, objections came in particular from the Anglo-American world. Some critics predicted only a short life span for the euro.[10] Others found the decision to adopt the euro wrong or premature because the EMU had not satisfied the criteria for an optimum currency area in theory,[11] although in practice there probably would have been no monetary union whatsoever if all the conditions had to be met in full at the same time. The launch of the EMU in 1999 rested on a high level of convergence, a high degree of transparency, and very close economic integration. The EMU is still a long way from becoming an optimum currency area on a number of key points, such as wage flexibility and worker mobility, the latter of which is significantly hampered by language barriers.

9 The convergence criteria in the Treaty of Maastricht include low inflation and interest rates, a high degree of exchange rate stability, and sound public finances in terms of budget balance and debt levels, see European Economy, Convergence Report 1998. Commission's Recommendation Concerning the Third Stage of Economic and Monetary Union, no. 65, 1998; Europas neue Währung Deutsche Bank Research, Sonderstudie, Frankfurt a. M. 1998.

10 For example, former US Federal Reserve Chairman Alan Greenspan initially made no secret of his euroskepticism: "It is conceivable that something may happen. The EMU may break down"; Minutes of the Meeting of the Federal Open Market Committee, August 20, 1996, p. 8; www.federalreserve.gov/fomc/minutes/19960820.htm [accessed January 9, 2019]. He, too, revised his verdict in an interview with the magazine "Stern" by September 20, 2007, in which he said it was quite conceivable that the euro would replace the US dollar as a reserve currency or be traded as a reserve currency of equal rank.

11 See Martin Feldstein, EMU and International Conflict, in: Foreign Affairs 76 (1997), pp. 60–73. In theory, an optimum currency area exists when the participating countries satisfy the following criteria: a high degree of convergence (e. g. in terms of growth and inflation rates), transparency and integration in foreign trade, similar economic structures, flexible factor prices, and high labor mobility, see Robert A. Mundell, A Theory of Optimum Currency Areas, in: The American Economic Review 51 (1961), pp. 657–65.

At the national level, there was criticism and concern in Germany itself because the German mark had been the ultimate symbol of stability for decades, representing economic progress and affluence after World War II. Whereas in the 1990s a clear majority of German politicians and business people favored the introduction of the euro, many economists were opposed to a monetary union.[12] The majority of the general public was also skeptical for a long time, doubting the promise made before the introduction of the EMU that the euro would be "as strong as the mark."

Positive Performance of the Euro in Many Respects

Confidence Through Price Stability: It is particularly important to note that the ECB has virtually achieved price stability.[13] From 1999 to 2010, inflation rates in the EMU averaged about 2.2 percent (1.5 percent in Germany) and were thus significantly lower than in the USA (2.7 percent) or during the 50 years of the German mark (2.8 percent). This positive shift is due in no small part to the clear mandate of the ECB, which managed to build a high degree of credibility in the financial markets and among the general public as a new institution, even though the EMU was at times exposed to significant inflationary pressures.[14]

Price stability proved the skeptics wrong – especially in Germany. The public also appears to have changed its mind after twelve years of the monetary union, although opinion polls revealed some ambiguity in people's attitudes towards

12 In June 1992, for example, 60 respected German economists, including former Economics Minister Karl Schiller, protested against a monetary union in the manifesto "Die EG-Währungsunion führt zur Zerreißprobe." They were primarily concerned about price stability, although the positive Maastricht parameters for price stability were largely overlooked. As we know today, the professors were right to warn of the fiscal consequences of a monetary union.

13 The ECB defines price stability as an inflation rate that is below but close to two percent in the medium term.

14 For example, the oil price more than tripled between 1999 and 2008. The occasional increases in administrative charges and taxes, including the increase in the value-added tax rate in Germany by three points to 19 percent in 2007, have also had inflationary effects. Following the introduction of euro cash in 2002, there has been a controversial debate on whether the Harmonised Index of Consumer Prices measures inflation correctly, because the rate of inflation as perceived by citizens has sometimes greatly exceeded the actual rate. The official statistics are based on reliable and proven methods, however, and there are other explanations for the discrepancy between perceived and measured inflation. For example, people are more aware of price increases for frequently purchased services that are paid in cash (such as eating out) than they are of price reductions for products purchased at longer intervals, such as computers.

the euro in December 2010. While a representative survey conducted by Infratest dimap concluded that 60 percent of Germans were in favor of keeping the euro and only 36 percent wanted to have the German mark back, a survey conducted by the Emnid Institute for the newspaper *Bild am Sonntag* showed that 56 percent would prefer a return to the mark. A less ambivalent picture, however, was presented in the September 2010 Eurobarometer survey,[15] which was conducted in all euro countries. In that study, two-thirds of the population (68 percent in Germany) said the euro was a "good thing."

Despite its focus on price stability, the monetary policy of the ECB has also been characterized by flexibility and pragmatism.[16] One example of this is the ECB's focus on the medium term as the measure for price stability, i.e. the ECB does not automatically react to temporary jumps in prices by tightening monetary policy. It only does so when second-round effects occur, such as when temporarily higher inflation rates are taken as a measure for wage agreements. A key point has also been that the ECB has succeeded in pegging medium-term inflation expectations at a low level.[17]

The ECB has also assumed a significant role in crisis management during financial, economic, and sovereign debt crises. After the confidence slump in the interbank market in August 2007, it provided extensive liquidity. Following the exacerbation of the financial crisis by the collapse of the Lehman Brothers investment bank in September 2008, the ECB helped stabilize the market with several interest-rate cuts (to one percent in May 2009) and the flexible use of its instruments, for example with respect to the availability of eligible collateral and the purchase of mortgages and government bonds. Overall, the ECB has done a good job.

Attractive Financing Through Low Interest Rates: The reward for achieving price stability has been low interest rates since 1999; in the first twelve years of the monetary union, the nominal interest rates of the euro were well below the average of those for the German mark from 1987 to 1998. The emergence of

15 See European Commission, Eurobarometer, The Euro Area 2010. Public Attitudes and Perceptions – Summary, fieldwork September 2010, publication December 2010; ec.europa.eu/public_opinion/flash/fl_306_sum_en.pdf [accessed March 27, 2018]. The current problem countries of the eurozone are at the two extremes, with Ireland at the top with 84 percent and Greece (65 percent) and Portugal (61 percent) at the bottom.

16 See Deutsche Bundesbank, Die Europäische Wirtschafts- und Währungsunion, Frankfurt a. M. 2005.

17 The long-term expectations for inflation are determined on the basis of inflation-indexed government bonds and the inflation estimates in the quarterly ECB Survey of Professional Forecasters; see www.ecb.int/stats/prices/indic/forecast/html/index.en.html [accessed March 27, 2018].

large and liquid financial markets in the EMU – e.g. for government bonds – and growing euro investments by international investors have probably had a moderating effect on interest rates. In addition, the interest rate risk premium for defending the exchange rate against the German mark as the former anchor currency was eliminated in the European Monetary Union. While interest rates in the money market have been uniform throughout the EMU since 1999, yield spreads on government bonds remained relatively minor until 2008,[18] but then increased considerably as a result of the sovereign debt crisis. Despite the crisis, it must be said that low interest rates have created favorable financing terms and stimulated growth for businesses, consumers, and governments. The fact that they have also sent false signals and encouraged excessive levels of debt in some countries cannot be blamed on the euro.

Stimulus for Trade From the Monetary Union: The elimination of the currency-related costs of exchange and exchange-rate risks has increased planning security for companies engaged in trade and for investors in the euro area. The *Bundesverband der Deutschen Industrie e. V.* (The Voice of German Industry) estimates that the absence of transaction and hedging costs alone saves companies in Germany, on average, half a percent of their foreign trade revenues per year. Intra-EMU trade accounts for about half of exports and imports in most EMU countries. In contrast, the EMU share amounts to only 39 percent of German imports and 43 percent of exports. Expectations that the euro would stimulate trade within the single market have largely been fulfilled. The share of intra-EMU trade in the gross domestic product (GDP) of all eurozone countries has increased from approximately 26 percent in 1998 to about 33 percent in 2008. However, the trade-generating effect was pronounced only in 1999 and 2000. This suggests that the euro triggered a levelling effect rather than sustained growth in exports among EMU countries.

It is interesting that, between 1999 and 2006, EMU exports to third countries grew even faster than intra-EMU trade. Globalization, deregulation, and strong growth in the global economy – particularly in Asia – thus contributed more to EMU participation in international trade than the euro itself.

The Euro as a Catalyst for Financial Market Integration: Quite apart from the financial crisis, another advantage of the euro is that it has driven financial market integration in Europe. That said, the euro is only one factor – albeit an

18 For ten-year government bonds, the yield spread between German government bonds and bonds issued by other EMU countries was usually well below 50 basis points. The yields on German government bonds serve as a benchmark within the EMU. The sharp increase in budget deficits caused the yield spread to widen from 2009 onwards.

important one – alongside the increasing liberalization of EU financial market rules, globalization, and the enormous progress made in the information technology (IT) industry. The creation of efficient financial markets – a political goal since 1999 – was primarily market-driven, but it also required active support from the EU's legal framework[19] to overcome the many financial market barriers between the 27 EU member states and create a level playing field. A milestone for integration was the implementation of the 1999 Financial Services Action Plan.

The creation of efficient financial markets has not been an end in itself, however, but rather has served to transfer the advantages of the euro to the real economy. Smoothly functioning financial markets strengthen growth and competitiveness in an economy by providing a wider range of products and services on favorable terms. Investors benefit, for example, from liquid and transparent euro financial markets and the extension of the investment universe with zero currency risks to the entire European Monetary Union. This has led to increased cross-border portfolio investments. German investors, for example, increased their foreign security holdings in euros to almost EUR 600 billion between 1999 and September 2007, approximately three and a half times the 1999 level.

The financial, economic, and sovereign debt crisis that began in August 2007 also affected the integration of the euro financial markets and in some cases temporarily curbed trading and underwriting activities in the bond markets. However, the eurozone countries' close financial ties and interdependence have remained intact. Take government bonds, for example: while bonds issued by weak eurozone countries (Greece, Ireland, Portugal and Spain) have become less attractive since 2009, first-class sovereign borrowers – such as Germany and France – are benefiting from the "flight-to-quality" in the form of low interest rates.

Fewer Economic Risks in a Large Currency Area: Another positive aspect has been that the monetary union has considerably reduced foreign-exchange risks. From the late 1970s to the mid-1990s, Europe experienced several episodes of exchange market pressure in the EMS that threatened the economy.[20] The problem was that periods of marked weakness in the value of the US dollar against the German mark – the second most important investment and reserve currency – also created tensions in the internal European currency structure. The fact that the German mark was not only strong against the dollar, but also appreciated significantly against the currencies of its main trading partners in Europe at the same time significantly influenced Germany's economy and competitive

19 The legal framework relates not only to the EMU, but to the EU as a whole.
20 The European Monetary System was established in 1979 as a system of fixed but adjustable exchange rates with relatively narrow margins of fluctuation for the market rates.

position at times. It is thanks to the euro that dollar-related economic downturns since the first weakening of the US dollar in 2003 have not been further accentuated by European exchange rate tensions. Under the old system of multiple currencies, Germany in particular would have suffered greatly from a revaluation of the mark, especially, for example, at a dollar low of 1.60 USD/EUR in 2008. As the saying goes, one large (currency) ship is easier to steer in stormy seas than several small and medium-sized ships.

The Euro as an International Currency: The growing role of the euro as an international trading, investment, reserve, and anchor currency has also been part of its success story since 1999.[21] Although dominated until 1998 by the US dollar, the German mark, and the Japanese yen, the international monetary system has now developed into a bipolar system, with the dollar as the leading currency and the euro as the undisputed number two; the yen, in contrast, has lost much of its importance. In fact, the euro has caught up with the dollar almost everywhere, even outstripping it in some areas. While oil and other commodities, as well as about half of the world's trade are still invoiced in US dollars, EMU external trade with non-EU countries has been settled in euros more and more often (approximately 60 percent on average). The euro has also moved up as a global investment currency. Its share of the international bond issue increased from 19 percent at the beginning of 1999 to 31.4 percent at the end of 2009.[22] In 2006, the euro overtook the US dollar for the first time in terms of global currency in circulation. Approximately 35 countries closely linked to the EU use the euro as their anchor currency (US dollar: approx. 60 countries). This means that euro foreign exchange reserves must be held. The dollar remains the most important reserve currency, although its share of foreign-exchange reserves held by central banks fell to just over 61 percent at the end of 2010, while the euro's share rose from 18 percent at the beginning of 1999 to more than 26 percent. As the second most important global currency, the euro has inherited the role of the German mark. Despite the sovereign debt crisis, it still has a great deal of potential, for example as a reserve currency, although the US dollar will undoubtedly remain the world's number one currency in the foreseeable future.

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21 The euro satisfies key requirements for an internationally used currency: price stability, a large economic area with high levels of performance, a high degree of transparency, and large liquid financial markets, see Werner Becker, Der Euro – Zweiter mit weiteren Aufholchancen. Die internationale Rolle des Euro, Deutsche Bank Research, Beiträge zur europäischen Integration, EU Monitor 58, July 11, 2008.

22 At the same time, the share of the US dollar fell from 50 percent to about 46 percent, while the yen's share was halved to almost six percent, see European Central Bank, The International Role of the Euro, July 2010.

Examples of the Euro's Mixed Performance

Snail's Pace Enlargement of the EMU: From the outset, the idea was to include as many EU countries in the EMU as possible, provided that they met the convergence criteria and were willing to take this political step. Only Great Britain and Denmark preferred to have an opt-in clause.[23] The fact that the EMU was launched in 1999 not as a "core currency area" but as a "large monetary union" with eleven of the 15 EU member states was also viewed as a sign that compliance with the convergence criteria was not taken very seriously. After all, three of today's four problem countries, namely Spain, Portugal and Ireland, were among the original non-core member countries; the inclusion of Greece in 2001, at any rate, was seen rather as a political decision.

EMU accession since 1999 has been less than impressive: The EU has grown from 15 to 27 member states, while the EMU has increased by only six, to a total of 17 countries. Of the twelve new EU members, only five smaller countries have adopted the euro since 2007,[24] and no further enlargement of the eurozone is on the horizon. This is due not only to non-compliance with the convergence criteria as a result of the economic and financial crisis, but also to a lack of political interest, as in the case of the Czech Republic. Furthermore, it has been argued that these countries still need their own monetary and exchange rate policies given that the catching-up process in the new EU countries has been interrupted at the moment. One of the sobering things about the progress of accession to the EMU is that Britain, Denmark, and Sweden still do not wish to adopt the euro. All three countries have made accession dependent on the positive outcome of a referendum. The popularity of the euro has recently declined too.

Mediocre Economic Growth: The introduction of the euro was linked to the expectation that growth would be stimulated via several channels: lower interest rates, cost savings through the elimination of foreign exchange risk and currency-related transactions, and greater price transparency and competition in the single market. However, with average GDP growth rates of 1.6 percent per year between 1999 and 2010, the EMU lagged behind the USA (2.2 percent) in economic performance, while Germany managed a mere 1.2 percent. In the United Kingdom

23 They must be admitted to the EMU under the "opt-in clause" if they express a desire to do so and satisfy the convergence criteria.

24 Slovenia, Malta, Cyprus, Slovakia and, as of January 1, 2011, Estonia. In the context of the "acquis communautaire," the new EU countries have also undertaken to adopt the euro as soon as they satisfy the convergence criteria, see Werner Becker, Der Institutionelle Rahmen für einen EWWU-Beitritt, Deutsche Bank Research, Beiträge zur europäischen Integration, EU Monitor no. 12, March 19, 2004.

and Sweden, GDP growth rates were also higher, at 1.8 percent and 2.4 percent respectively. It was also disappointing that the eurozone, with its large domestic market, was unable to emancipate itself from economic developments in the USA. The same applies to the global recession in 2009: The EMU countries suffered an average decline in their GDP of 4.3 percent and Germany of 4.7 percent, while the GDP in the USA, where the financial and economic crisis started with the subprime debacle, fell by only 2.7 percent. Thanks to the boom in Asian exports, on the other hand, Germany experienced surprisingly strong growth at 3.6 percent in 2010 in a trend that seems likely to continue, in weaker form, in 2011. Growth rates within the EMU, however, varied widely. At times, the growth differential between the three most dynamic and the three weakest EMU countries exceeded four percentage points. Whereas growth in most EMU countries was fueled by low interest rates and was particularly pronounced in today's problem cases – Ireland, Spain and Greece – the reasons for Germany's weak growth were primarily structural.

Weakness of the Monetary Union

Reduced Competitiveness of Several Eurozone Countries: The competitive position of the four euro crisis countries mentioned above, and also that of Italy, has been affected by major detrimental developments since the introduction of the euro. One reason for this has been that the hoped-for structural reforms never materialized in the EMU. Unit labor costs also rose up to 30 percent in these countries between 2000 and 2010, whereas in Germany they rose by only seven percent.[25] As a result, an upward revaluation in real terms occurred in the four problem countries and Italy, but the effect for Germany was a real devaluation. Consequently, the competitiveness of those countries relative to Germany has deteriorated by 20 percent. The problem has not been the differences in the performance of the individual economies, but rather the larger increases in nominal wages than growth in productivity. In contrast to Italy, wage developments in the four problem countries were also influenced by inflation rates above the EMU average.

This led to significant current account imbalances. Germany, which started in the EMU with a deficit in 1999, had a current account surplus of five percent of

25 See Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Jahresgutachten 2010/11. Chancen für einen stabilen Aufschwung, EuroRaum in der Krise, pp. 66–68; www.sachverstaendigenrat-wirtschaft.de/fileadmin/x_ga_2010_11/ga10_ges.pdf [accessed January 9, 2019].

the GDP in 2009 despite the economic downturn; in contrast, the current account deficits in the four problem countries grew. In Greece and Portugal, they were still in double digits as a percentage of their GDP in 2009, despite the recession. In terms of monetary policy, significant imbalances in the current accounts of individual member countries are not a problem because the EMU's current account has been in balance overall in recent years. From the point of view of the real economy, however, high current account deficits in individual countries do play a role because they entail an increase in external debt that has to be serviced. Excessive current account deficits thus signal a need for political action.

Euro Crisis Triggered by a Lack of Budgetary Discipline: In the EMU, it is the task of the SGP to ensure budgetary discipline through the regular coordination and monitoring of national fiscal policies.[26] Countries with an excessive budget deficit of more than three percent of their GDP risk a "blue letter" of warning, consolidation requirements, and sanctions. The history of the SGP has shown, however, that the rules for budget discipline have been ignored repeatedly. In the period from 2002 to 2004, for example, several EMU countries[27] had excessive budget deficits, including Germany and France, and these two countries refused to comply with the rules. So, in 2005, the SGP was simply reformed and made more flexible.[28] But, even after the reform, a lack of sufficient consolidation in periods of economic growth remained a problem, as demonstrated by the soaring budget deficits from 2009 onwards. Moreover, the preventive surveillance and coordination mechanisms of the SGP have largely failed. The budget offenders are mainly responsible for this, although the member states that preferred to turn a blind eye are also partly to blame. In terms of the application of the rules of the SGP, it was inherently problematic that the governments of potential sinner states were expected to pass judgment on current sinner states.

That said, however, even the budget surpluses achieved during periods of strong economic growth in Spain and Ireland were not able to cushion the sub-

26 This is not just a question of avoiding excessive demands on monetary policy as a result of overly lax fiscal policies in individual member states. Budgetary discipline is also intended to create scope for anti-cyclical fiscal policy, financing the increasing burdens of demographic developments and tax cuts to stimulate economic growth.

27 Germany, France, Italy, Greece and Portugal and occasionally the Netherlands.

28 For budget sinners, the reform brought more latitude for assessing fiscal policy in the event of weak growth and provided for more flexibility in correcting excessive budget deficits, see Europäischer Rat, Schlussfolgerungen des Vorsitzes, Brüssel, 22. und 23.3.2005, Anlage II. Verbesserung der Umsetzung des Stabilitäts und Wachstumspakts; Werner Becker, Reform des Stabilitätspakts. Lizenz zur Verschuldung, Deutsche Bank Research, Beiträge zur Europäischen Integration, EU Monitor no. 23, July 4, 2005.

stantial crisis-related burdens on the budget stemming from the slump in growth and the stabilization packages for the economy and banking systems. Since 2009, almost all EMU countries have had excessive budget deficits, several of them amounting to many times the limit of three percent of the GDP. The general government debt ratio in the euro area accordingly rose from 66.6 percent of the GDP at the end of 2007 to almost 85 percent at the end of 2010.

At the end of 2009, the financial and economic crisis in Europe led into the next phase, the sovereign debt crisis. The pace of debt growth gave rise to doubts in the financial markets that the four problem countries would not be able to sustain their levels of debt. As 2009 progressed, this insecurity was reflected in higher interest rate differentials between government bonds issued in those countries and in Germany. Ultimately, the sovereign debt crisis was triggered by Greece in November 2009, when the country first announced a sharp increase in the 2009 budget deficit. In April 2010, after months of speculation, Greece[29] formally requested financial assistance from its euro partners, who put together a 110 billion euro rescue package for the country on May 2, 2010.[30]

This package, however, failed to prevent increased market speculation and contagion effects in other euro countries with weak budget positions: Irish, Portuguese, and Spanish government bonds also came under pressure, interest rates rose, and the euro remained weak. Then, on May 9, 2010, the governments established a huge rescue umbrella totaling 750 billion euros.[31] The ECB also contributed to the rescue operation by purchasing government bonds from troubled EMU countries in order to stabilize the markets. On a positive note, the governments and the ECB did in fact demonstrate their ability to act during the crisis.

29 Greece is a special case in that it gained admission to the Monetary Union in 2001 with the aid of incorrect budget data, and for a long time it was able to disguise its budget situation in the EMU and incur excessive public debt.

30 The package assembled by the EMU countries consists of bilateral loans of up to 80 billion euros plus an IMF loan facility with a volume of 30 billion euros. Disbursement of the funds is subject to economic policy conditions aimed at fiscal and economic recovery.

31 The rescue umbrella of May 9, 2010 includes the European Financial Stabilisation Mechanism in the amount of up to 60 billion euros (with the borrowings backed by guarantees from the EU budget), a three-year European Financial Stability Facility (EFSF) of up to 440 billion euros (with the effective amount of the loan based on the guarantees given by the euro countries currently at around 250 billion euros), and up to 250 billion euros in funds from the International Monetary Fund. Financial assistance is conditional to acceptance of a multiannual adjustment program. Ireland was the first country to make use of the rescue umbrella, in the amount of 85 billion euros in November 2010, in order to permit restructuring of its fragile banking system. Portugal submitted a request for assistance in April 2011.

Challenges, Risks, and Open Questions

The sovereign debt crisis is generally equated with a euro crisis, and the resulting decline of the euro exchange rate against the US dollar is cited as evidence. But this conflation of the two is rather problematic, if not wrong. In the years prior to the sovereign debt crisis, the euro/dollar exchange rate generally ranged between 1.20 and 1.40 USD/EUR, and it was even considered to be overvalued on the basis of purchasing power parity. This, however, has not posed a threat to the ECB's monetary policy, nor has it represented a monetary problem. Rather, the problem has been that individual member states have public debt and banking problems. Therefore, the financial aid given to other euro countries on the basis of the need to avoid debt rescheduling in countries with excessive sovereign debt was certainly justifiable. Among other things, this has also benefited banks in the guarantor countries, which are highly exposed in Greece and elsewhere in the eurozone.

As the 2010/11 sovereign debt crisis has not been first and foremost a currency problem, there is at present no serious risk of a breakup of the European Monetary Union. Nevertheless, the debt crisis has presented Europe with major challenges. In moments like these, it is worth remembering the words of Max Frisch: "Crisis is a productive state. You just have to take away the taste of disaster." Although it is true that there are exaggerations in the markets,[32] this alone cannot explain the sovereign debt crisis in the eurozone: The crisis was caused by the massive violation of fundamental rules of the European Monetary Union, such as poor budgetary discipline and the de facto elimination of the no-bailout clause with the rescue programs of May 2010 in particular.

The foundations of the EMU can be compared to the support structure of a large residential building with several rooms. If load-bearing elements in the form of external and internal walls are removed, the building will eventually lose its structural stability and become uninhabitable. Major reforms are not necessary to save the euro from a similar fate; all that is needed is for everyone to play by the rules. The undermined foundations of the monetary union must be repaired as quickly as possible, which means that the euro countries must do their homework.

32 The financial markets are putting pressure on ailing euro countries, for example, and sparing other countries such as the USA, the United Kingdom and Japan, which have far worse budget positions. The markedly euroskeptic attitude of most players in the London market contributes significantly to the excesses occurring in the government bond markets in the eurozone.

Fiscal Policy – The Political Will Needed for The Stability Pact: One core issue is the need to return to budgetary discipline under the umbrella of the SGP. In the SGP, as modified in 2005, greater flexibility – e.g., in reducing excessive budget deficits – was agreed upon in order to counter the criticism that the SGP was excessively rigid in the context of the economic cycle. However, this increased flexibility has allowed arbitrary responses to such an extent that it has now become readily apparent, through the sovereign debt crisis, that there is a dire need for reform.[33] In fact, the European Council intends to adopt additional reform measures by the summer of 2011.[34] It plans to further strengthen budgetary discipline and increase the coordination and monitoring of financial and economic policies. It comes as no surprise that France's old call for an economic government to act as a counterweight to the ECB is also being debated again under the heading of improved policy coordination.[35]

A new proposal for reform of the SGP calls for tougher sanctions on budgetary sins and for these sanctions to take effect at an early stage. This is a positive development, because if sanctions are applied too late, the country in question simply lacks the means to pay the penalty, making the whole thing ineffective. Another proposal provides for sanctions when the European Commission detects a violation of the budget rules and the Council of Finance Ministers does not lodge an objection on the basis of a qualified majority vote within ten days.[36] While this is politically controversial, it would encourage greater budgetary discipline. The "debt brake" anchored in Germany's Basic Law might also be a useful point of reference in the reform debate. Although the sovereign debt crisis should be reason enough to adopt effective reforms of the SGP, many eurozone governments continue to insist on their budgetary sovereignty. Consequently, political consid-

33 See Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Jahresgutachten 2010/11, pp. 66–68; Martin Larch/Paul van den Noord/Lars Jonung, The Stability and Growth Pact. Lessons from the Great Recession, European Commission Economic Papers 429, Brussels 2010.

34 "Schussfolgerungen des Europäischen Rates von 28./29.10.2010"; www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/de/ec/117499.pdf [accessed March 28, 2018]. In September 2010, the European Commission adopted a package of six legislative measures taking into account the proposals set out in the report of the Task Force on Economic Governance.

35 This proposal is not supported by Germany and other partner countries in the eurozone. Even France, which is always mindful of its national sovereignty, makes only vague use of the term "economic government." Nor should it be forgotten that the Eurogroup, i.e. the Economic and Finance Ministers of the EMU countries, has developed into a useful forum for discussing common issues and coordinating economic and financial policy in the EMU. In view of the sovereign debt crisis, however, France argues that the Eurogroup alone is not equal to the situation.

36 The European Commission calls this innovative procedure "reverse voting."

erations might very well continue to prevent the imposition of effective sanctions. Moreover, past experience has shown that strict rules in themselves are of little use in the absence of the political will to implement them. Until proven otherwise, the lack of budgetary discipline must be seen as the soft underbelly of the ECB's monetary policy.

Monetary Policy – Back to the Roots: In response to the sovereign debt crisis, the ECB – for the time being – has halted termination of its expansion strategy for crisis management.[37] In addition, as the rescue operations ensued in May 2010, it purchased government bonds from the four problem countries for the first time, with the aim of stabilizing the markets. Many have seen this as a violation of the autonomy of the ECB, which has aroused concerns about inflation, but too much weight should not be put on this point.[38] Nevertheless, purchasing government bonds is not part of the ECB's core purpose, and it should be discontinued as soon as possible in order to avoid reinforcing the impression that monetary policy is being held hostage to fiscal policy.

One worrisome development is that excessive government debt combined with a highly expansionary monetary policy might trigger inflationary processes; in light of the moderate economic recovery in the eurozone and free capacity reserves, however, it is unlikely that such dangers will arise in the short term. But, over the long term, the dictum of Nobel laureate Milton Friedman rings true:[39] "Inflation is always and everywhere a monetary phenomenon;" that is, inflation depends primarily on the money supply, which is controlled mainly by the ECB. Of course, the inflation rate is also influenced by many other factors such as demand, capacity utilization, wage levels, and raw material prices. Regardless of the level of government debt, therefore, the instruments available to the ECB have a significant influence on the inflation rate. From a government point of view, automatic debt relief for the state through an increase of a few percentage points

37 At the end of 2009, the ECB took the first steps to discontinue the lavish provision of liquidity, for example by phasing out securities repurchase agreements with maturities of six and twelve months. Low base rates and an abundant supply of liquidity are still in place, however.

38 At over 70 billion euros by the end of 2010, the volume purchased is considerable, and the securities involved are subject to the risk of write-downs. The Treaty on the Functioning of the European Union expressly prohibits monetary financing of public debt or deficits by the central bank. On the other hand, the ECB's instruments include the open market policy, i.e. the provision or withdrawal of liquidity through the purchase or sale of government securities of EMU member countries; the loss of confidence was kept within limits because the purchases of government securities were transparent and sterilized by liquidity-absorbing measures.

39 See Milton Friedman/Anna Jacobson Schwartz, A Monetary History of the United States, 1867–1960, Princeton/NJ 1963.

in the inflation rate may be attractive, as it can almost go unnoticed. What makes a difference, however, is the independence of the central bank. In this respect, the ECB has a clear mandate and will abide by it.

In a crisis context, it should also be borne in mind that a stable banking system is a prerequisite for the effective implementation of monetary policy. Particularly in a phase of restrictive monetary policy with high interest rates, the banking system must be able to guarantee that the monetary stimuli provided by the ECB will be effectively directed into the real economy. Financial market stability is therefore a significant ancillary objective of monetary policy.[40] When the euro was introduced, a stable banking system was taken for granted. But, in 2011, this assumption can no longer be made because the banking systems in Europe have been severely compromised during the financial, economic, and sovereign debt crises.[41] Stable banking systems cannot be taken for granted, even though a variety of measures have now been taken or initiated to strengthen the banking systems in Europe, such as the bank restructuring packages of 2008 and the creation of central EU supervisory authorities for banks, insurance, and securities regulators as of 2011 to ensure more effective monitoring of the financial markets. At the global level, the G20's Basel III accords in particular have been an important element in strengthening the banks' equity base and thus their risk tolerance in Europe as well.[42] The monetary policy test for the resilience of the banking systems will come as soon as inflation threatens – for instance, in the event of a growing economic upswing – and the ECB tightens its monetary policy.[43]

Economic Policy – Strengthening Competitiveness and Growth: Due servicing of the public debt of the four euro problem countries will – ceteris paribus – require the provision of more resources in the future because government debt

40 The ECB has published regular reports on the subject since 1999, see European Central Bank, Financial Stability Review, December 2010; www.ecb.int/press/pr/date/2010/html/pr101209.en.html [accessed March 28, 2018].

41 The US subprime crisis that began in 2007 was the triggering factor that affected Europe from the outside and was not foreseeable at all at the time the EMU was founded. The crisis took the form of a drop in the elevated real estate prices and the value of mortgage-backed bonds, which were also held by many European investors.

42 The process of recapitalization and restructuring of the banking systems requires time for adjustment, however. Basel III is to enter into force in 2013 and to be implemented, following a transitional period, by 2018.

43 A foretaste was provided by the rise in the inflation rate to 2.8 percent in April 2011. The main cause was the sustained increase in commodity prices. Accordingly, the current inflation rate is expected to significantly exceed the ECB's definition of price stability – inflation rate below two percent but close to two percent – in the coming months as well. In April 2011 the ECB reacted with a first small increase in the base rate.

measured in terms of the debt-to-GDP ratio[44] has risen dramatically since 2007 and higher market interest rates have to be paid. The crisis is therefore increasing the pressure to institute the reforms needed to strengthen competitiveness and improve the conditions for growth. The best scenario would be for the distressed EMU countries to achieve growth relative to debt and so reduce their debt ratios, although this is now more difficult because the growth models of credit-financed domestic demand – be it public debt or private debt in the real estate sector – are now under scrutiny. On the other hand, realignment of a country's growth strategy can no longer be based on the traditional option of devaluation as an instrument for regaining competitive strength. Withdrawal from the EMU and the reintroduction of a national currency, which could then be devalued, has been a recurrent topic of debate,[45] but it is not a realistic option because it harbors enormous economic and political drawbacks on account of the high level of interdependence in the EMU.[46] In the current crisis, the real interest rate channel, which stimulated growth in the past through low or negative real interest rates (difference between nominal interest rate and inflation rate), is not an option, although a return to lower interest rates could be achieved with the right policy.

On the other hand, it would be helpful if Germany, as the largest economy in the eurozone, continued to act as a propeller of growth beyond 2010, even though this alone will not be enough. What is needed above all is the correction of misguided developments in economic policy. For example, capital inflows in Greece were used to finance huge government deficits, and in Ireland and Spain the real estate markets boomed until the housing bubble burst, causing problems in the banking sector. The temporary damping of domestic demand and intensified measures to promote exports are essential because budget restructuring and

44 The general government debt ratio is the ratio between government debt and GDP. Since 2007, it has risen by almost 40 percentage points in Greece to 134 percent of the GDP and by over 20 points to 86 percent in Portugal, and it has more than tripled to 77 percent in Ireland and almost doubled to 65 percent in Spain, see European Commission, Public Finance in EMU, June 4, 2010; www.ec.europa.eu/economy_finance/publications/european_economy/2010/ee4_en.htm [accessed March 28, 2018].

45 See Barry Eichengreen, The Breakup of the Euro Area, in: Alberto Alesina/Francesco Giavazzi (eds.), Europe and the Euro, Chicago/IL 2010, pp. 11–55.

46 While a sharp nominal devaluation of the new currency could provide short-term relief, the subsequent process of inflation would have to be curbed through restrictive monetary and fiscal policies, so that a sharp rise in interest rates would place a heavy burden on the national budgets, companies, and private households. Nor should it be forgotten that banks, companies, and the public sector spent large sums of money on converting various operations (pricing, accounting, IT, taxation, etc.) to the euro. Were a new national currency to be introduced, the changeover costs would be incurred again.

the restoration of sustainable public finances are the prerequisites for renewed growth. It is also important to strengthen growth and competitiveness through structural reforms in the individual countries. More flexible labor markets, for example, can facilitate these necessary structural changes.

In this context, one should also mention the plan to improve competitiveness followed by the German government after 1999. This strategy succeeded in keeping the German inflation rate down to between half and one percentage point below the EMU average until 2006, which is tantamount to a real devaluation. Germany's competitiveness was improved through a combination of extensive corporate restructuring, wage restraint, and moderate structural reforms in the labor market in what was a long and laborious process of adjustment. The German model can serve as a guideline for the eurozone's problem countries, but is not easily transferable because Germany, as an export champion, had already been suffering from weak domestic demand for years.

A Permanent Rescue Umbrella and No-Bailout Clause: The loss of confidence caused by budget offenders and the erosion of the no-bailout clause cannot be remedied simply by converting the temporary rescue programs of May 2010 into a permanent institution that will exist beyond 2013.[47] In a monetary union conceived as a stability alliance, it is solidity, rather than solidarity, that is needed in order to generate confidence. In monetary policy, solidarity should apply only in an emergency situation. The problem is that excessive solidarity – as in the case of the perpetuation of the rescue umbrella – can have a significant negative impact on the cohesion of the EMU. The certainty of being bailed out via a permanent rescue umbrella in the event of excessive government debt can severely undermine the incentives for sound fiscal policies. This danger still exists even if the rescue package comes with strict conditions because it can easily generate an "après moi le déluge" attitude. What government will resist the temptation to continue to incur high levels of debt if it is the next government that has to take painful remedial action in an emergency? Based on past experience with Greece and Ireland, any external financial assistance with conditions attached –

47 In mid-December 2010, the heads of state and government decided to launch a new permanent European Stability Mechanism (ESM) as soon as the current rescue umbrella expires. The decision on the details – including an increase in the effective lending capacity to 500 billion euros – was made in March 2011. The ESM requires guarantees and capital contributions. Germany must contribute around 21.7 billion euros to the total paid-in capital of 80 billion euros, see "Schlussfolgerungen des Europäischen Rates (Tagung vom 24./25.3.2011)"; www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/de/ec/120313.pdf [accessed March 28, 2018]; see Frankfurter Allgemeine Zeitung from March 3, 2011: "Krisenhilfe ohne Gemeinschaftshaftung"; Ifo Schnelldienst, Sonderausgabe November 23, 2010: "Ein Krisenmechanismus für die Eurozone."

even within the EMU – runs the risk of being politically demonized as unwanted interference. It should also be borne in mind that the use of a permanent rescue umbrella can make potential donor countries susceptible to political blackmail. For instance, they might forego the option of the orderly rescheduling of sovereign debt in crisis countries because of potential threats to their own banking systems. Finally, the extensive use of a permanent rescue umbrella might overextend the strong EMU partner countries – Germany, France, and a number of smaller countries – both politically and financially and thereby weaken the EMU as a whole. The two new sentences planned for the Lisbon Treaty, however, cannot assuage these concerns.[48]

The guarantees given in the rescue programs of May 2010 for the market funds borrowed have not yet had a direct impact on the taxpayers in Germany or the other participating countries because the debtor countries have to pay interest at rates close to market rates for the financial aid received. However, from 2013 onwards, the eurozone countries have to make capital contributions to the ESM that have implications for the budget totaling 80 billion euros. If one or the other consolidation program for a problem country should fail, however, and debt restructuring for sovereign debt problems is not an option in the future either, the taxpayers in the donor countries might also be burdened with real costs. In the worst case – intensive use of the rescue system and simultaneous failure of all consolidation programs – they could even be overburdened by the fallout. From today's point of view, however, the worst case seems unlikely, but disenchantment with Europe may grow if the taxpayers in Germany and elsewhere come to the realization that they also have to pay for the budgetary sins of other euro countries.

There is also a moral hazard problem at the level of the investors. The fact that a eurozone country with sovereign debt problems can count on the long-term support of strong partner countries creates an incentive for investors to take higher risks, especially when a higher rate of return beckons. It is therefore only right that the European Council shall introduce investor co-liability in the event of sovereign debt crises in the euro area after 2013. The flip side of this coin is

48 In order to enshrine the new permanent crisis mechanism in law, two sentences were added to Article 136 of the Lisbon Treaty in a simplified amendment procedure: "The member states whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality." For Germany, one objective was presumably to avoid rejection of the permanent rescue mechanism by the Federal Constitutional Court, see "Schlussfolgerungen des Europäischen Rates (Tagung vom 16./17.12.2010)"; www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/de/ec/118604.pdf [accessed January 9, 2019].

that investors will demand higher interest rates for investments in the government securities of endangered eurozone countries because they can no longer be sure that they will always be held 100 percent harmless. As a result, and given the disappointed expectations in previous years that the market would discipline budget sinners, the financial markets will put pressure on distressed eurozone countries to improve budgetary discipline.[49]

Orientation for Financial Markets: An important objective must be to calm the nervous financial markets, a goal that was not achieved despite the huge volume of the rescue package and Ireland's initial use of it in November 2010. The announcement made by the European Council to the effect that investors will in future be held jointly liable in sovereign debt crises has made the financial markets very nervous. Confusion has also been sown by the wide range of proposals to alleviate the debt problems of countries in the eurozone that have been bandied about.[50] Finally, a number of communication problems between governments and participants in the financial markets have created a negatively charged atmosphere. Governments make it too easy for themselves when rescue operations for banks are followed by the – often general – defamation of the financial market players as speculators. It should not be forgotten that a large number of institutional investors – investment and pension funds in addition to banks and insurance companies – as well as numerous private investors, large and small, operate in the financial markets. The overwhelming majority of these actors are looking for sound and profitable financial investments, such as retirement funds. They must critically examine the quality of their investments if they want to avoid losses.

Financial market participants need orientation and planning security for their investment decisions; without security and orientation, it will be difficult to finance the public deficits of struggling countries, and the risk that the markets

49 This was also seen as an indication that the markets long remained skeptical about whether the no-bailout clause would be respected. The rescue programs of May 2010 showed that their skepticism was indeed justified.

50 A wide range of proposals have been made, including purchase by the EFSF of government bonds from struggling euro countries, enlargement of the rescue package, guarantees for existing bonds as part of a permanent rescue scheme, and the joint issue of government bonds in the eurozone. The drawback to all these suggestions is that they are at variance with the no-bailout clause, see European League for Economic Cooperation, CAHIER COMTE BOËL n°14, The creation of a common European bond market, part IV: Werner Becker, The Creation of a Common European Government Bond. Arguments Against and Alternatives, Brussels 2010; www.eleclece.eu/en/system/files/publications/cahier-boel/the-creation-of-a-european-common-bond-market/b14.pdf [accessed January 9, 2019].

will attack other heavily indebted EMU countries will remain high.[51] Better communication between governments and the financial markets can provide this much-needed orientation. What is at stake is not only a credible consolidation path and enhanced prospects for growth through reforms, but also the promised contribution of investors to debt management schemes for euro countries that fail to solve their sovereign debt problems. No investor participation is planned for the bailout programs in place until 2013 or for government bonds that mature before that date, but after that, this mandate will become effective. However, the European Council's March 2011 resolution[52] on the launch of a new permanent EMU stability mechanism from 2013 onwards does not clarify the details of creditor involvement. There is a need for clarification here in order to provide orientation for the financial markets.

Rules Required for the Controversial Debt-Rescheduling Option: So far, the rescheduling of sovereign debt in distressed eurozone countries has been treated as taboo in light of the high degree of interdependence in Europe. However, a serious sovereign debt crisis does not have to lead to uncontrolled national bankruptcy with negative chain reactions for the real economy and the financial markets in the eurozone. An orderly debt-rescheduling procedure is certainly an option in an emergency, but it does require rules, institutions, and structures.[53] Traditionally, debt-distressed countries negotiate with government creditors in the Paris Club and with private (institutional) creditors, primarily banks, in the London Club. In both cases, the IMF is normally involved in conditional restructuring programs and the provision of financial resources[54] to buy time for the economies involved to adapt.

It is a controversial issue, for example, whether the restructuring of government debt in Europe should take place within the framework of the above-mentioned traditional structures or with the help of a newly created European Monet-

51 EMU countries with a very high debt ratio of more than 100 percent of the GDP, as is the case in Italy and Belgium, are potentially at risk.

52 See "Schlussfolgerungen des Europäischen Rates (Tagung vom 24./25.3.2011)"; www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/de/ec/120313.pdf [accessed March 28, 2018].

53 The late phase of the Latin American debt crisis in the 1980s could be instructive here. The buzzword at the time was Brady Bonds, which were based, among other things, on reduced debt and interest payments and gave the debtor countries new scope for growth with fresh money and economic policy reforms, so that they could outgrow their debt burdens by their own efforts, which they succeeded in doing in the 1990s.

54 Today, the creditor structure is different because the focus in the struggling eurozone countries is not on borrowings, but on bonds. These bonds are also held by numerous private investors for whom a platform – perhaps a "Berlin Club" – would have to be created.

ary Fund (EMF).[55] The latter would ensure sustainable budgetary discipline and facilitate an orderly debt-rescheduling procedure in the event of serious sovereign debt crises in the eurozone. An EMF is to be viewed critically, however, because such an institution, which would first have to be created, would cost money and lack experience. This new institution would have to ensure budgetary discipline, an objective that has not been achieved by tried and tested European institutions such as the European Council, the Eurogroup, and the European Commission. Moreover, in the case of debt rescheduling in a eurozone country, the EMF would have to do exactly what its proponents think the established institutions such as the Paris and London Clubs and the IMF are incapable of doing. Experience to date shows that the IMF's expertise and financial resources are indispensable for Europe. Given such a plethora of tasks, however, vociferous calls for democratic control of the EMF would pop up immediately. An independent status for the EMF, similar to that of the ECB, would hardly be feasible in practice. Consequently, in the absence of the necessary political will, an EMF is unlikely to achieve more than established EU institutions with regard to budgetary discipline and debt restructuring. Finally, the establishment of an EMF would quickly revive the question of the IMF's raison d'être at the international level.[56] These disadvantages speak in favor of the above-mentioned more traditional debt-restructuring structures.

Conclusion

European integration has progressed the furthest in terms of the EMU. This monetary union is where the idea of Europe is very much alive and well, and where it is likely to remain alive in the years ahead. After twelve years, and in spite of the sovereign debt crisis, the euro can still be considered a success. The euro has retained most of its advantages, such as price stability, low interest rates (for countries with a sound economy), greater planning security for companies, and the elimination of foreign-exchange risks in Europe. In many respects, the critics

55 See Daniel Gros/Thomas Mayer, Towards a Euro(Pean) Monetary Fund, Economic Policy Ceps Policy Briefs no. 202, February, updated May 17, 2010; papers.ssrn.com/sol3/papers.cfm?abstract_id=1604446 [accessed March 28, 2018]; ibid., Debt reduction without default? Ceps Policy Briefs no. 233, February 2011; aei.pitt.edu/15767/ [accessed March 28, 2018].

56 In Asia and Latin America, efforts have been under way for years to dilute the role of the IMF by establishing a regional monetary fund without strict conditionality. Renewed debate on the IMF's raison d'être could damage economic policy discipline worldwide.

of the euro have been refuted. However, there have been and still are deficiencies, including serious negative developments in terms of competitive position and fiscal policy. Excessive budget deficits have undermined sovereign debt sustainability in several eurozone countries. And yet, the 2010/11 sovereign debt crisis has not been a euro crisis, and there is no serious risk of a breakup of the European Monetary Union. However, the enormous budgetary sins and the erosion of the no-bailout clause caused by the rescue packages have greatly compromised the foundations of this monetary union, creating the need for action and rehabilitation in terms of economic and fiscal policy. Monetary policymakers must now take over the helm again in order to steer the ship of the European Monetary Union into calmer waters. Should restoration of sound public finances in the problem countries and elsewhere in the EMU fail, the way forward – given the high degree of economic and financial integration – would probably not be the breakup of the EMU and the introduction of new national currencies, but rather a debt union, which could develop into a transfer community. This, in turn, might be an indirect way to stimulate the debate on a political union with a European government, a full-fledged European Parliament, and a large EU budget. It would then be logical from a political standpoint to take steps towards a political union. However, the time will not be ripe for such a move in Europe as long as every country and every government sees its own interests best served within a national framework. Since this will more than likely continue to be the case in the foreseeable future, it would seem better to continue to treat the EU and the EMU as an entity sui generis between a federal state and a confederation of states. The European Monetary Union has proven to be a catalyst for integration and a platform for cohesion in Europe. Indeed, Europe and the euro can continue to function on the basis of intergovernmental cooperation and coordination plus a centralized monetary policy, provided that the rules are observed. Analogous to the remark by Jacques Rueff quoted at the beginning of this article, one might therefore conclude that Europe will remain in existence through a (single) currency or not at all.

Wilfried Loth

Helmut Kohl and the Monetary Union

Numerous myths have shrouded the path leading to the Treaty of Maastricht. Was the renunciation of the German mark in favor of a European Community currency the price to be paid for German reunification? Or, when the unexpected reunification of the two Germanies rocked Europe in the winter of 1989/90, had the way already been paved for a monetary union thanks to the path dependency within European integration policy and the tenacity of François Mitterrand and his Italian and Spanish allies? Did Helmut Kohl yield all too readily to those tenacities "in order to make progress towards the establishment of a political union?" Should we therefore concur with Kohl's biographer Hans-Peter Schwarz who speaks of a "tragic figure who wanted to do good and in many cases did so, albeit going too far and trusting too much?"[1] These still unanswered questions have become all the more pressing in light of the sovereign debt crisis in the eurozone that has underscored the weaknesses of the Treaty of Maastricht. The only way to get at the heart of these issues and find reliable answers is to take a closer look at Helmut Kohl's role in the development of the Treaty of Maastricht.

The Monetary Union Project

In the first few years of Helmut Kohl's chancellorship, his agenda focused on intensifying the cooperation in monetary policy within Europe.[2] The European Monetary System (EMS), which was introduced in 1979, provided greater incentives to establish a monetary union and overcome the crisis of stagflation than the unsuccessful "currency snake" that had been introduced in 1972. Not only did

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Translation by Christopher Marsh.

1 Hans-Peter Schwarz, Helmut Kohl. Eine politische Biographie, Munich 2012, p. 936; for the argument about the instrumental character of the decision in favor of monetary union, see ibid., p. 935.

2 On the long run-up to the European Monetary Union, see Horst Ungerer, A Concise History of European Monetary Integration. From EPU to EMU, Westport/CT 1997; on the details of the decision-making processes, see Emmanuel Mourlon-Druol, A Europe Made of Money. The Emergence of the European Monetary System, Ithaca/NY 2012; Harold James, Making the European Monetary Union. The Role of the Committee of Central Bank Governors and the Origins of the European Central Bank, Cambridge/MA 2012, and Wilfried Loth, Building Europe. A History of European Unification, Berlin/Boston 2015.

the participating states agree to limit currency fluctuations to a maximum of 2.25 percent relative to the central rate of their currencies against the US dollar, but also the EMS required governments to intervene in the money markets and adopt fiscal consolidation measures when the limit was in danger of being reached. To ensure the effectiveness of such interventions, the respective governments transferred 20 percent of their gold and currency reserves to the European Monetary Cooperation Fund and the European Currency Unit (ECU) ensured transparency when it came to the financial transactions of the participating countries.

The EMS thus created a mechanism that not only enabled countries with weak currencies, such as France, to fight inflation, but also made it possible for Germany to resist the upward pressure on the German mark stemming from the weak US dollar. As a result, the countries of the European Community were able to return to a path of economic growth, uncoupled from the US dollar. The success of the EMS was jeopardized, however, when François Mitterrand took office and decided to introduce a governmental economic stimulus and job creation package early on in his presidency. But, in March 1983, he then switched to a rigid austerity policy, prompting all member states of the EMS, without exception, to prioritize the fight against inflation.

Consequently, inflation rates across Europe dropped closer to those of West Germany and the Netherlands, making further monetary adjustments unnecessary. Only Italy and Ireland had to agree to significant devaluations of their currencies: The value of the lira dropped by six percent in July 1985 and that of the Irish pound by eight percent in August 1986. To prevent flight from their currencies, underperforming countries had their central banks purchase German marks when their currencies were strong so that these marks could be used to support their currencies at times of weakness before the intervention thresholds were reached. The German mark thus increasingly became a second reserve currency alongside the dollar and the anchor currency of the EMS. This reliance on the German mark also reinforced the stability measures that had been adopted, lending credibility to corresponding government programs.

The consolidation of the EMS led to renewed support for developing it into a monetary union. François Mitterrand was a particularly strong advocate of this path, having decided to make the goal of a more cohesive European Community one of the pillars of his presidency in 1983. With the support of the French Ministry of Foreign Affairs and the French Treasury, Mitterrand's friend Roland Dumas drew up a memorandum, which he presented on June 1, 1984, that stressed the need for increased coordination in monetary policy and the development of a common economic planning framework to secure stability and growth. At the same time, it noted that private use of the ECU should still be encouraged and called for the development of the European Monetary Cooperation Fund into a

European Monetary Fund that would make it possible to defend the European currencies against the US dollar. In sum, it stated, these measures would lend the ECU the function of a genuine European and international currency.[3]

Dumas' memorandum cited the need to avoid the impact of dollar exchange rate fluctuations and dependence on US interest rate policies as the main reason behind the revival of the plans for a monetary union. A second motive stemmed from the growing self-imposed subordination to the German mark, which had made European countries dependent on the German Bundesbank policies on the dollar and interest rates. The latter motive was made even less acceptable by the fact that, as a result of the increasing frequency of unilateral preventive measures taken before the intervention thresholds were reached, the Bundesbank was doing far less to stabilize exchange rates than the central banks of weaker countries. The ECU-based divergence threshold, after which the Bundesbank was also expected to intervene, was rarely reached, and in time this convergence instrument fell into disuse.[4]

With the position of the Bundesbank greatly strengthened by these developments, resistance also grew to calls to build up European monetary reserves and strengthen monetary policy. Although Bundesbank President Karl Otto Pöhl was careful to avoid appearing as an out-and-out opponent of a European monetary union, he stepped on the brakes, calling for full agreement on the definitive institutional design of such a union before any reforms could be introduced. Helmut Kohl could not easily squash Pöhl's opposition because his finance minister Gerhard Stoltenberg (*Christlich Demokratische Union Deutschlands*, CDU), who worked closely with the Bundesbank, was becoming increasingly popular and was looming as a potential rival for the chancellorship. In principle, Helmut Kohl was in favor of a monetary union; it was a self-evident part of his vision for a united Europe.[5] But he had to be careful moving forward, making sure he kept in step with the consensus among West Germany's policy-makers – or at least within the CDU – which made him hesitant to embrace French initiatives. The concessions he was prepared to make in the formulation of the 1986 Single European Act were nowhere near as far-reaching as Mitterrand had hoped: in terms of economic cooperation, the participating states merely committed to taking

3 See Kenneth Dyson/Kevin Featherstone, The Road to Maastricht. Negotiating Economic and Monetary Union, Oxford/New York 1999, pp. 152–53.

4 See Ungerer, History, p. 163. This motive is magnanimously ignored in the assessment of French pressure as "Mitterrand reaching out for the 'German atom bomb'" and an attempt "to subjugate the Federal Republic in monetary policy," in: Schwarz, Kohl, pp. 419, 517.

5 See Schwarz, Kohl, pp. 397–497.

"account of the experience acquired in cooperation within the framework of the European Monetary System (EMS) and in developing the ECU."[6]

The first cracks appeared in the German line of defense in the winter of 1986/87, when a dramatic drop in the dollar put pressure on the French to devalue the franc and the Germans to revalue the German mark. Jacques Chirac – Mitterrand's new prime minister following the victory of the Gaullists in the 1986 French parliamentary elections – blamed the situation on the decision made by the Bundesbank to raise money-market interest rates. Although Stoltenberg defended the Bundesbank publicly against criticism coming from Paris, he had to concede the validity of this criticism internally. He came to the conlcusion that the monetary system needed better defense mechanisms against speculative pressure; this would encourage the Bundesbank to be more flexible while also protecting it against further attacks. The Franco-German confrontation ended with a decision by the finance ministers on January 12, 1987 to revalue the German mark and Dutch guilder by a modest three percent and the Belgian/Luxembourg franc by two percent; the call to devaluate the French franc, however, was withdrawn.[7]

After the revaluation crisis in late 1986 and early 1987, West German Foreign Minister Hans-Dietrich Genscher (*Freie Demokratische Partei*, FDP) recognized the need to put a monetary union on the West German government's agenda in spite of the Bundesbank's temporizing. Among those urging him to do so was Mitterrand's foreign minister Dumas, who had developed a good relationship with his German counterpart, having realized that a public initiative would have to come from the German side in order to succeed. Genscher, for his part, was concerned that the monetary system would not survive for long if the existing asymmetries persisted. He also believed that it would endanger a potential political union – at a time when Mikhail Gorbachev's reform measures were making it more necessary than ever before.

Genscher maintained that the reforms in the Soviet Union and Gorbachev's efforts to overcome the Cold War in his guise as General Secretary of the Communist Party of the Soviet Union lent urgency to the need for a monetary union:

> The East-West rapprochement called for nothing less than an EC [European Community] capable of action, working closely together rather than drifting apart. Moreover, in light of the new developments, the German attitude was being observed with watchful eyes, and not only in Paris: Would the Germans remain on board the European Community steamer, or would they set their own course? Once the question of German reunification became

6 "Einheitliche Europäische Akte, unterzeichnet von den Außenministern der EG-Mitgliedstaaten in Luxemburg im Februar 1986," in: Europa-Archiv 41 (1986), pp. D 163–82.

7 See ibid., p. 180; see also Dyson/Featherstone, Road, pp. 156–80, 306–42.

> acute, this question would become even more critical; at that point there could be no uncertainties, no ambiguities, as that would have had disastrous consequences.[8]

Genscher clearly recognized that the growing pressure exerted by the French was in part motivated by French concerns that Germany might leave the European Community, concerns that could be countered only by taking measures to strengthen German integration in good time.

Accordingly, the West German foreign minister looked for ways to significantly reduce the influence of the Bundesbank on the West German government's attitude towards a monetary union. An opportunity presented itself after Genscher's party, the FDP, made substantial gains in the national elections in January 1987 and Stoltenberg's influence in his home state of Schleswig-Holstein waned in 1987/88 in the wake of the “Barschel affair.” Germany's subsequent success at the Brussels council meeting on February 11 and 12, 1988 in the form of approval of the “Delors package,” which was designed to accelerate the establishment of the European single market, then further strengthened Genscher's standing with both the West German public and the country's European partners. In turn, he was able to publicly present a carefully elaborated blueprint for a “European monetary area” on February 26, which was intended to outmaneuver the Bundesbank and to force the hand of the hesitant chancellor.

As this memorandum had deliberately not been put to a vote in the cabinet, it had the status of a personal statement made by Genscher. It reiterated the goal of a monetary union as formulated by Pöhl and other representatives of the Bundesbank, but it also proposed a procedure to facilitate its implementation in the near future. The main plank of this monetary union was to be a European central bank that would be as autonomous as the West German Bundesbank and equally committed to the goal of price stability. In order to make progress towards this goal, the next meeting of the European Council in June was supposed to be used to appoint a “committee of experts” with “professional and political authority,” who would be given a year to define the basic requirements for the creation of a European economic area, draw up the statutes of the European central bank, and develop plans for the transitional period leading up to full monetary union, all in keeping with the principle of parallel development in economic and monetary integration.[9]

8 Hans-Dietrich Genscher, Erinnerungen, Berlin 1995, p. 387.
9 See Henry Krägenau/Wolfgang Wetter, Europäische Währungsunion. Vom Werner-Plan zum Vertrag von Maastricht. Analysen und Dokumentation, Baden-Baden 1993, pp. 310–12.

The only recourse for opponents of a monetary union was to protest against the proposed procedure, which they promptly did. On March 15, Stoltenberg sent a counter-memorandum to the Committee of State Secretaries for European Affairs and the Monetary Committee of the EC Council of Ministers. It had been drafted in close cooperation with the Bundesbank and listed a whole series of conditions that needed to be met prior to the establishment of a European central bank: further "augmentation" of monetary cooperation and a focus on price stability, irrevocable freedom of movement of capital within the EC, stronger convergence in terms of economic development, unrestricted participation in the monetary system for all member states, guarantees for the independence of the national central banks, and a substantial transfer of national sovereign rights to the EC level in areas beyond monetary policy.[10] From this perspective, a monetary union was a long-term objective, which could be achieved – in keeping with the "crowning theory" so popular among German financial experts – only when all member states had achieved adequate convergence with Germany.[11]

Kohl saw the logic in Genscher's arguments, but he initially chose to keep his cards close to his chest and await further reactions to Genscher's initiative because of the rift that had appeared within his government. It was only after trade and industry representatives had generally responded positively and Mitterrand had been reelected French president on May 7 that he decided to take charge of the proposed appointment of a committee of experts. In order to ensure success, he insisted that its members should include not only a number of independent public figures, but also the central bank governors. At the Franco-German summit held in Evian on June 2, he proposed that Jacques Delors, with whom he was closely collaborating, should chair the committee. At the same time, he called on Mitterrand to meet a condition that was of particular importance to Stoltenberg, namely the assurance of the free movement of capital within the EC.[12] After Mitterrand had acquiesced to this demand and the EC Council of

10 See ibid., pp. 337–38.

11 Therefore, one cannot say that Stoltenberg decided "to again push ahead with the subject of economic and monetary union," as formulated in Schwarz, Kohl, p. 433.

12 Noted in Jacques Attali, Verbatim, vol. 3: Chronique des années 1988–1991, Paris 1995, p. 32. According to Pierre Favier and Michel Martin-Roland, who were able to consult the corresponding original documents, more than half of the records published in Volume 3 by Mitterrand's closest aide Jacques Attali were actually dictated by Jean-Louis Bianco, Secretary General of the Presidential Office; see La Décennie Mitterrand, vol. 3: Les Défis [1988–1991], Paris 1996, p. 38. Françoise Carle, who was responsible for archiving documents from the presidential office, speaks of cuts and additions that Attali made to some documents (see Les Archives du Président. Mitterrand intime, Paris 1998, p. 111). That does not mean that the records published by Attali

Ministers had made the decision to liberalize the movement of capital by July 1, 1990 at the latest, the path had been cleared for Kohl to step in as the initiator of the monetary union at the next council meeting. Likewise, he was now able to neutralize Stoltenberg's opposition thanks to his success with the liberalization of the movement of capital.

At the council meeting held in Hannover on June 27 and 28, Kohl first attempted to convince British Prime Minister Margaret Thatcher in private talks that she had nothing to fear from a committee that consisted primarily of orthodox central bankers. Then, after the council had just confirmed Delors as president of the European Commission for a further term of office, Kohl proposed during dinner that the president of the commission should chair the new committee – and that the committee should also include all twelve central bank governors, plus Frans Andriessen as a further member of the European Commission, as well as Miguel Boyer (president of Spain's foreign trade bank, Banco Exterior de España), Alexandre Lamfalussy (general manager of the Bank for International Settlements), and Niels Thygesen (a professor of economics in Copenhagen) as independent public figures. The proposal met with general approval; Thatcher merely insisted that the question of the establishment of a European central bank should not be explicitly written into the committee's mandate, while State Secretary Hans Tietmeyer, who had been added to the German delegation in Hannover as a watchdog for the Ministry of Finance, added a last-minute provision to the effect that the central bank governors should act only in their own names and not on behalf of their banks. At the closing press conference, Kohl, who was president of the council at the time, said he was 90 percent certain that the European Central Bank would become a reality by the year 2000.[13] Undoubtedly, with the appointment of a committee charged with drawing up a road map for the mon-

should be considered less authentic than other more or less detailed memos. Mitterrand read the proofs for the first two volumes, which Attali compiled on his instructions, and made handwritten corrections in places, but the advanced state of his illness prevented him from doing the same with the third volume; see Guy Sitbon, Le cas Attali, Paris 1995, pp. 215–24; an interview with Mitterrand in: ibid., pp. 229–38, here pp. 237–38, and Jacques Attali, C'était François Mitterrand, Paris 2005, pp. 359, 362, 435. There is no justification for the doubts about the reliability of Attali's publication expressed by defenders of Mitterrand such as Pierre Joxe and Pierre Hassner at a conference on Mitterrand and the end of the Cold War, see Samy Cohen (ed.), Mitterrand et la sortie de la guerre froide, Paris 1998, pp. 426, 455, spread in Frédéric Bozo, Mitterrand, la fin de la guerre froide et l'unification allemande. De Yalta à Maastricht, Paris 2005, pp. 11–12, 381–82.

13 See "Tagung des Europäischen Rates der Staats- und Regierungschefs am 27. und 28. Juni 1988 in Hannover," in: Europa-Archiv 43 (1988), pp. D 443–47; for the details, see also Jacques Delors, Erinnerungen eines Europäers, Berlin 2004, pp. 383–85.

etary union, the proposal for a common currency was back on the EC agenda. Moreover, the opposition of the Bundesbank had been neutralized by the inclusion of the central bank governors in this committee.

With Delors' firm purposefulness and the effective mediation repeatedly provided by the Dutch central bank governor, Wim Duisenberg, a report was in fact produced by April 12, 1989 and endorsed by all the members of the committee. It followed the proposals made by Genscher, but it also included some ambiguities that concealed unresolved differences of opinion. It reflected the German position, for example, when it came to the objective of establishing an independent European central bank system headed by the Directorate of the European Central Bank and the governors of the national central banks, which would be committed to the goal of price stability. Mitterrand had given the go-ahead to the French central bank governor, Jacques de Larosière, because he knew that this would be the only way to achieve a monetary union. Plans were also made for a nominal EC currency in order to underscore the irrevocability of the fixed exchange rates. In contrast, with regard to the parallel development of a common economic and fiscal policy that Delors considered to be essential for the long-term success of the monetary union, the report contained only vague references to "macroeconomic coordination, including binding rules in the budgetary field."[14] The explicit reference in an early draft to a "transfer of decision-making power"[15] to the European level was dismissed by Delors as unrealistic.

As far as the roadmap was concerned, Delors was able to gain acceptance for a three-phase process and the need for a "clear political commitment to the final stage"[16] from the very beginning. In terms of a timetable, however, the report only recommended that the first phase should begin by the latest with the liberation of the movement of capital on July 1, 1990. Apart from that, no specific conditions were set that had to be met before moving from the first to the second phase or from the second to the third, nor was any timeline defined for those steps.

The objective of the first phase was to reinforce convergence in economic development and economic policy and to have all member countries consent to the exchange rate mechanism of the EMS. Correspondingly, a treaty on the economic and monetary union was supposed to be drawn up during this phase. Following its ratification, in the second phase, the European central bank system

14 "Der Delors-Bericht. Bericht zur Wirtschafts- und Währungsunion in der EG, vorgelegt vom Ausschuß zur Prüfung der Wirschafts- und Währungsunion am 17. April 1989," in: Europa-Archiv 44 (1989), pp. D 283–304, quote p. D 290.

15 Ibid., p. D. 302.

16 Ibid., p. D. 296.

was to organize the transition to a full monetary union, which was to be implemented in the third phase.

The Delors committee report remained vague on the organization of the transition to the second phase. Pöhl successfully opposed de Larosière's call for the creation of a European monetary fund in this transitional phase and the proposal to create a parallel European currency to be legal tender alongside the national currencies. The report merely stated that the European central bank should be permitted to accumulate "a certain amount of foreign currency reserves" and use them to intervene in the foreign exchange markets. Yet it also proposed that exchange rate bandwidths should be narrowed as circumstances and progress in terms of convergence permitted. In addition, the report called for precise, yet not binding, rules governing the size and financing of budget deficits. Futhermore, it suggested that "guidelines" on macroeconomic development should be approved on the basis of a majority vote. At the same time, however, the relevant national bodies were to have "ultimate responsibility" for political decisions made during this phase.[17]

Although the key conditions of the Bundesbank were protected in this design for a future monetary union and the timescale for implementation was unclear, the report's call for an immediate start and a firm commitment to the end goal provided a powerful stimulus to begin turning the monetary system into a monetary union. Accordingly, Mitterrand, Delors, and Genscher asked the EC Council to approve the report of the Delors committee at its next meeting in Madrid and they called for an intergovernmental conference to draft the treaty needed for phase two of the project. They wanted to strike while the iron was hot, taking advantage of the fact that all central bank governors had committed themselves to a common program. For his part, Mitterrand brushed aside the concerns voiced by his finance minister, Pierre Bérégovoy, regarding the proposed union's lack of authority in economic and fiscal policy. At a meeting held in the Élysée Palace on May 11, Mitterrand clearly stated that the advantages of a monetary union would more than outweigh the risks that France would be taking in liberalizing the movement of capital.[18]

Facing pressure coming from the advocates of a monetary union, however, Kohl once more found himself in a dilemma. On the one hand, he concurred with their analysis of the situation and their conclusions, but, on the other hand, he

17 Quotes pp. D 301–02; see also Krägenau/Wetter, Europäische Währungsunion, pp. 33–40. On the negotiations in the Delors committee, see Dyson/Featherstone, Road, pp. 342–50, 713–20; Delors, Erinnerungen, pp. 385–89; James, Making, pp. 234–61.
18 See Dyson/Featherstone, Road, p. 188.

had to proceed with great caution because of domestic political concerns. At the time, not only was the criticism of his performance as chancellor growing louder, but also CDU Secretary General Heiner Geissler was working to have him removed from office. Given this delicate situation, he could not afford to offend the CSU (*Christlich-Soziale Union*) leader Theo Waigel, whom he had appointed finance minister in April and who was a source of support in the face of criticism coming from within the party. At cabinet meetings, Genscher was able to convince the West German government that it needed to side in favor of approving the Delors report and commencing with the first stage on July 1, 1990. Yet Kohl did not dare to contradict Waigel and Tietmeyer (whose competence was greatly respected by the new minister of finance) when they insisted that a number of "technical questions" had to be clarified before deciding to hold the intergovernmental conference.[19]

Consequently, little else could be set in motion at the meeting of the heads of state and government held in Madrid on June 26 and 27, 1989. Kohl took advantage of Margaret Thatcher's resistance to a new treaty to cast himself in the role of a mediator in the hope of gaining more time. Ultimately, the council welcomed the Delors committee report as an essential basis for preparing for the monetary union and set July 1, 1990 as the start date for the first phase. But, it also agreed that an intergovernmental conference would not be convened until the relevant bodies – the General Affairs Council, the Economic and Financial Affairs Council, the Commission, the Committee of Governors of the Central Banks and the Monetary Committee – had completed the necessary preparations; on no account, however, was this all supposed to happen before the beginning of the first phase. Apart from that, the council explicitly approved the German proposal for clear convergence criteria and rejected the French plan for a European reserve fund.[20]

The Decision in Favor of a Monetary Union

Mitterrand tried to take advantage of his European Council presidency in the second half of 1989, to make decisive preparations for the intergovernmental conference and to persuade the Germans to agree to a binding date. Mitterrand's hope was to start before the end of 1990, and he wanted the necessary decisions to be made at the next council meeting, scheduled to be held in Strasbourg in

19 See ibid., pp. 350–54; on the chancellor's problems in the field of domestic policy, see Schwarz, Kohl, pp. 496–502, 520–27.

20 See "Tagung des Europäischen Rates der Staats- und Regierungschefs am 26. und 27. Juni 1989 in Madrid," in: Europa-Archiv 44 (1989), pp. D 403–44, here pp. D 406–07.

December, with the preparations to be handled by a working group comprised of representatives from all the ministries of finance and foreign affairs and chaired by his European advisor, Elisabeth Guigou. He told Margaret Thatcher on a short visit on September 4 that he intended “to get the ball rolling” and that it should not be held up “by one or two states.”[21] This was essentially his way of saying that France was going to start the process of forming a monetary union even if the British preferred to stay out.

Ongoing political developments aided Mitterrand in his endeavors to convene an intergovernmental conference. In the summer and autumn of 1989, the tide seemed to turn in favor of overcoming the division of Europe and tearing down the wall dividing Germany. This shift generated a greater understanding for the strategic considerations behind Mitterrand and Genscher’s perspectives. Once Hungary’s border with Austria had been opened and an all-party government had formed in Poland, both Bérégovoy and Waigel realized that, whatever their differences were with regard to the details, a monetary union had to be achieved as quickly as possible. A sense of trust developed between the two at their first encounter within the framework of the Franco-German Economic Commission, at a meeting in Tegernsee on August 24 and 25. From then on, their ministries no longer operated secretly in opposition to the monetary union, but rather played a constructive role in the project. Even Pöhl expressed his conviction that, for political reasons, it was time for a monetary union.

Moreover, Kohl was able to win the power struggle within the CDU at the party conference in Bremen in September 1989. Armed with a new sense of self-confidence, he also began to speak on behalf of the Germans in the German Democratic Republic (GDR). At the same time, he also realized that he need to make timely gestures to forestall any fears among Germany’s allies that the country might try to go it alone again. On October 13, Joachim Bitterlich, the chancellor’s advisor on European affairs, informed his French counterpart Guigou that, at the upcoming council meeting in Strasbourg in December, Kohl would argue in favor of a decision to convene the intergovernmental conference, proposing the end of 1990 as its start date. Kohl wanted the negotiations to be concluded and a treaty signed by the end of 1991, aiming for the ratification process to be completed in 1992.[22]

21 Archives nationales Paris (henceforth: AN), 5AG4, 88 EG d.1, quoted from Jean-Marie Palayret, La voie française vers l’Union économique et monétaire durant la négociation du traité de Maastricht (1988–1992), in: Martial Libera/Birte Wassenberg (eds.), L’Europe au cœur, études pour Marie-Thérèse Bitsch, Brussels 2009, pp. 197–221, here p. 209.

22 Guigou to Mitterrand, October 13, 1989, in: AN, 5AG4, 6874; see also Attali, Verbatim, vol. 3, p. 321.

Mitterrand acknowledged that the negotiations should not start until after the German Bundestag elections, scheduled for the beginning of December 1990, so that the subject of a monetary union could be avoided in the election campaigns.

Contrary to Mitterrand's belief, however, Kohl's change of tack did not really settle anything. For the German chancellor, the upheavals in Hungary and Poland and the visible decline of the *Sozialistische Einheitspartei Deutschlands* (SED) regime showed that, in addition to economic and monetary integration, faster progress needed to be made towards the political unification of Europe. Not only did he consider political integration necessary in order to create a robust framework for the process of German reunification, but also in order to prepare the EC for new tasks in overcoming the legacy of communism in Eastern Europe. Eleven days after Bitterlich had communicated Kohl's message, the chancellor flew to Paris to tell Mitterrand himself. "With the economic project underway, it is now necessary to tackle the political European project," said Kohl at a dinner with Mitterrand on October 24. The chancellor also made it clear that, in his opinion, such an initiative was urgently required: "The Strasbourg summit must send a clear message to the East."[23]

Yet it did not escape Mitterrand's attention that Kohl gave only an evasive answer to his question about a date for the intergovernmental conference: "We cannot decide anything before we see what happens in Strasbourg."[24] This answer made Mitterrand suspicious. His close advisor Jacques Attali closed his notes on this "befuddling" conversation with the observation: "I feel for the first time that the chancellor is not confiding in us everything he knows and wants."[25] This mistrust became keen anxiety when Kohl specified his ideas in a letter to Mitterrand dated November 27: he wanted the ministers of finance and central bank governors assembled in Strasbourg to be instructed to arrange the intergovernmental conference; he also wanted the conference to address not only the economic and monetary union but also, in a second phase starting at the end of 1991, other institutional reforms, in particular reforms needed to strengthen the European Parliament. Kohl also noted that the "political decision on holding the intergovernmental conference on the economic and monetary union" should not be

23 Quoted from the records of presidential aide Jacques Attali, who was present at this dinner, as at practically all meetings between Mitterrand and Kohl: Attali, Verbatim, vol. 3, pp. 325–27, here p. 326.
24 Ibid., p. 326.
25 Ibid., p. 327; see also Hanns Jürgen Küsters, La controverse entre le Chancelier Helmut Kohl et le Président François Mitterrand à propos de la réforme institutionnelle de la Communauté européenne (1989/1990), in: Marie Thérèse Bitsch (ed.), Le couple France-Allemagne et les Institutions Européennes. Une postérité pour le Plan Schuman?, Brussels 2001, pp. 487–516, here pp. 491–96; Dyson/Featherstone, Road, pp. 363–66.

made until the middle of December 1990, and the negotiations should not begin until the beginning of 1991; both sets of negotiations, he maintained, should be completed by the end of 1992 – "in December at the latest." Finally, Kohl said in his letter that the idea was for the ratification processes to be completed in time for the next elections to the European Parliament in May/June 1994.[26]

In Paris, the suggestion to postpone the political decision on a monetary union by one more year and to embed it in a more comprehensive reform project, with all the pitfalls that this entailed, was interpreted as covert rejection: "If this is really the chancellor's position," Attali noted, "it means he has switched over to the British position – and that all is dead and buried. The German problems will sweep away the European structure."[27] Not only the monetary union project threatened to fail at the very moment it seemed so urgent to the French, but also German participation in the European project in general, which was a key motive in European policy for France and other countries, too.

Up to this point, Mitterrand had adopted a much more relaxed view on developments in *Deutschlandpolitik* (German policy) than others such as Margaret Thatcher. He did have some concerns that an uncontrolled movement in support of German reunification could trigger the fall of Gorbachev and even a major war between East and West. At the same time, he felt that stronger European structures gave him – unlike Thatcher – a platform for finding a peaceful solution to the German question. He had also trusted in Kohl to help him implement this European course of action. Consequently, his unease grew when, on November 27, the German chancellor for all practical purposes withdrew his approval for an intergovernmental conference on the monetary union. This unease shifted to alarm on the following day when Kohl went public with a ten-point reunification plan without first informing Germany's partners. Even though much remained unclear with regard to the proposed process with "confederative structures," including a timetable for the reunification process, the chancellor had unequivocally placed the reunification of Germany on the international political agenda. For Mitterrand, this meant, as he told Gorbachev at a meeting in Kiev on December 6, that Kohl had decided to give priority to German reunification over progress in the field of a European union and the creation of a European order for peace.[28]

26 Kohl to Mitterrand, November 27, 1989, in: Deutsche Einheit. Sonderedition aus den Akten des Bundeskanzleramtes 1989/90, Munich 1998, pp. 565–67.
27 Attali, Verbatim, vol. 3, p. 349 (November 27, 1989).
28 Ibid., p. 364. See also the Soviet minutes of the conversation in Aleksandr Galkin/Anatolij Tschernjajew (eds.), Michail Gorbatschow und die deutsche Frage. Sowjetische Dokumente 1986–1991, Munich 2011, pp. 266–71, here p. 268.

The French president then did everything in his power to persuade the German chancellor to make a binding commitment to holding the intergovernmental conference on the monetary union at the upcoming Strasbourg council meeting. An understanding about the negotiations for a political union, however welcome it would be in principle, was to be postponed until a later date, so as not to jeopardize the breakthrough on the monetary issue. On the afternoon of November 28, Mitterrand got on the phone to Kohl and threatened that France would not agree to his plan for German reunification if the West German government did not do three things first, namely approve the start of negotiations on a monetary union, definitively recognize Germany's border with Poland, and reiterate Germany's renunciation of nuclear weapons. He was more drastic in his words with Genscher, who visited him on November 30 in an attempt to calm the waters troubled by Kohl's solitary démarche:

> If German reunification is achieved before European Union, you'll have the Triple Alliance (France, Great Britain and the USSR) against you, exactly as in 1913 and 1939. [...] You'll be encircled, and that will end in a war in which once again all Europeans will ally against the Germans. Is that what you want? But, if German reunification is achieved after the European Union has made progress, we will help you.[29]

When Genscher reported on his conversation with Mitterrand, Kohl did realize that his commitment to a political union would not suffice to obtain French support for German reunification. This meant that he would have to be willing to take a greater political risk at home in terms of the monetary issue if he wanted to keep the room to maneuver that he needed for the reunification process without simultaneously endangering the European project. Nor was it unthinkable that, if he continued to obstruct the monetary union, he might again lose the initiative to Genscher on both counts. Summa summarum, then, it made sense to Kohl to be accommodating when it came to Germany's commitment to the monetary union. Shortly before the start of the council meeting on December 8, the Office of the Chancellor accordingly informed the Élysée that Kohl was prepared to commit to the opening of an intergovernmental conference on the monetary union in December 1990.[30]

29 Attali, Mitterrand, pp. 320–23, the quotation p. 321; on Genscher's visit see also Attali, Verbatim, vol. 3, pp. 353–54 (November 30, 1989), and Genscher, Erinnerungen, pp. 390, 677–80.
30 Bozo, Mitterrand, p. 152; on the following, see ibid., pp. 152–56; Thilo Schabert, Wie Weltgeschichte gemacht wird. Frankreich und die deutsche Einheit, Stuttgart 2002, pp. 425–28; Ulrich Lappenküper, Mitterrand und Deutschland. Die enträtselte Sphinx, Munich 2011, pp. 269–71.

The Strasbourg council meeting thus began in a relaxed atmosphere. Kohl stated during the opening luncheon that a clear roadmap was required, "to demonstrate our determination to make progress." As European Council president, Mitterrand declared, "The necessary majority exists for convening an intergovernmental conference pursuant to Article 236 of the Treaty. The intergovernmental conference will take place before the end of 1990 at the invitation of the Italian government." No decisions were made about a political union; it was merely noted that the economic and monetary union should "comply fully with" the "democratic requirement." With one dissenting vote cast by Margaret Thatcher, the meeting also adopted the "Community Charter of the Fundamental Social Rights of Workers," which Mitterrand and Delors had long fought for. Finally, the heads of government also approved Mitterrand's proposal for a "European Bank for Reconstruction and Development" to support the transition economies in the crumbling communist bloc. The French president merely had to accept Thatcher's demand that "the other member countries of the OECD," the USA in particular, should also be invited to participate.[31]

In return for his flexibility on the monetary issue, Kohl expected explicit support for his reunification policy. This proved to be difficult, however, because his need to accommodate conservative voters prevented him from making a definitive commitment to the Oder-Neisse line as the future eastern border of a reunited Germany. Accordingly, the preparatory group was unable to agree on the precise wording of a declaration on this border issue. At dinner on December 8 – as at the informal meeting of heads of state and government held in Paris on the evening of November 18[32] – Kohl was again fiercely attacked by Thatcher. This time around, she had the support of Italy's Prime Minister Giulio Andreotti and his Dutch colleague Ruud Lubbers. Only Spain's prime minister, Felipe González, took the same line as the German chancellor. Mitterrand finally asked Dumas and Genscher to work out a compromise in the wording of the statement.

The text presented the following morning reflected Kohl's position more than that of his adversaries: The twelve states pledged to seek "the strengthening of the state of peace in Europe whereby the German people will regain its unity through free self-determination." The only conditions specified for this reunification process, however, were that it had to respect "the relevant agreements and treaties and […] all the principles defined in the Helsinki Final Act" and be

31 Conclusions of the Presidency, European Council at Strasbourg, December 8/9, 1989; www.consilium.europa.eu/media/20580/1989_december_-_strasbourg__eng_.pdf [accessed February 20, 2019], pp. 7–8, 11.

32 See Attali, Mitterrand, pp. 311, 315–18.

embedded within "the perspective of European integration."[33] With regard to the recognition of Poland's western border, which West Germany had accepted in the Treaties of Moscow and Warsaw, the phrasing was somewhat fuzzy, but it was clear enough in terms of reunification and the simultaneous strengthening of the European Community. With this definitive commitment to the monetary union, Kohl had succeeded in gaining fundamental support for German reunification.

This is not to say that sacrificing the German mark and the comfortable position that West Germany had achieved within the European Monetary System was the price that had to be paid for reunification. Kohl had simply recognized that the step towards a monetary union had to be taken at this point in time, regardless of the reservations held by the guardians of the German mark and the political risks this entailed on the domestic front, if the unification of the two Germanys – in whatever form and at whatever pace – was not to jeopardize the continued existence of the European Community and further integration. On the basis of their shared concerns for the European project, he and Mitterrand were able to agree on a blueprint for German reunification within a European perspective.

Once the chancellor had secured this framework for German reunification, he was in a position to further accelerate the process of reunification as the GDR collapsed.[34] In the middle of January 1990, Kohl canceled the plans for a treaty community with the government of the GDR under Hans Modrow that was supposed to be formed on the basis of the Ten-Point Plan. On February 6, he offered the citizens of the GDR accession to the West German currency area within six months. Mitterrand was very uneasy about those developments. In spite of the relief he felt at Kohl's change of heart on the monetary issue, he was increasingly worried about the possible fate of Gorbachev. "Kohl wants to organize reunification fast," he concluded after the chancellor's visit to his country house in Latché on January 4, "he wants us to believe that he can't do anything about it, that he is being driven by the masses. The whole world will cry out, but in vain. Only Gorbachev can stop him. If he [Gorbachev] fails, he will be ousted from office. And

33 Conclusions of the Presidency, European Council at Strasbourg, December 8/9, 1989; www.consilium.europa.eu/media/20580/1989_december_-_strasbourg__eng_.pdf [accessed February 20, 2019], p. 15.

34 On the decision-making process in Germany policy in 1989/90, see Wilfried Loth, Michail Gorbatschow, Helmut Kohl und die Lösung der deutschen Frage 1989/1990, in: Gian Enrico Rusconi/Hans Woller (eds.), Parallele Geschichte? Italien und Deutschland 1945–2000, Berlin 2006, pp. 461–77; Andreas Rödder, Deutschland einig Vaterland. Die Geschichte der Wiedervereinigung, Munich 2009, pp. 146–225; Schwarz, Kohl, pp. 535–80.

then we will have a general in the Kremlin. You will see: It will all happen very quickly – two or three years at the most."[35]

In his attempt "to slow the pace of German reunification in order to protect the achievements of perestroika,"[36] however, Mitterrand could do little more than make repeated appeals to Kohl's better judgment. When Thatcher sought to enlist Mitterrand's support for concerted action on January 20, he indicated that there was not much that they could do and that ultimately "nothing would be worse than raising objections that are ineffective."[37] Gorbachev's recognition of the German right to reunification in principle, as expressed during Kohl's visit on February 10, scotched the hope that the Soviet general secretary, for reasons of self-interest alone, would try to block rapid advancement on the path to German unity. "What's got into Gorbachev?" Mitterrand exclaimed after Kohl had telephoned to explain the result of the meeting in Moscow, "Four days ago he wrote to say he would stand his ground, and today he gives in on all points!"[38]

Mitterrand's deep disappointment at Gorbachev's weakness did not prevent the French president from adjusting to the "new German reality" with remarkable speed. "It has to be accepted," he told Kohl at yet another dinner held at the Élysée Palace on February 15.[39] But he continued to call for prudence and due consideration for Gorbachev's situation. At the same time, he did all he could to have German reunification, which he now saw as inevitable, enshrined in a treaty that would be acceptable to France and Europe, and he supported the American proposal for a conference to clarify the international aspects of the unification of the two Germanys, to be attended by the West German government, a democratically elected government of the GDR, and the governments of the four Allied powers. Mitterrand favored a "four-plus-two" rather than a "two-plus-four" conference. Once it had been agreed that the two German governments would not simply present the results of their internal negotiations to the four Allied powers, however, he accepted the latter formula. He noted with some satisfaction that Kohl had also finally agreed to such a constellation and that, in a telephone call with President Bush on February 13, he had given the go-ahead for a decision to

35 Attali, Verbatim, vol. 3, p. 390 (January 4, 1990).

36 As formulated after a telephone conversation with Gorbachev on February 2, 1990, in: ibid., p. 411. The comprehensive treatment in Bozo, Mitterrand, pp. 156–202, fails to take account of this aspect of Mitterrand's policy. See, in contrast, Lappenküper, Mitterrand, pp. 273–302.

37 Conversation between Mitterrand and Thatcher on January 20, 1990, French minutes, quoted from Bozo, Mitterrand, p. 180.

38 Attali, Mitterrand, p. 333.

39 Attali, Verbatim, vol. 3, pp. 422–29 (February 15, 1990), quote p. 424; see Attali, Mitterrand, pp. 333–36; Kohl to Mitterrand, February 15, 1990, in: Deutsche Einheit, pp. 842–52.

that effect to be made by the six foreign ministers in Ottawa. Given the consensus achieved among all four Allied powers on this subject, Kohl could no longer fend off the resulting curtailment of his freedom to decide.

In a next step, at the dinner on February 15, Mitterrand tried to get Kohl to agree to certain conditions for German reunification that he considered to be essential: an accelerated course for the economic and political unification of Europe, continued membership of the unified Germany in NATO without extending supreme command of the integrated forces to include the territory of the GDR, reiteration of Germany's renunciation of nuclear weapons, and formal international recognition of the Oder-Neisse line as the border. Kohl expressed full agreement on the first two points, and he and Mitterrand accepted the proposal made by the Irish president of the European Council, Charles Haughey, to discuss the implications of German reunification for the European Community at a special summit meeting to be held in April. On the other hand, Kohl had no interest in an ex-ante decision on the question of nuclear weapons, and the call for ex-ante rulings on the question of Germany's border met with sheer indignation. But at the beginning of March, with growing signs of victory in the elections to the GDR parliament for a group close to Kohl called "Alliance for Germany," he gradually began to shift closer to the French position. Ultimately, both the German renunciation of nuclear weapons and the renunciation of former German territories in Eastern Europe were laid down in the Two Plus Four Agreement. German reunification, therefore, was completed on October 3, 1990 in accordance with the foreign policy conditions on which Mitterrand had insisted.[40]

Political Union

Jacques Delors was the first to say – both internally and more or less publicly – that a speedier German reunification process had to go hand in hand with faster progress on the road to European integration. Only three days after the fall of the Berlin Wall, he stated on German television that, according to the provisions of the Treaties of Rome, the doors to the European Community were open to the citizens of the GDR. In his inaugural address before the European Parliament at the beginning of his second term of office on January 17, 1990, he declared, "The community will remain attractive only if integration is accelerated." For him, this

40 See Bozo, Mitterrand, pp. 202–41; on Kohl's motives, see the telephone conversation with Mitterrand on March 5, 1990, in: Attali, Verbatim, vol. 3, p. 439.

entailed the transfer of "comprehensive executive powers to the commission" and therefore "an increase in the powers of parliament."[41]

Mitterrand's European affairs advisor Elisabeth Guigou, who had been a member of Delors' staff during his time as minister of finance, reiterated this argument in principle in a memorandum written for the president on February 6. In it, she said that it was in the European Community's interest "to quickly find an institutional instrument to render the German situation unexceptional" and to ensure "Germany defines its position as part of the community and not autonomously." She accordingly proposed embracing Kohl's call to establish a political union and to create a "European Union" that would preside over the existing European institutions. The explanation she gave for the urgency of her proposal was that it was better "to negotiate the European Union with a Germany that is still divided into two states and needs the community than with a reunited Germany that no longer needs anyone."[42] In preparation for the dinner that Mitterrand was giving for Kohl on February 15, Guigou contacted her German counterpart, Bitterlich, and reiterated her proposal with reference to the chancellor's interest in a joint initiative to call for a political union.

Mitterrand, however, hesitated to get on board with the idea of launching a political union. He was still concerned that differences of opinion regarding the institutional design and the final political realities of the community might delay the monetary union. For this reason, his only specific suggestion to Kohl at the dinner on February 15 was to push up the date for the beginning of the intergovernmental conference on the monetary union, which Kohl promptly rejected. It was not until the end of March that Mitterrand agreed to a joint Franco-German initiative for a political union. He shifted his position after the Germans had approached the French with a proposal to this effect and Kohl had urged Haughey as president of the council to take advantage of the special meeting of the heads of state and government, which was scheduled for April 28, to make a decision for an intergovernmental conference on the subject of a political union. In the meantime, Belgian Prime Minister Wilfried Martens had increased the pressure on Mitterrand by sending all partner governments a memorandum, inspired by Delors, which called for an intergovernmental conference on the subject of institutional reform.

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41 "Rede des Präsidenten der EG-Kommission, Jacques Delors, vor dem Europäischen Parlament in Straßburg am 17. Januar 1990," in: Europa-Archiv 45 (1990), pp. D 269–82, the quotations pp. D 275, D 278; Delors, Erinnerungen, pp. 327–29.

42 Memorandum Guigou, February 6, 1990, in: AN, 5AG4, AH 35, quoted from Bozo, Mitterrand, pp. 198–99. On the following see ibid., pp. 196–202, pp. 244–49.

The Franco-German initiative in the form of a joint letter sent by Mitterrand and Kohl to European Council President Haughey on April 18 did not suggest that a decision on a further intergovernmental conference should be made at the upcoming council meeting. Since Mitterrand feared a premature decision in favor of the institutional ideas put forward by the Germans, it was merely proposed at this stage that the foreign ministers should consider whether preparations should be made for an intergovernmental conference on a political union. Then, on the basis of their report, a corresponding decision was to be made at the next regular council meeting, at the end of June. It was proposed in the joint letter that the intergovernmental conference on the political union should take place parallel to the intergovernmental conference on the monetary union, so that "the totality of relations among the member states can be transformed into a European Union by January 1, 1993." In terms of content, the proposal was still relatively vague: The political union was to "strengthen the democratic legitimation of the union" and "render its institutions more efficient" as well as to "ensure the unity and coherence of the union's economic, monetary and political action" and to "define and implement a common foreign and defense policy."[43]

In Dublin, where the heads of state and government assembled on April 28, the Franco-German initiative met with resistance from Margaret Thatcher, as expected. For the British prime minister, German reunification was not a reason to push further integration in the European Community; on the contrary, as she said at a dinner held in the French embassy in London in March, "The European construct will not bind Germany, but rather Germany will dominate the European construct."[44] Consequently, it was merely agreed that the foreign ministers should assess, in time for the next council meeting on June 25 and 26, the possible need for amendments to the Treaty to strengthen democratic legitimacy and respond effectively to the "requirements of the new situation." It thus remained an open question whether a parallel intergovernmental conference would be convened; the European Council merely stated that the amendments to the Treaty required for the second phase of the monetary union would have to come into force by January 1, 1993.[45] As far as Kohl was concerned, this was not the strong signal that progress was being made along the path to a political union that he

43 "Botschaft des Staatspräsidenten der Französischen Republik, François Mitterrand, und des Bundeskanzlers der Bundesrepublik Deutschland, Helmut Kohl, an den irischen Premierminister und amtierenden Präsidenten des Europäischen Rates, Charles Haughey, vom 18. April 1990," in: Europa-Archiv 45 (1990), p. D 283.
44 Embassy report March 13, 1990, quoted from Bozo, Mitterrand, p. 242.
45 "Sondertagung des Europäischen Rates der Staats- und Regierungschefs am 28. April 1990 in Dublin," in: Europa-Archiv 45 (1990), pp. D 284–88.

believed would be necessary to convince the German electorate of the merits of a monetary union.

The twelve foreign ministers did at least come to a consensus on a number of principles for a political union at a meeting on May 19 and 20. Kohl and Genscher had adopted a more realistic approach with their ideas for strengthening the institutions of the European Community. They were more or less in agreement that the European Council should continue to be the central institution of the union and that it should serve to achieve greater integration within the community, including political cooperation. At the same time, Dumas was able to accommodate the reservations expressed by various partners with regard to a common foreign and defense policy by presenting the argument that such a policy would only be developed step-by-step. On this basis, an agreement was reached at the regular council meeting, held in Dublin on June 25 and 26, that an intergovernmental conference on the political union should be convened parallel to the intergovernmental conference on the monetary union: The monetary conference was to begin on December 13, 1990 and the political conference one day later. The two conferences were to complete their deliberations in time so that the resulting treaties or treaty amendments could be ratified before the end of 1992.[46]

Kohl and Mitterrand continued to cooperate closely on the preparations for the second intergovernmental conference, albeit for different reasons: For Kohl and the West German government, the primary objective was to overcome the democratic deficit in the community resulting from the expansion of its activities to include the many new policy areas defined in the Single Act of 1986/87 and to thereby guarantee that German policy-makers would continue to think along European lines over the long term. The signs of the German public's disenchantment with Europe, evidenced by the low turnout in the elections to the European Parliament in June 1989, for example, were considered a cause for alarm in Bonn. Mitterrand and his advisors, on the other hand, were more interested in strengthening the community's common foreign and defense policy. They were convinced that, after the end of the Cold War, the Americans would sooner or later reduce their presence in Europe, and they were keen to take advantage of this caesura to generate substantial support in favor of a much more independent role for Europe on the global political stage.

The two governments were in agreement, however, that completion of the monetary union had to be accompanied by a program to strengthen the European Community's political structures if the Germans, with their new self-confidence, were to remain tied to Europe in the long term. When Kohl wrote a letter to Mit-

46 See Jahrbuch der Europäischen Integration 1990/91, pp. 417–20.

terrand on the day after the proclamation of German reunification, thanking the French president for his support and promising to work for faster progress on the road to a European union, Mitterrand sounded mollified and at the same time determined to take advantage of the opportunity offered by Kohl to strengthen the European Community. "The chancellor is sincere," he said to Attali. "And he will do all that if he has time. He is a man of great worth. But after him? We must integrate, dissolve Germany in the European political union before Kohl goes. Otherwise German arrogance – this time Bavarian rather than Prussian – will once more threaten peace in Europe."[47] The two statesmen were also at pains to demonstrate that their differences over the question of German reunification, which had not gone entirely unnoticed in public, in no way marred their determination to work together to advance the project of European unification.

In line with a proposal that Dumas presented to Genscher at the Franco-German summit held in Munich on September 17 and 18, the two sides accordingly worked on a joint declaration that Kohl and Mitterrand were to present in the run-up to the two intergovernmental conferences. In a joint letter, dated December 6 and addressed to the president of the council, Giulio Andreotti, Kohl made an even clearer commitment to the goal of the "common defense" of Europe than he had while promoting the development of a joint Franco-German defense concept in the summer of 1987. To that end, the letter stated that a "clear organic relationship" was to be created between the political union and the Western European Union (WEU). The long-term plan was for the WEU to become an element of the political union and thus admit those members of the union that had not been members previously. The document listed the following areas in which a "genuine common foreign policy" could develop: relations with the countries of the former communist bloc and with the Mediterranean countries, arms limitation talks, and development policy. The joint letter recommended that decisions should be made "basically on the principle of unanimity," although majority decisions were also envisaged, especially with regard to the modalities of implementation.[48]

The French accommodated German demands that immigration policy and the fight against international crime fall within the domain of the European Community. These were areas in which the Germans found themselves confronted with problems that they were neither willing nor able to address alone in the wake of

47 Attali, Verbatim, vol. 3, p. 606 (October 4, 1990).
48 "Gemeinsame Botschaft des Bundeskanzlers der Bundesrepublik Deutschland, Helmut Kohl, und des Präsidenten der Französischen Republik, François Mitterrand, an den Präsidenten des Europäischen Rates, Giulio Andreotti, anläßlich der EG-Regierungskonferenz im Dezember 1990, vom 6. Dezember 1990," in: Europa-Archiv 46 (1991), pp. D 25–27, quotations p. D 27.

the fall of the Iron Curtain and the resurgence of ethnic conflicts in the countries of the former communist bloc. The joint letter accordingly included a proposal for the creation of a Council of Ministers of the Interior and Justice. On the subject of strengthening the European Community institutions, Paris and Bonn agreed on rights of "co-decision" for the European Parliament – which ultimately constituted the right of veto – in the case of legislative acts "in the narrower sense" and confirmation of the president of the European Commission and its members (by a majority vote in parliament), plus the introduction of majority voting as the norm in the Council of Ministers. In addition, the creation of a "genuine European citizenship" was proposed to strengthen the European Community's democratic legitimacy.[49]

For Jacques Delors as president of the commission, however, this was not enough to guarantee the community's legitimacy and ability to act. At the end of February 1991, he accordingly presented a series of draft texts based on documents prepared by François Lamoureux, his deputy head of cabinet, to the intergovernmental conference, ultimately calling for a greater degree of supranationality.[50] And in September, under the Dutch presidency, a draft treaty was submitted in which the three pillars – the community domain, foreign and defense policy, and justice and home affairs – were linked under EC law and the rights of the European Parliament were further strengthened.[51]

But, since the Dutch draft also weakened the role of a common foreign and security policy, it failed to find support even among many advocates of stronger community institutions. At the end of September, facing pressure from France, the German government decided to support the previous draft submitted by the Luxembourg presidency in June. A corresponding resolution was approved at the meeting of the Council of Ministers on September 30, the "Black Monday" of the Dutch presidency.

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49 Ibid, pp. 26–27. For the details of the intergovernmental conference on the political union, see Jim Cloos et al., Le traité de Maastricht. Genèse, analyse, commentaires, Brussels 1994, pp. 73–93; Ken Endo, The Presidency of the European Commission under Jacques Delors. The Politics of Shared Leadership, London/New York 1999, pp. 170–90; Dietrich Rometsch, Die Rolle und Funktionsweise der European Kommission in der Ära Delors, Frankfurt a. M. 1999, pp. 181–95; Hans Stark, Kohl, l'Allemagne et l'Europe. La politique d'intégration européenne de la République fédérale 1982–1998, Paris 2004, pp. 179–213; Bozo, Mitterrand, pp. 303–25; Wilfried Loth, Negotiating the Maastricht Treaty, in: Journal of European Integration History 19 (2013), pp. 67–83; for the perspective of a participant, see Delors, Erinnerungen, pp. 403–11.

50 Commission Proposals on Common External Policy, in: Agence Europe, Documents, no. 1697/98, March 7, 1991.

51 Draft treaty, September 23, 1991, in: ibid., no. 1733/34, October 3, 1991.

The German rejection of the Dutch draft treaty was also part of a decision to reiterate Germany's support for an independent European defense body. This is something that not only the Dutch government had opposed: the British, Danish, and Portuguese governments had also argued that emphasizing a European defense identity might exacerbate existing threats to the cohesion of NATO. For this reason, the formulations of the Franco-German proposal, which Dumas and Genscher had submitted on February 4,[52] did not meet with undivided approval. At the Luxembourg Council meeting on June 28 and 29, it was agreed only that the decision should be postponed until the final phase of the intergovernmental conference. The French began to doubt whether the Germans really were willing to become involved in an independent defense structure. And, when it came to the main question confronting a common European foreign policy at the time – the community's attitude towards Serbian intervention against the Slovene and Croatian declarations of independence at the end of June – the two partners adopted diametrically opposed positions. Mitterrand was once again worried about the stability of Europe's borders, while the German government was facing pressure coming from southern Germans who harbored sympathies for the former Habsburg territories.

In order to avoid the risk of the Franco-German initiative for a common foreign and security policy failing, Kohl proposed yet another joint démarche to Mitterrand at a meeting in Lille on June 25. The result, at the beginning of October, was another joint letter to the president of the council – at that time, Dutch Prime Minister Ruud Lubbers – in which the goal of foreign and security policy was outlined in more detail on three points: First, a draft text for the corresponding provisions of the Treaty was submitted that named the WEU as the implementing body for a common security policy, but also declared that the "specifics of the defense policies of individual member states" remained unaffected; a review of these provisions was foreseen for 1996 at the latest. Second, Bonn and Paris presented a draft declaration of the WEU member states that was to be appended to the union treaty, stressing both the "step-by-step development of the WEU into the defense component of the union" and the objective of "creating a European pillar" within the Atlantic Alliance. And third, the German chancellor and the French president announced that the Franco-German military units would be enlarged and declared that they could "serve as the nucleus of a European corps, including the armed forces of other WEU member states."[53]

52 See "Der Bundesminister des Auswärtigen informiert. Mitteilung für die Presse," February 6, 1991.

53 "Botschaft zur gemeinsamen europäischen Außen- und Sicherheitspolitik von Bundeskanzler Helmut Kohl und dem Präsidenten der Französischen Republik, François Mitterrand, an den

Thatcher's successor, John Major, at first told Mitterrand that the envisaged subordination of the WEU to the authority of the European Union was out of the question. However, when the treaty negotiations were finalized at the council meeting in Maastricht on December 9 and 10 – following the US government's acceptance of the "development of a European security identity" in a declaration of the NATO Council on November 8 – Major finally had to be satisfied with a watered-down version of the wording in the Franco-German draft; the new version read to the effect that the common defense policy "could in due course lead to a common defense," but it foresaw "agreement" between the council and the bodies of the WEU for practical measures in response to council decisions on defense policy. Moreover, majority decisions were explicitly ruled out on "issues having defence implications."[54] Mitterrand and Kohl cooperated closely with each other to prevent any further dilution of the European defense perspective at the Maastricht council meeting.[55]

The Design of the Monetary Union

With regard to the timetable for the monetary union, Mitterrand and Delors both voted for concrete political commitments. They wanted the second phase of the monetary union to begin as soon as possible, that is, when the treaties came into force on January 1, 1993. Conveniently, this was also the date on which completion of the internal market was due. On the other hand, the German Ministry of Finance, now headed by Theo Waigel and the new State Secretary Horst Köhler (CDU), did not want an agreement on a date, but rather on objective benchmarks such as the achievement of price stability and budgetary discipline. At the council meeting in Rome on October 27 and 28, 1990, Kohl was finally willing to compromise. The second phase was set to begin on January 1, 1994, as long as "sufficient" progress had been made by then with regard to real-economy and mon-

amtierenden Vorsitzenden des Europäischen Rates und Ministerpräsidenten des Königreichs der Niederlande, Ruud Lubbers, vom 14. Oktober 1991," in: Europa-Archiv 46 (1991), pp. D 571–74.

54 Maastricht Treaty; www.eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:1992:191:FULL&from=DE [accessed February 20, 2019], Art. J. 4, p. 59.

55 For the details of the meeting, see Carle, Archives, pp. 233–36; Pierre Favier/Michel Martin-Rolland, La Décennie Mitterrand, vol. 4: Les Déchirements, 1991–1995, Paris 1999, pp. 227–28; Georges Saunier, La négociation de Maastricht vue de Paris, in: Journal of European Integration History 19 (2013), pp. 45–65.

etary convergence – a vague formulation that left the German ordoliberals with little opportunity to further delay the commencement of the monetary union.[56]

For the moment, Kohl continued to resist pressure from Mitterrand to set a date for the transition to the third phase and for the introduction of the single European currency. Only after Genscher had made a public plea in March 1991 for January 1, 1997 as the transition date did the chancellor also accept the need for a clear timetable that would make the soft-currency countries have to intensify their reform efforts and make the transition to the third phase final. He was still reluctant to name a specific date, however, lest he attract criticism from Germans who had nostalgic feelings towards the Deutschmark. It was Andreotti who proposed January 1, 1999 as the latest date for the start of the monetary union at the Maastricht council meeting, and the suggestion was accepted. Should the council decide on the basis of a qualified majority vote before the end of 1996 that most of the member states had met the convergence criteria, it was also supposed to be possible for the monetary union to begin on January 1, 1997. Otherwise, the question of who should be admitted to the European Monetary Union was to be decided before July 1, 1998.

This decision put pressure on the economically weaker countries to make serious efforts to satisfy the convergence criteria: budget deficit less than three percent, public debt less than 60 percent of the GDP (gross domestic product), inflation rate not above 1.5 percent of the average of the three most stable countries, long-term interest rate not above two percent of the rate in those countries, and no devaluation within the EMS in the last two years. At the same time, there was a certain amount of latitude in interpreting these criteria for countries, such as France, whose figures had diverged significantly from Germany's up to 1998. Waigel and Köhler, who were completely surprised by Kohl's decision to accept a fixed date for introduction of the single European currency,[57] had to accept the fact that the chancellor attached more importance to the irreversibility of the decision than to an absolute guarantee of stability.

The spirit of compromise behind the agreements on the monetary union was reflected even more strongly in the provisions for the second phase: Köhler, who led the German delegation at the negotiations and had the support of Waigel and Kohl, had to concede that the task of preparing for the third phase should not remain with the committee of the central bank governors but should be

56 See Dyson/Featherstone, Road, pp. 395–99; on the following, see ibid., pp. 202–55, 370–451, 726–40; Harold James, Designing a Central Bank in the Run-Up to Maastricht, in: Journal of European Integration History 19 (2013), pp. 105–22.

57 As reported by Hans Tietmeyer, quoted from Schwarz, Kohl, p. 701.

entrusted to a European Monetary Institute (EMI) with an external chairperson to be appointed by the European Council. This EMI was not yet supposed to handle the coordination of the member states' monetary policies as both France, which was represented by Director of the Treasury Jean-Claude Trichet, and the Commission wanted. France and the Commission's preference was for a European Central Bank to be created when the second phase began. Nor was the EMI to have authority over foreign currency reserves; the national central banks could choose to transfer foreign currency reserves to the EMI, but it would only act on their behalf once they had done so.

When it came to the issue of the independence of the European central bank system (which had already been accepted in principle) and its commitment to the goal of monetary stability, the German side had to concede that the independence of the national central banks would only have to be established prior to entry into the third phase rather than before the second phase. Conversely, Bérégovoy's idea that a strong "economic government" for the Economic Community had to accompany the single European currency was diluted to the extent that the Council of Ministers would not be able to issue binding "directives," but rather only "recommendations," and financial support for member states that found themselves in difficulties remained subject to unanimous voting in the Council. In keeping with the view of the German Bundesbank, European Community liability for the debts of individual member states was explicitly excluded; member states with "excessive deficits" were to be penalized with "fines of an appropriate amount." On the subject of exchange rate policy, Waigel and Köhler ensured at the final ministers' meeting held in Brussels on December 2 and 3, 1991 that the Council of Ministers was authorized only to provide "general orientations" and not to issue "directives;" it was also specified that its policy intentions must "be without prejudice" to the objective of price stability.[58]

Waigel and Köhler successfully fended off a Spanish suggestion to establish a "convergence fund" for the weaker member states. Consequently, the commitment to social and economic cohesion was outlined in a protocol attached to the EU Treaty. It included the plan to create a "cohesion fund" to be used to support weaker member states with "projects in the fields of environment and trans-European networks." This effectively limited the degree of redistribution that was deemed necessary to promote convergence. Similarly, the question of the responsibilities of the European Community in social policy – minimum stand-

58 Maastricht Treaty; www.eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:1992:191:FULL&from=DE [accessed February 20, 2019], Art. G, p. 15. For an overview of the provisions for a monetary union, see Ungerer, History, pp. 229–42.

ards related to promoting employment, working conditions, gender equality, and employee participation in management – became part of a separate agreement, with the United Kingdom opting out. In Maastricht, Kohl also managed to get the member states to agree that a further intergovernmental conference should be held in 1996 to assess the practicability of the measures adopted. All parties involved thus saw the potential for future improvements to their respective positions.

Conclusion

The Treaty of Maastricht can thus be approached from two angles: On the one hand, Kohl and Mitterrand succeeded in their considerable efforts to protect the process of European unification from the threats posed by German reunification and to advance it even further. The single European currency marked a degree of European integration and statehood that ultimately made it impossible to reverse the course. On the other hand, progress in areas that were deemed highly important by the German chancellor or the French president fell far short of what was needed for lasting success. While a stronger European Parliament and the increased use of majority voting in the Council of Ministers contributed to the reduction of Europe's democratic deficit, these gains were largely offset by the proliferation of the procedures involved. The commitment to the goal of common decision-making structures in defense matters was diluted by the need for unanimous approval of policy decisions.

These deficits, which prompted Delors to speak of "organized schizophrenia,"[59] were due in part to the fact that the cooperation between Delors and Mitterrand had been shrouded in prickly tension since the end of 1989 and beginning of 1990. In a clear case of overconfidence, Delors had failed to consult with Mitterrand on the institutional questions. And Mitterrand, for his part, had given too little thought to the question of how the "economic government" and a common foreign and security policy should work. Given these tensions, they were not able to develop a coherent negotiation strategy for the further development of Europe. Delors acted largely in isolation and ultimately had to be satisfied with having preserved the status quo for the European Commission.

59 Speech before the European Parliament on November 20, 1991, quoted from Endo, Presidency, p. 187.

The much-criticized failure to establish a genuine common economic and fiscal policy primarily stemmed from the influence of the German Bundesbank and the ordoliberal establishment in the Federal Republic of Germany. Determined to protect the autonomy of the European Central Bank, the Bundesbank and the ordoliberals were able to prevent the creation of effective control mechanisms for the national budgets. Helmut Kohl can perhaps be criticized for not having realized what was going on and for not having tried to redress the situation. Nonetheless, this does not change the fact that he overcame the Bundesbank's fundamental resistance to a European monetary union at the very moment that the unexpected arrival of German reunification made it a political necessity. Without the reunification of Germany, this resistance, which was fueled by German fears of inflation, might have persisted for much longer. Accordingly, the euro was not the price that had to be paid for reunification, but rather reunification paved the way for the introduction of the euro. Helmut Kohl's achievement lies in having seized this very opportune moment in the history of Europe.

Matthias Matthijs

The Euro at Twenty: Reflections

Introduction

When the euro turned 20 years old on January 1, 2019, the anniversary of the EU's single currency was met with sober reflection rather than euphoric celebration. Some lessons had clearly been learned since Jean-Claude Trichet, president of the European Central Bank (ECB), made his unfortunate comparison of the euro with a "large, solid, and steady ship" ten years earlier, which was less than a year before the euro area's sovereign debt crisis pushed the single currency to the brink of disintegration.[1] While real progress has been made in putting the euro on a more sustainable institutional footing, EU leaders have not fully rectified its design flaws and continue to be obsessed with national fiscal profligacy and lagging member state competitiveness as the roots of all evil. At the same time, the founders of the euro – former Commission president Jacques Delors; former French president François Mitterrand; and especially, former German chancellor Helmut Kohl – continue on the whole to be revered as visionaries of European integration, though a more critical look at their legacies would result in a decidedly less glossy account.

Werner Becker's contribution to this volume was originally written in the spring of 2011,[2] in the midst of the eurozone debt crisis. He tries to give a balanced assessment of the first twelve years of the single currency, discussing its many strengths without being blind to some of its weaknesses. Becker sees a positive performance of the euro during its first twelve years, especially when it comes to maintaining price stability, keeping interest rates relatively low, stimulating trade and financial market integration, reducing economic risks, and increasingly acting as an international reserve currency. However, he is quick to point out that the eurozone's pace of economic growth was rather mediocre in its first twelve years (a trend that has continued since 2011), and that the euro has not fulfilled its promise to become the currency of all EU member states, with only very small new member states joining since 2002. For Becker, there is no doubt that the euro

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1 Jean-Claude Trichet, The Euro@10 – Achievements and Responsibilities. Speech during Ceremony at the European Parliament to Mark the 10th Anniversary of the Euro, Strasbourg, January 13, 2009: www.bis.org/review/r090119a.pdf [accessed February 25, 2019].

2 See Werner Becker, Twelve Years of the Euro. From Calm Waters to Turbulent Seas, in this Yearbook, pp. 133–56.

crisis that started in the spring of 2010 was caused by a lack of fiscal discipline, and that it was made worse by the reduced competitiveness of several peripheral eurozone countries. He puts the blame squarely on a lack of national political will to abide by, and enforce, the rules of the Stability and Growth Pact (SGP). He includes Germany and France in this stricture. Becker also believes that economic policy in the future should focus on competitiveness and growth through structural reform. Monetary policy, he thinks, will need to go back to its roots and focus on keeping inflation under control, after years of easy money combined with high government debt. He concludes that "Monetary Union has proven to be a catalyst for integration and a platform for cohesion in Europe."[3]

Wilfried Loth, in his contribution, reassesses the role played by the German chancellor, Helmut Kohl, in bringing about monetary union.[4] Unlike many of his fellow German policy-makers, who, Loth points out, were euro-skeptics and were unwilling to give up the stability so long guaranteed by their cherished *Deutsche Mark*, Kohl was a principled proponent of monetary union, which was "a self-evident part of his vision for a united Europe."[5] He outfoxed the stalling maneuvers made, along with other critics, by his Central Bank governor, the Bundesbank's Karl Otto Pöhl, and his finance minister, Theo Waigel, to push through the bold vision of European integration he shared with Mitterand. Loth is correct to discard the popular myth that the euro was the price Kohl had to pay France for Germany's reunification. The Delors Committee on the single currency had started its work in the summer of 1988, and put forward a blueprint for European Economic and Monetary Union (EMU) in the summer of 1989, well before the fall of the Berlin Wall in November 1989. Also, after the US president, George H. W. Bush, had strongly endorsed Kohl's 10-point plan for German unity, the political momentum towards reunification was to prove unstoppable. Loth concludes that the historic reunification of Germany merely provided the occasion for the single currency's introduction. While the German chancellor did indeed seize that opportunity, it was not without hubris. For Kohl, the significance of the signing of the Maastricht Treaty of 1992 was that it set Europe on a path towards political unification. At the time, Kohl stated that the euro would unleash a "dynamic process" that would sweep away the forces of nationalism and that the European Union would grow into "a political form not seen before."[6]

3 Ibid., p. 156.
4 See Wilfried Loth, Helmut Kohl and the Monetary Union, in this Yearbook, pp. 157–85.
5 Ibid., p. 159.
6 Quotation from Ashoka Mody, Euro Tragedy. A Drama in Nine Acts, New York 2018, p. 95.

There is much to admire in both contributions, but probably even more to argue, disagree, and take issue with. Let me focus on two major points of disagreement. The first is with Becker's analysis of the causes of the crisis, and the yardstick we should use in judging whether the euro is now a more sustainable currency after the myriad post-crisis reforms. The second is with Loth over whether a stubborn Helmut Kohl was right to go *against* the explicit wishes of his government and his national electorate, who wanted to wait with monetary integration until more substantial economic convergence had been established. Should Kohl really have agreed on Economic and Monetary Union without simultaneously pursuing political union (however vaguely defined at the time)? While his pro-European visions were good-natured and mostly laudable, the unintended consequences of his brash political decision may have done more harm than good for the long-term health of the European Union and Germany's role therein.

To address these points: first of all, in the introduction to our co-edited volume "The Future of the Euro," Mark Blyth and I identified the root cause of the sovereign debt crisis as the single currency's fundamental "lack of embeddedness" in truly supranational European financial, fiscal and governance institutions.[7] Our argument was that the deeper causes of the crisis went well beyond a problem of fiscal profligacy or lack of competitiveness. In our view these did nothing to trigger the actual crisis. The problems of Greek budgetary laxity, sluggish Italian and Portuguese productivity and economic growth, as well as the Irish and Spanish financial and real estate bonanzas, were well known before the crisis hit. The financial markets did not seem to care all that much either. By early February 2009, it was widely reported that there was a serious problem with Greek public finances. But after Peer Steinbrück, the social democrat German finance minister at the time, gave a press conference reassuring everyone that the other member states in the eurozone would "have to rescue those running into difficulty," the crisis simply went away. It was only in the spring of 2010, following a change of government in both Greece and Germany, that the Greek fiscal problem turned into a full-blown crisis of sovereign debt. This was after EU and German officials, including Chancellor Merkel, had started to dither on how to deal with the fiscal problems Greece was experiencing.[8] Furthermore, painting the crisis as mostly fiscal ignores the fact that both Spain and Ireland had been

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7 Matthias Matthijs/Mark Blyth, Introduction. The Future of the Euro and the Politics of Embedded Currency Areas, in: idem. (eds.), The Future of the Euro, Oxford 2015, pp. 1–20, here p. 1.
8 Cited by Matthias Matthijs, Powerful Rules Governing the Euro. The Perverse Logic of German Ideas, in: Journal of European Public Policy 23 (2016), pp. 375–91, here p. 386.

exemplary students in the eurozone's budgetary class. A crisis of private debt in those two countries turned into a sovereign debt crisis after governments had to bail out their banks. Italy and Portugal were mostly hit by the financial contagion effect in the Mediterranean. It would therefore be wrong to put the blame for the crisis mainly on a lack of political will in enforcing the SGP.

On the second point: while, in its first decade, the euro seemed to deliver the goods in terms of catch-up and convergence between Northern core and Southern periphery, the unequal adjustment that came after the eurozone crisis has, in many ways, reversed this process, and brought back a gap in economic prosperity between North and South. Once the narrative of the sovereign debt crisis had been framed in Brussels and (especially) Berlin as one of "Northern Saints" and "Southern Sinners" – emphasizing national causes of the crisis rather than systemic ones due to the euro's flawed institutional design – serious damage was done to the project of European integration.[9] The medicine prescribed to deal with the crisis – fiscal austerity and structural reform – subsequently implemented in Greece, Ireland, and Portugal by the "troika" (of European Central Bank, European Commission, and International Monetary Fund) – was bound to result in deep recessions, followed by steep cuts in pensions and public services, as well as much higher levels of unemployment. These measures necessarily brought lower standards of living, and a brain drain of many educated young people to the Northern core of the eurozone and the United Kingdom in search of better opportunities. People's trust in both their national governments and the EU's institutions decreased substantially during the crisis years in the Southern periphery countries, and has not recovered to pre-crisis levels. Maybe it never will. The crisis also triggered a nationalist backlash in both North and South, with new or existing extreme-right and extreme-left parties gaining popular traction by calling the project of European integration into question altogether. It also brought back the ghost of the "German problem" – the idea of Germany as too big, too dynamic and too powerful for the rest of Europe to accommodate in a peaceful way. This outcome is surely not what Kohl had in mind at Maastricht in the early 1990s.

9 See Matthias Matthijs/Kathleen R. McNamara, The Euro Crisis' Theory Effect. Northern Saints, Southern Sinners, and the Demise of the Eurobond, in: Journal of European Integration 37 (2015), pp. 229–45.

Has Progress Been Made Towards a Genuine Economic and Monetary Union?

If we choose to analyze the potential success of a currency union between sovereign states not from the point of view of an "optimal" currency area – the way economists tend to do – but rather from the perspective of what the minimal political and institutional conditions are to make it work, we have to ask ourselves two questions. First, what are those minimum conditions? And second, does the eurozone meet these conditions, or has it been moving in the right direction since the crisis? In 2015, Blyth and I identified three "forgotten unions" at the heart of the EMU that would have made it a truly "embedded" currency area. These are: a missing financial (not just banking) union; a missing fiscal and economic governance union; and missing institutions of democratic legitimacy and solidarity.[10] We concluded that, in the EU leaders' rush to monetary integration in the early 1990s, the eurozone had forgotten to build those unions, or even to lay the groundwork for them. We also noted, in 2015, that the EU had made real progress towards building the financial union, with a functioning banking union that had a single supervisory mechanism and a single resolution mechanism in place by 2014. But there had been very little progress in building a fiscal union or economic government, let alone in strengthening the euro's democratic input and throughput processes, with mediocre output results as an ongoing consequence. Four years after the publication of our book, I remain skeptical whether any real progress will be made with the latter two unions, even though there are reasons to be cautiously optimistic about the completion of the financial union in the medium term.

The idea that the "euro problem" is ultimately one of the EMU not being a truly embedded currency area was elaborated upon in "The Future of the Euro" by Kathleen McNamara. To make her case, she channeled the historical sociology and communitarian insights of Karl Polanyi rather than the free market ideas of Friedrich Hayek.[11] McNamara suggested that the lesson to be learned from previous experiments of monetary union was that successful currency areas had to be fully embedded in broader social and political institutions. Those institutions are needed to provide a durable, long-term foundation for any monetary union to sustain itself. In a successful monetary union like the United States, for

10 Matthijs/Blyth, Introduction, in: idem (eds.), Future of the Euro, p. 1.

11 Kathleen R. McNamara, The Forgotten Problem of Embeddedness. History Lessons for the Euro, in: ibid., pp. 21–43.

example, a common currency, the dollar, was an integral part of a larger project of state building. To paraphrase Charles Tilly's famous line about war-making and state-building, "the state made money, and money made the state."[12] In fact, both political and fiscal union came well before a common currency in the case of the United States, which only enjoyed a single currency after the Civil War ended in 1865. While the European Union has grown well beyond being a mere international organization, it is still far from being a federal state, and most EU citizens do not consider it desirable to move in that direction. Nevertheless, having a common currency is not a merely technocratic matter; rather, it is a political endeavor. It needs financial, fiscal, and political institutions to make it work, especially in times of stress. Those three "missing unions"[13] were elaborated upon in the same book by Erik Jones, Nicolas Jabko, and Vivien Schmidt.

The missing financial union – and not the currency per se – was, for Erik Jones, the main problem with the euro crisis. The Europeans had built a single market with free capital flows and had liberalized cross-border banking prior to the introduction of the euro, but never thought about building common institutions to ensure financial stability.[14] Lack of a supra-national banking union – with a common financial supervisory and resolution mechanism – and lack of common deposit insurance, was always going to lead to some sort of crisis, as long as regulators continued to function solely in their national contexts. Furthermore, as long as the eurozone did not have a common debt instrument – in the form of some sort of eurobond – there was always the risk that capital would flee to safety from periphery to core, especially when the European Central Bank's mandate was exclusively focused on price stability and not on financial stability as well. In this area, we have seen real progress. EU leaders agreed to a single supervisory mechanism to be housed in the European Central Bank in Frankfurt, combined with a single resolution mechanism for failing banks (even though a common fiscal backstop is not quite operational yet). Also, the ECB, under Mario Draghi, has interpreted its mandate in much more expansive ways, and this has spurred the Central Bank to act much more effectively as a lender of last resort, thereby stemming market panic, especially during the summer of 2012. But as long as there is no common deposit insurance at the European level, in which savings are jointly guaranteed by EU taxpayers' money, and there is no

12 Tilly's original phrase was "war made the state and the state made war." See Charles Tilly, The Formation of National States in Western Europe, Princeton/NJ 1975, p. 42.
13 Matthijs/Blyth, Introduction, in: idem (eds.), Future of the Euro, p. 14.
14 See Erik Jones, The Forgotten Financial Union. How You Can Have a Euro Crisis without a Euro, in: ibid., pp. 44–69.

common safety asset or eurobond, the financial union, though much strengthened, remains fragile and incomplete.

The lack of a fiscal and economic governance union, according to Nicolas Jabko, resulted in monetary policy being conducted at the eurozone level in a one-size-fits-all manner, while fiscal and other macroeconomic policy powers remained squarely in the hands of the national authorities.[15] The euro problem at heart was thus one of divided sovereignty. This tension is well known, and it has been there from the start. Since the beginning of the 1990s, the broad consensus within the economics profession has always been that some sort of joint fiscal policy was necessary to offset asymmetric shocks, and was needed to make up for the fact that labor mobility was not going to solve regional unemployment imbalances within Europe, given the cultural and language barriers that existed. Jabko noted that, after intense market pressure in 2011, the eurozone member states moved towards surrendering more fiscal powers to the EU level. This included a flurry of new powers for the European Commission, including the Six-Pack, the Two-Pack and the Treaty on Stability, Coordination and Governance (often referred to as the Fiscal Compact). The eurozone also put a permanent sovereign rescue fund in place with the European Stability Mechanism (ESM), based in Luxembourg. Nonetheless, all these policy initiatives stopped well short of a fiscal union or eurozone economic government that could "spend against the wind" and iron out the vicissitudes of the economic business cycle. Most recently, in December 2018, EU leaders formally endorsed the idea of a eurozone budget. This was part of the central reform platform the French president, Emmanuel Macron, ran on, to mold the EMU into a genuine economic and monetary union. However, as things stand, it will not be much more than a line item in the European Commission's budget and will be too small in size to have any real macroeconomic impact. Although it is a big change in principle, it is not a game-changer for the euro.

Finally, the euro problem can be seen as mainly a political problem of missing institutions of democratic legitimacy and solidarity. In this regard, Vivien Schmidt feared that a common currency governed by technocrats interpreting a strict set of rules would quickly lose much of its democratic legitimacy once a deep crisis called into question the effectiveness of those rules.[16] This aspect of the eurozone goes back to the fact that a political union, as Kohl had originally envisaged, was

15 See Nicolas Jabko, The Elusive Economic Government and the Forgotten Fiscal Union, in: ibid., pp. 70–89.

16 See Vivien A. Schmidt, The Forgotten Problem of Democratic Legitimacy. "Governing by the Rules" and "Ruling by the Numbers," in: ibid., pp. 90–114.

never put in place. Many EU federalists in the 1990s believed that it would gradually come about through a series of future crises. As Schmidt saw it, the political fallout of the eurozone crisis made a big dent in three levels of legitimacy: output, throughput, and input. From an output point of view, the crisis proved disastrous for standards of living in the euro periphery. Though the euro seemed to deliver broad North-South convergence during the boom period that preceded the crisis, the EU-imposed austerity cuts and structural reform measures made peripheral economies nosedive – all in the uncertain hope that things would get better in the longer term. The gap between Italian and German standards of living, for example, is much larger today than it was during the mid-1990s. From a throughput point of view, the decision-making process at the EU level seemed opaque and overly technocratic, with one-size-fits-all rules that were unilaterally imposed by Northern creditors on Southern debtors. From an input point of view, the countries under stress had very little say, and when their electorates rebelled and voted out incumbent governments in favor of anti-austerity populists, all the EU did was assert that there was no alternative to the agreed "memorandum of understanding" these countries had with the troika. As of early 2019, the least progress in any field has been made in this realm of "political" legitimacy. The eurozone, though it has recovered economically on the output side, continues to suffer from a deep democratic deficit on the input and throughput sides. Given the strong differences between North and South in both their interests and their ideas of political union and the ideal form it should take, we remain far from achieving the basic level of democratic legitimacy.

In sum, some progress has been made in moving the eurozone towards a more complete and more genuine "economic and monetary union." However, as yet, it remains a long way off from meeting the minimum conditions of being an "embedded currency area," let alone an "optimum currency area."[17] We remain stuck in a fragile equilibrium, in which many analysts worry whether the eurozone is fully equipped to deal with the next big economic or financial shock. At the heart of this stasis is the difference of opinion between Northern creditor states, who emphasize the need for risk reduction and national responsibility in the periphery, and the Southern debtor states, who emphasize the need for more risk-sharing and European solidarity. The hope in 2017 was that President Emmanuel Macron would be able to bridge this gap between North and South, and that a grand bargain could be made pushing the EMU towards becoming a much more socially and politically embedded institution. Now, in early 2019, one can only conclude that the eurozone still has a long way to go.

17 Matthijs/Blyth, Introduction, in: ibid., pp. 8, 22–23.

Germany, the Euro Crisis, and the Future of European Integration

In many ways the euro crisis was the first serious crisis of European integration, in that the process could have collapsed or gone into reverse if nothing had been done.[18] The crisis also struck at the heart of national politics, in that it affected some of the "core state powers" of many eurozone member states. These powers include taxation and public spending, as well as banking supervision and resolution policies.[19] The crisis also called into question whether European monetary integration was compatible with the eurozone's different "varieties of capitalism" or traditional "growth models."[20] On the one hand, Northern coordinated market economies or export-led growth models, like Germany and the Netherlands, seemed to be doing well during the crisis years. Balanced budgets and higher domestic savings led to further capital outflows that could offset their large current account surpluses. On the other hand, Southern mixed-market economies or domestic demand-led growth models, like Greece and Spain, suffered the most during the crisis years. Policies of fiscal austerity and structural reform, which aimed to fundamentally alter their growth models and make them more like the North, led to mixed successes – to put it mildly.[21] At the same time, the monetary policies of the European Central Bank were now arguably too tight on the periphery and too loose on the core countries – the opposite situation to what had prevailed in the pre-2008 boom years.

At the same time, the crisis thrust Germany into a much more overt hegemonic leadership role in the eurozone, one that Berlin has been reluctant to take on. Given chronic French economic weakness, this has been more *faute de mieux* rather than anything else. Ironically, this future scenario was exactly what François Mitterrand and Helmut Kohl were trying to avoid at Maastricht. The United Kingdom (UK) prime minister, Margaret Thatcher, for her part, had never been sold on the merits of a common currency and was more skeptical of the view that the euro would somehow solve the "German problem." Wilfried Loth

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18 See Craig Parsons/Matthias Matthijs, European Integration Past, Present, and Future. Moving Forward Through Crisis?, in: ibid., pp. 210–32.

19 See Philipp Genschel/Markus Jachtenfuchs (eds.), Beyond the Regulatory Polity? The European Integration of Core State Powers, Oxford 2014.

20 See Alison Johnston/Aidan Regan, European Monetary Integration and the Incompatibility of National Varieties of Capitalism, in: Journal of Common Market Studies 54 (2016), pp. 318–36.

21 See Matthias Matthijs, The Euro's "Winner-Take-All" Political Economy. Institutional Choices, Policy Drift, and Diverging Patterns of Inequality, in: Politics & Society 44 (2016), pp. 393–422.

quotes Thatcher speaking at a dinner at the French embassy in London in March 1990, maintaining that "the European construct will not bind Germany, but rather Germany will dominate the European construct."[22] Her remark would turn out to be more prescient than most EU observers gave her credit for at the time. In 2010, with close to 30 percent of the overall eurozone GDP and in its position as its main creditor state, Germany had disproportionate decision-making power on what the crisis response would be. But instead of using that power to provide regional public goods – by serving as the ultimate market, investor, and lender of last resort for the rest of the eurozone – the policy elites in Berlin continued to think of themselves as the managers of a small open economy, and doubled down on the importance of following the rules EU member states had agreed to in the 1990s.

This German mentality can be illustrated by the thinking of the German finance minister, Wolfgang Schäuble, who, in a public speech at the Sorbonne in Paris in November 2010, invoked the teachings of the late MIT economic historian Charles Kindleberger to Europe's crisis.[23] For Kindleberger, the main cause of the Great Depression of the 1930s had been the fact that a reduced United Kingdom could no longer play the role of leader or "hegemon" in the international economy, and that the United States – in the midst of a spell of isolationism at the time – was unwilling to do so. Kindleberger's view of leadership during crises was that one state had to act as the basic guarantor of "global public goods," which included serving as a market for "distress goods" (goods unable to find a buyer), providing counter-cyclical lending, acting as a lender of last resort, managing a system of stable exchange rates, and coordinating overall macroeconomic policy.[24] Schäuble, a trained lawyer, had apparently read Kindleberger very differently. In his speech, he explained that responsible leadership simply meant France and Germany respecting and following the rules they had set for themselves at Maastricht. This, of course, meant practicing budgetary restraint and by all means avoiding the risk of moral hazard. Unfortunately, that was exactly the opposite of what Kindleberger originally had in mind.

If we assess Germany's performance as Europe's provider of "regional public goods" (as defined by Kindleberger) before and during the euro crisis, the immediate conclusion is that it has underperformed and underdelivered.[25] First, rather

22 Loth, Helmut Kohl, p. 176.
23 See Matthias Matthijs, The Three Faces of German Leadership, in: Survival 58 (2016), pp. 135–54.
24 Charles Kindleberger, The World in Depression, 1929–1939, Berkeley/CA 1973, p. 291.
25 See Foreign Affairs from November 17, 2011: "Why Only Germany Can Fix the Euro" (Matthias Matthijs/Mark Blyth); www.foreignaffairs.com/articles/germany/2011-11-17/why-only-germany-can-fix-euro [accessed February 25, 2019].

than letting itself be a market for distress goods, Germany continued to export more than it imported during the crisis, and declined to increase its own domestic consumption or spur its public and private investment. Second, instead of practicing counter-cyclical lending, Germany's banking sector did the opposite: the pattern was one of excessive lending to Europe's periphery during the boom combined with a sudden stop of capital during the bust. Third, far from allowing the ECB to reinterpret its mandate so as to become a real lender of last resort, the German government generally favored limiting the ECB's powers by emphasizing its policy constraints, given its narrow mandate to maintain price stability. Fourth, Berlin has dictated a policy of "austerity for all" to the rest of Europe instead of coordinating a macroeconomic policy in which the North would inflate through higher spending while the South would deflate and practice austerity.

The difference between the role Germany played during the euro crisis and the one the United States played in the global financial crisis of 2008 is quite striking: the US seems to have learnt Kindleberger's lessons from the 1930s and decided to lead the world economy by making sure that this time it provided the necessary global public goods. This could well be one of the main reasons why the euro crisis has lasted for years without any clear resolution, while the global recession bottomed out in March 2009, and the recovery began just seven months after the collapse of investment bank Lehman Brothers in September 2008.

There is of course a historical rationale for Germany's orthodox response to the euro crisis. First and foremost, quantitative easing – the radical expansion of a central bank's balance sheet by printing new money to buy up both private and public debt, as both the US and the UK started doing in early 2009 – was more problematic for policy-makers in Frankfurt and Berlin. Not only does the ECB have a rather narrow mandate to maintain price stability, but the memory of Germany's hyperinflation in 1923 and the role it played in decimating the savings of the German middle class continues to loom large in the country's historical consciousness. Second, there is a long tradition in Germany of *Sparpolitik*, or austerity politics. It appeals to the idea of the Swabian *Hausfrau*, invoked by Angela Merkel in 2008, as the responsible German homemaker who frugally manages the household finances.[26] Third, at least in the mind of the popular Anglo-Saxon press, the word "debt" in German – *Schuld* – also means "guilt" and therefore carries mainly negative connotations.

The contemporary importance of rules is also related to a specific German legal culture going back to the *Rechtsstaat* of the Wilhelmine period, and should

26 The Economist of February 1, 2014: "The German Mentality. Hail, The Swabian Housewife"; www.economist.com/europe/2014/02/01/hail-the-swabian-housewife [accessed February 25, 2019].

be seen as a reaction to the traumatic experience of the Third Reich with its complete disregard for the rule of law. The German legal system is characterized by a much higher regulatory density compared to law in the Anglo-Saxon countries where common law – which relies on custom and judicial precedent – informs decision-making. The different responses to financial crisis in the US and in Germany could therefore also be understood as having a basis in the distinction the German political scientist Karl Rohe found between a "legalistic" and a "conventional" political culture. Germany's specific legalistic political culture is centered upon *Rechtsstaatlichkeit* in the sense of judicial verifiability of the executive's actions and it therefore aims at codifications that are as comprehensive as possible.[27] Judicial oversight was notably absent from the US 2008 bank bailout and the Federal Reserve's international swap arrangements.[28] The main point is not that rules should not be an integral part of the governance of any currency union with multiple member states, but that they cannot replace public goods provision during periods of stress. In such extraordinary times, enlightened leadership means having the political will to ignore the rules for a temporary period in order to serve the common good.[29]

From a political perspective, the popular perception of an all-powerful Germany imposing draconian terms on Southern Europe, especially in Greece, has been very bad for the European project. The whole point of the European Union – and of the euro – was to commit the "German Problem" to the dustbin of history once and for all. After the long night of negotiations in July 2015, when the leftwing Syriza government in Greece was forced to choose between "Grexit" (exit from the eurozone) or the humiliating acceptance of much harsher bailout terms, which Greek voters had rejected in a referendum only one week earlier, the former German foreign minister, Joschka Fischer, saw to his horror "the return of the Ugly German." By compelling a member of the eurozone to make a "voluntary" departure, Germany, Fischer believed, "announced its desire to transform the eurozone from a European project into a kind of sphere of influence."[30] This

27 See Karl Rohe, Zur Typologie politischer Kulturen in westlichen Demokratien. Überlegungen am Beispiel Großbritanniens und Deutschlands, in: Heinz Dollinger et al. (eds.), Weltpolitik, Europagedanke, Regionalismus. Festschrift für Heinz Gollwitzer, Münster 1982, pp. 581–96.
28 See Adam Tooze, Crashed. How a Decade of Financial Crises Changed the World, London 2018, chapter 8.
29 See Erik Jones, Elusive Power – Essential Leadership, in: Survival 51 (2009), pp. 243–52.
30 Project Syndicate from July 23, 2015: "The Return of the Ugly German," (Joschka Fischer); www.project-syndicate.org/commentary/return-of-the-ugly-german-by-joschka-fischer-2015-07 [accessed February 25, 2019].

may have been an exaggeration, but it was a view that was shared by much of the political elite in Southern Europe and by many in the Anglo-Saxon world.

Conclusion

After a relatively calm first decade for the euro, and a turbulent second decade, the open question before us is: what will the third decade bring? The euro crisis has only been one of a series of overlapping and interrelated crises that could be described as a perfect European storm. In the past five years, Europe has had to deal with a crisis of refugees and migration, Russia's annexation of Crimea and military intervention in Eastern Ukraine, the British vote to leave the European Union, and a gradual backsliding of democratic norms and the rule of law in multiple Central and Eastern European countries, especially in Hungary and Poland. But it is the euro crisis that has been at the heart of the EU's problems with further integration, as it has opened up the multiple dilemmas Europe faces. As long as the single currency is perceived mainly to serve the interests of a few Northern core member states, it will remain a politically fragile endeavor. The task the EU elites need to set themselves in the next decade is to spread the euro's prosperity more evenly across its member states, and allow a greater amount of democratic choice on which policies national governments can pursue to offset the negative effects of the ECB's one-size-fits-all monetary policy. That is the only way forward, if Brussels wants to take the wind out of the sails of euro-skeptic and nationalist movements across the continent. Whether the officials can deliver on that task remains an open question.

List of Abbreviations

ACDP	Archiv für Christlich-Demokratische Politik
AN	Archives Nationales Paris
BArch	Bundesarchiv
BayHStA	Bayerisches Hauptstaatsarchiv
BMEL	Bundesministerium für Ernährung, Landwirtschaft und Forsten
CAP	Common Agricultural Policy
CDU	Christlich Demokratische Union Deutschlands
CEEC	Committee of European Economic Cooperation
COPA	Comité des Organisations Professionelles Agricoles
CSU	Christlich-Soziale Union
DBV	Deutscher Bauernverband (German Farmers' Association)
EC	European Community
ECA	Economic Cooperation Administration
ECB	European Central Bank
ECSC	European Coal and Steel Community
ECU	European Currency Unit
ed(s).	editor(s)
EEC	European Economic Community
EFSF	European Financial Stability Facility
e.g.	exempli gratia
EG	Europäische Gemeinschaft (European Community)
EGKS	Europäische Gemeinschaft für Kohle und Stahl (European Coal and Steel Community)
EMI	European Monetary Institute
EMS	European Monetary System
EMU	Economic and Monetary Union
EPU	European Payments Union
ERP	European Recovery Program
ESM	European Stability Mechanism
et al.	et alia
etc.	et cetera
EU	European Union
EUA	European Unit of Account
EURATOM	European Atomic Energy Community
EWG	Europäische Wirtschaftsgemeinschaft (European Economic Community)
FDP	Freie Demokratische Partei
ff.	and the following pages
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GDR	German Democratic Republic
GG	Grundgesetz (Basic Law of the Federal Republic of Germany)
ibid.	ibidem
IMF	International Monetary Fund
IT	Information Technology

MIT	Massachusetts Institute of Technology
NATO	North Atlantic Treaty Organization
NLA	Niedersächsisches Landesarchiv Hannover
no.	number
NPD	Nationaldemokratische Partei Deutschlands
NW	Landesarchiv Nordrhein-Westfalen, Abteilung Rheinland
OECD	Organization for Economic Co-operation and Development
OEEC	Organization for European Economic Cooperation
p(p).	page(s)
RNST	Reichsnährstand
SED	Sozialistische Einheitspartei Deutschlands
SGP	Stability and Growth Pact
SPD	Sozialdemokratische Partei Deutschlands
STAHH	Staatsarchiv Hamburg
UEF	Union of European Federalists
UK	United Kingdom
US	United States
vol.	volume
WEU	Western European Union
WTO	World Trade Organization

About the Contributions to this Yearbook

The articles by Lucia Coppolaro and Matthias Matthijs were written specifically for this volume and have not appeared previously.

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