

Searching for the Ordoliberal Origin of European Integration:
Lessons from the Politics of the European Recovery Program

TAKESHI ITO

Visiting Fellow, Robert Schuman Centre for
Advanced Studies, European University Institute/
Associate Professor, Senshu University, Tokyo

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E-mail: takeshi.ito@eui.eu/tito@isc.senshu-u.ac.jp

[Abstract]

This paper aims to review the significance of the European Recovery Program (the ERP) or the so-called Marshall Plan as an origin of European integration and European mode of economic governance. Different from conventional approaches (IR and economic history), the paper analyses the political economies of European countries through controlled comparison of the ERP policy (the allocation of imports and credit) in Britain, France, Germany and Italy.

The author affirms that (1) multi-sectoral nature of the ERP policy required non-partisan coordination among different actors with different economic ideas. Such configuration was to demand non-partisan coordination, especially by economic experts.; (2) In order to strike a balance of competing demands for the ERP policy (reconstruction, development, security), the idea of ordoliberalism functioned as a focal point of consensus. The reason was that the idea, originally developed in prewar Germany, stresses the need for the state to ensure a balance between market liberalization, investment (civil & military) and balance of payments. The idea should be seen rather as an economic idea represented by a mixture of actual prescriptions than as a coherent ideology of a specific policy-maker.; (3) The penetration of ordoliberalism over Western Europe through the ERP could explain an "ideational leap" from a German paradigm of political economy to a European paradigm of integration, in that it became one of the central thought for European integration at an early stage, such as in the ECSC, competition policy and etc.

The argument of the paper is expected to pose another possibility of European institutions, based on a idea different from market liberalism, Keynesianism,, dirigisme, planism or socialism.

1. Introduction

This paper aims to review the significance of the European Recovery Program (the ERP) as an origin of European integration and of a European mode of economic governance¹.

On June 6th, 1947, in a speech at Harvard University, US Secretary of State George Marshall launched a new plan for foreign aid to Europe. The plan was called the ERP, or the so-called Marshall Plan. In the middle of his speech, Marshall affirmed boldly but cautiously the scope of the new aid program:

It is already evident that,there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. ... The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all European nations².

The US Government demanded intense coordination among the countries receiving aid. Therefore, European countries first set up the Conference for European Economic Cooperation (CEEC) and discussed a common framework for the aid program. Then on April 6th, 1948, the CEEC was developed into the Organization for European Economic Cooperation (OEEC) as an enduring coordinating body. In addition, the ERP not only helped more coordination in Western Europe but also encouraged integration of the markets through trade liberalization and the European Payment Union (EPU). Therefore, the ERP has been praised as an important origin of European integration³.

However, for several decades, scholars have cast doubt on such an “official” view. In spite of great differences, scholars seem to agree in denying that the ERP had a “direct” effect on the

¹ This paper started from my previous book on the coordination of the Italian ERP policy (see Ito, 2003 below) but has been extended into comparative studies. I would like to thank the following people for many comments and help: Especially Dr. Mauro Campus (Università di Firenze), Dr. Anna-Rita Rigano (Archivio Storico della Banca d'Italia), Prof. Dr. Shuichi Kawashima (EUI/Meiji University), and Prof. Minoru Masuda (Ritsumeikan University).

² OECD Home, The “Marshall Plan” speech at Harvard University, 5 June 1947, http://www.oecd.org/document/10/0,3746,en_2649_201185_1876938_1_1_1_1,00.html

³ Sorel, Eliot and Pier Carlo Padoan. ed. 2008. *The Marshall Plan: Lessons Learned for the 21st Century*. Paris: OECD.

development of European integration⁴, compared with other more “European” initiatives such as the European Coal and Steel Community (ECSC).

To evaluate the impact of the ERP, however, the other side of the coin, how the ERP influenced the domestic political economy of European countries, has yet to be examined. Existing research on the ERP has been occupied by diplomatic history on the bilateral or multilateral relationship between Europe and the US or by economic (and social) history on economic effects or management. Such research has not sufficiently treated the impact on political economy of the Marshall Plan in each country, that is, the transformation of the relationship between the market and politics, and the changing configuration among politicians, business, and other societal interests, bureaucrats.

The scope of the ERP, as Marshall indicated in his speech, was not limited to purely economic and “technical” aspects of aid allocation. The US and European countries tried to match immense challenges arising from new postwar international and domestic situations. The reach included the massive reconfiguration of political economy in European countries, with renewed linkages with international political economy. Such reconfigurations must have challenged the existing power structure in each political regime and brought about a new *ordnung* in each country. Now is the time to analyze and compare these challenges.

To better understand this transformation, this paper focuses on the politics of the Marshall Plan, that is, the politics over the allocation of grants and credits in the countries receiving aid. First, through a detailed analysis of existing arguments on the ERP, the author contends that, in the politics of the ERP, we should shed a new light on the particularity of multi-sectoral policy coordination in the ERP and focus on the role of the economic concept of “ordoliberalism” as a focal point among very different political and economic interests in the policy process. Second, using comparative case studies on the UK, France, Germany, and Italy, the author describes the commonalities and characteristics of each country. Third, in conclusion, the paper summarizes the significance of ordoliberalism in the

⁴ Third, in the 1970s and '80s, from the historiography of the Cold War “revisionists” emerged who criticized America’s international hegemony. For research on Europe, this led to an emphasis on the autonomy on the side of European countries (e.g., see Milward). Milward, Alan S. 1984. *The Reconstruction of Western Europe, 1945-1951*. Berkeley and Los Angeles: University of California Press. Stimulated by the rebirth of European integration around the Single Market in the mid-1980s, research on European integration, “separated” from US influence, became more popular. Fifth, in late 1990, after the abrupt beginning of the Gulf war, security studies gained interest again, which might have leveled down interests on the economic aspect of postwar history such as the ERP.

experiences of the ERP and in the history of European integration.

2. Problems with Existing Research and Perspectives of the Arguments of the Paper

2.1. The State of the Disciplines: Issues of the Studies on the Marshall Plan

The Marshall Plan has been one of the most studied topics for historical research in a contemporary period. Since being announced, the ERP has been considered very important for economic reconstruction and political alignment in Europe.

In the 1980s, a new wave of academic research on the ERP revitalized the argument over the ERP's actual contribution to economic reconstruction and to the political relationship between national interests and European integration. Milward and Abelshauser criticized existing explanations in that economic recovery and growth in Europe had been achieved almost independently of the ERP. Moreover, in the ERP policy, such arguments emphasized the effects of national interests more than those of the US or those for European cooperation. However, other researchers, such as Hogan and Kindleberger, strongly refuted this criticism and defended the historical importance of the ERP in the political and economic perspectives⁵. As a byproduct of these disputes, research on the ERP evolved into related fields such as industrial relations, productivity, and Americanization of social and cultural aspects. However, the research on the ERP could not develop up to the point of exploring further the transformation of power in Western countries through the ERP and retreated rapidly, compared with such topic and with other topics on European integrations.

The lack of research interest has something to do with the state of the disciplines of historical research on the ERP and related topics. First, for international history and economic history, the two major disciplines of the research on the ERP, it is not easy to understand the political and institutional dynamics in ERP policy decision-making, since their main interests lie in bilateral or multilateral relationships or in economic aspects of the ERP. In both disciplines, political dynamics are not stylized and systemized, to enable comparative analysis of the political economies of Western

⁵ Milward, *ibid*; Ableshauser, Werner. 1990. "Die Rekonstruktion der Westdeutschen Wirtschaft und die Rolle der Besatzungspolitik." In *Marshallplan und Westdeutschland Wiederaufstieg*, hrsg. Schröder, Hans-Jürgen. Stuttgart: Steiner, ss. 97-113; Hogan, Michael J. 1987. *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952*. Cambridge: Cambridge University Press; Kindleberger, Charles P. 1987. *Marshall Plan Days*. Boston: Allen & Unwin.

countries. Second, for domestic political history, it is not common to explore the historical materials of diplomatic and economic issues such as the ERP. To fill the gaps in existing arguments, the impact of the ERP on each country must be reviewed, by combining international and domestic aspects and by putting together political and economic dynamics⁶.

2.2. The Marshall Plan and the Transformation of Political Economy in Postwar Europe

Revisiting the politics of the ERP in each country is expected to grasp the development of political economy in postwar Europe. The aid and credit allocation policy-making necessarily required multi-sectoral coordination of various economic interests from agriculture to heavy industry and of various political and administrative actors from political parties to ministries. Therefore, focusing on the coordination of the ERP policy should be an appropriate point to see the characteristics and the changes in Western political economies in the early postwar period.

Such coordination also includes international actors from the US and other countries. As has been discussed, the acceptance of the Marshall Plan aid worked not only as a bidding condition, or “download” from the US, but also as a window of opportunity, or “upload,” for European countries to convey their interests to the US. For the US, there were plenty of measures to control the ERP policy in each country, such as careful scrutiny of a yearly or long-term program, monitoring of the progress, and suspension or release of the procurement authorization or counterpart funds. Under peer pressure, coordination in the ERP policy encouraged transformations in the existing power relationships in the European countries. However, in the process of these measures, the European countries had a certain range of negotiation, though it varied from country to country. They sometimes could use political instability and economic weakness as leverage, or even as blackmail, to get more allocations. The ERP was a “feeble weapon” in one case⁷ or a strong weapon in another for the US, while vice versa for the European countries.

For this reason, a controlled comparison of the coordination of the ERP policy, that is,

⁶ Varsori rightly points out the contributions and limits of existing research on the ERP; Varsori, Antonio. 2007. “IL Piano Marshall: un dibattito storiografico concluso?” In *Ventesimo Secolo*, 13) giugno, pp. 73-95.

⁷ Esposito, Chiarella. 1994. *America's Feeble Weapon: Funding the Marshall Plan in France and Italy, 1948-50*. Westport, Connecticut and London: Greenwood Press.

analyzing the responses to a common factor, the ERP, should shed a renewed light on the varieties of capitalism in Europe, in a new international situation of joining the capitalist world economy under US hegemony.

2.3. Three Imperatives in the Coordination

Coordination of the ERP policy demanded that the European governments meet three imperatives simultaneously: stabilization, development, and security. First, the European countries had to reconstruct seriously damaged economies by resolving the deficiency of food, fuel, and raw materials and stabilize budgets, financial markets, and balance of payments by curbing soaring inflation. Second, the governments in Europe were requested to develop their economies by stimulating investments in various sectors and increasing productivity, to make them independent without foreign assistance by 1952, when the ERP was slated to end. Third, the ERP aid had to be utilized to meet various security demands in the process of deepening the Cold War, by tearing industrial workers' support away from the Communists through investments in low-cost public housing or by giving prior attention to investments for rearmament⁸.

The problem is that these three imperatives should not be treated independently: They were closely interconnected and often mutually conflicting. For example, prioritizing financial stabilization would run the risk of inflaming sharp deflation and massive protests from the public. Ambitious investment programs in civil industry would cause inflation and a balance of payments crisis and lead to cuts in vital defense budgets. Larger defense programs might be forced to cut the food and fuel supply for citizens and suppress investment in the civil economy. These dilemmas are quite different from what has been discussed in existing research, that is, a dichotomy between stabilization and development⁹. These dilemmas were in a more nuanced and complicated relationship.

In fact, the European and American governments faced a serious dilemma whether they would contain inflation and maintain the value of their currencies under the serious “dollar gaps” (the

⁸ Ito, Takeshi. 2003. *Reconstruction, Development, and Militarization: Policy Coordination over the Marshall Plan and the Formation of the First Republic in Italy, 1947-1952*. ISS Research Series, No. 9. Tokyo: Institute of Social Science, University of Tokyo.

⁹ Such a dichotomy can be seen in the works of Esposito, Hogan, and others. See Varsori, *ibid.* Ito, *ibid.*

shortage of dollar reserves to buy necessary materials and goods), or import as much food and raw materials as possible and appease social unrest. Especially, from 1949, when most European economies attained a prewar level of production and the conflict of the Cold War sharpened with the establishment of the North Atlantic Treaty Organization (NATO), the governments argued over whether investments had to be targeted to industrial development or to more popular uses such as public housing. Moreover, after the outbreak of the Cold War, the US government demanded Europe increase defense expenditures, introduce more control in the economy, and make more of an effort to advertise the US's contribution of the ERP to Europe. However, the European governments tried to curb these demands to continue the governments' preferred economic policies.

Resolving these dilemmas was quite a difficult task. The methods of solving these dilemmas should partly be common across countries as a response to the same aid program, while they must vary substantially from country to country according to economic and political conditions of each country. In addition, these solutions ought to vary considerably in terms of different ideas for a desirable ERP and economic policy across countries, and even in the same countries. There was quite a wide variety of ideas: communist and socialist planning, nationalization, Keynesian fiscal policy, dirigisme, orthodox liberalism, and fiscal conservatism.

The multi-sectoral coordination in the ERP, therefore, had to find a sort of non-partisan, or at least, less partisan prescription in order to gain a broader consensus. At the same time, the prescription must be feasible and convincing for the domestic actors and for the US government. Existing research has affirmed that the concept of productivity might be the most plausible weapon at least for mitigating the left-right conflict in domestic politics¹⁰. However, productivity was not a solid idea for a concrete prescription for ERP policies.

For this condition of an economic idea to be met, it must tell us about an appropriate balance of the three imperatives. In this context, ordoliberalism would come to the surface for policy-makers in European countries.

2.4. Historical Significance of Ordoliberalism in Policy Coordination

¹⁰ Maier, Charles S. 1987. "The politics of productivity: Foundations of American international economic policy after World War II." In *International Organization* 31, pp. 607-33.

In the midst of difficult dilemmas concerning the ERP policy, an innovation in policy ideas was indispensable for a focal point of consensus. Ordoliberalism, originally developed in prewar Germany¹¹, can be an alternative as a prescription for striking a balance between such dilemmas.

A key element of ordoliberalism is the focus on the role of the state to ensure sound competition in the market by liberalizing oligopolistic industries, and, at the same time, to guarantee sufficient welfare in the national economy with economic growth and social policies. Such an idea was well suited for finding a balance between the three imperatives of the ERP in that the state would seek an efficient market economy by resolving excessive monopoly and by investing in the industrial and social sectors. Since the ERP could not be labeled on the left-right ideological spectrum, the ERP would serve as a core of non-partisan, multi-sectoral coordination.

The problem is who holds such ideas. A new strand of economic experts surged up, starting from the turn of the 19th century, though there were considerable variations by country. As the need for state involvement in the social and economic spheres grew in response to social and economic crises and in managing the mobilization for war, the role of the new economic experts increased progressively. In some cases, they promoted cartels, but the experts commonly tried to control private industries under state guidance, in order to achieve a more competitive market and more development in the midst of growing international rivalries.

Of course, not all experts had the same concept of ordoliberalism. Some were dirigistes; others were Keynesians, planists, or neo-mercantilists. A substantial number were also economic liberals, fundamental or pragmatic. Nevertheless, in the historical context of the early postwar period, the core elements of ordoliberalism were expected to function as the least common multiple rather than the greatest common measure. These experts had to exercise substantial influence.

The historical paradox of ordoliberalism should be noted: As an economic ideology, it strongly supports competition and praises free, private initiatives in the market. However, in the concrete historical context of the early postwar period, in a greatly troubled and highly concentrated economy, ordoliberalism would have no choice but to allow a state to intervene to liberalize the market. More paradoxically, in a renewed democratic regime, such interventions would be left to

¹¹ Gerber, David J. 1994. "Constitutionalizing the Economy: German Neo-Liberalism, Competition Law and the 'New' Europe." In *American Journal of Competition Law*. L. 26.

“undemocratic” experts involved in the policy-making of fascist regimes, in Germany, Italy, and France.

3. Case Studies – The Politics of the Marshall Plan in the UK, France, Germany, and Italy

In this part, the paper analyzes the policy developments, the transformation of governance, and the changing configuration of economic ideas in the ERP policy of the UK, France, Germany, and Italy.

3.1. Britain

3.1.1. Policy Development

In 1945, the unexpected end of the Lend-Lease aid put the then-new Labor government into great hardship. Although Britain won World War II, the British economy was suffering due to a serious shortage of food, fuel, and raw material, and America was supplying more than a quarter of the goods imported¹². The UK government asked for a new loan from the US but had to make a compromise, by promising to return to sterling convertibility in 1947. In spite of the aid from the US and other countries, the British economy continued to be in serious trouble, and the country’s foreign reserves were rapidly decreasing. In the winter of 1947, Britain was hit by a terrible fuel and food crisis. In a few months, the scheduled return to convertibility would plunge the country into economic disaster.

This is why Foreign Secretary Bevin welcomed the aid plan as soon as Marshall announced it. In addition to the desire to assure UK leadership in European cooperation¹³, large-scale aid from the US was expected to rescue the British economy from collapse. The British government took the initiative in the negotiation of the CEEC and the management of the OEEC. Moreover, Britain, together with France, received far more aid than other European countries.

Until the end of the ERP, the focus of the British ERP policy appeared unchanged in principle: The focus lay in rebuilding the foreign reserves and maintaining the balance of payments. In Whitehall, these two elements were considered the major factors determining the outlook and policy of

¹² Williams, Francis. 1948. *The Triple Challenge. The Future of Socialist Britain*. London: William Heinemann.

¹³ TNA T236/780, GEN.209/19th, 20 Feb. 1948. Clarke to Eady, 23 Feb. 1948. Clarke, Anglo-American Cooperation, pp. 190-94. Regarding Bevin’s design of Britain’s role in Europe, see Masuda, Minoru. 2008. *British Diplomacy and European Policies in the Postwar Era*. Kyoto: Minerva Shobo

the British economy, especially by the Treasury and Chancellor of the Exchequer Cripps¹⁴. Britain assigned only a small part of the ERP-financed shipments to machinery and related goods. In addition, the British government decided to use all of the counterpart funds for debt retirement¹⁵.

Of course, as the economic reconstruction progressed, the British government put more effort into industrial development and investment. From 1949 on, Britain increased machinery imports quantitatively. However, the ratio of machinery imports was decreasing significantly compared with the total amount of imports in Britain. In early 1950, when Gaitskell took over as the Chancellor of Exchequer and encouraged direct control and an industrial policy, it would not change the priorities of the British ERP policies. British investment in industry overwhelmingly focused on the iron and steel sectors, and in terms of the composition of ERP imports, the British government gave priority to raw materials for this industry¹⁶.

The British economy remained vulnerable to the deterioration of the balance of payments. The government was forced into another devaluation in 1949. Although Britain had been freed from the financial burden for the occupation in Germany, Britain still suffered a large deficit against the dollar area. Britain had to finance the economies in the sterling area of the British Empire and sometimes had to pay a deficit against these countries. In the early 1950s, the burden of the rearmament and the increase in defense expenditure heavily constrained investment policy, because the British government committed to the US-led militarization in order to play the role of the US's best and preferred partner in Europe. These developments clearly proved that the ERP policy in Britain was conditioned by the requirement arising from the famous catchphrase of British diplomatic policy, "Three Circles": Europe, America, and the Commonwealth. In 1951, the new Conservative government followed the existing line of the ERP policy.

3.1.2. Governance of the ERP Policy

British ERP policy prioritizing the maintenance of foreign-exchange reserves and balance of payments

¹⁴ Roll, Eric. 1985. *Crowded Hours: An Autobiography*. London: Faber and Faber, p. 56.

¹⁵ Milward, op. cit., p. 108.

¹⁶ Tomlinson, Jim. 2000. "Marshall aid and the 'shortage economy' in Britain." In *Contemporary European History*, 9-1, pp. 137-55. About British investment in the machinery, see TNA, CAB 134/235, "ECA Mission Report"; CAB 134/215, Economic Policy Committee, 'ERP: Reported by London Committee' 23/Dec/1947.

reflected the governance and the balance of power in the UK government, where the Treasury was gaining more influence over other departments.

At least by 1947 or 1948, there were several competing lines for the ERP policy in the British government, and it remained unsure which line should be adopted. In 1947, Foreign Secretary Bevin and the Foreign Office were eager to seek economic cooperation in Europe, as the design of Western Custom Union¹⁷. In the Cabinet Office, a certain number of people stressed the need for more direct control and planning as in the Central Economic Planning Staff (CEPS)¹⁸ under Morrison as Lord President. In the Treasury itself, Chancellor of the Exchequer Dalton sought a similar economic policy.

Nevertheless, after the Marshall Plan was announced, the locus of power in economic policy began to concentrate in the Treasury, and the focus of the policy shifted toward maintaining financial stability. Cripps, first as Minister for Economic Affairs, demanded this innovation, and in late 1947, he became the Chancellor of the Exchequer while remaining the Minister for Economic Affairs. He might have become a sort of “superminister” presiding over British economic policy as a whole. This shift in governance included the integration of the CEPS into the Treasury.

As in the case of the ERP policy, Cripps and the Treasury took the initiative in the late 1940s¹⁹: He was the center of the Economic Policy Committee of the Cabinet. He also presided over the Production Committee. Thus, his authority was not limited to purely financial matters. It touched on areas such as industrial policy and foreign trade²⁰. In addition, senior officials in the Treasury often took the chairmanship in various committees and subcommittees for ERP policies. The “London Committee” for the Marshall Plan was chaired by Rowan, the Second Secretary for the Treasury²¹. It is not necessary to mention the Permanent Secretary for Treasury working as the most influential secretary for the Cabinet Office.

This transformation, nevertheless, did not necessarily mean a victory for the austerity policy

¹⁷ TNA, FO371/67674, Record of the talk between Bevin and Bidalut, 17/Dec/1947, FO371/4250, Record of the talk between Bevin and Marshall, 17 and 18/ Dec/1947, FRUS, 1948, vol. III, p. 1. Masuda, op. cit.

¹⁸ The Central Economic Planning Staff (CEPS), directed by Edwin Plowden, first was put in the Cabinet Office (Harvard Morrison, as Lord President) and then transferred to the Treasury with the appointment of Cripps as the Chancellor of the Exchequer in 1947 (Roll 1985:50).

¹⁹ A difference in the British delegation at the CEEC, between representatives from FO and those from sectoral ministries (Roll 1985:53).

²⁰ Jay, Douglas. 1980. *Change and Fortune: A Political Record*. London: Hutchinson, p. 173.

²¹ Peling, Henry. 1988. *Britain and the Marshall Plan*. London: Macmillan, p. 46.

and the defeat of development. A detailed analysis of the ERP policy, nevertheless, shows that such a dichotomy was out of point, and a more subtle shift occurred in the UK government. First, Cripps affirmed the need to increase exports and stabilize the value of sterling, and his policy decreased the level of food and fuel supplies. However, he also supported the nationalization of key industries such as the coal and steel sectors. Second, the Treasury was not the same as before, and the ministry began to absorb a new reformist element, as shown in the case of the CEPS and the Minister for Economic Affairs. The Treasury not only executed financial stabilization but also supported some market-correcting policies.

Third, beginning about the second crisis of the balance of payments in 1949, Cripps's authority began deteriorating. He was forced to leave London due to illness, and against his strong opposition, younger ministers such as Gaitskell and Wilson as well as Prime Minister Attlee decided on devaluation. In addition, Gaitskell took over the role of the Minister for Economic Affairs from Cripps.

This transformation in the locus of power continued, as Gaitskell was appointed Minister for Economic Affairs and stressed the need for restoring more direct, microeconomic control of the British economy in 1950. However, such direct control did not have a sufficient effect as the economic policy and priority still lay in macroeconomic stability.

The transformation of economic governance in the UK government, therefore, shows that the Treasury continued to have a grip on the ERP policy, but in response to the changing economic and political situation, the Treasury gradually transformed itself by absorbing some elements for policy innovations.

3.1.3. Changing Configuration of Economic Ideas

As discussed above, in the politics of the ERP in Britain, ordoliberalism did not exist as a single, coherent policy. Scholars have argued that, in the late 1940s and the early 1950s, the point of contention lay in the dispute between economic liberalism, Keynesianism, and direct control inherited from the wartime mobilization (or a sort of dirigisme)²². Such an argument might confirm the conventional view that ordoliberalism was a German or at least continental idea.

²² Hall, Peter A. ed. 1989. *The Political Power of Economic Ideas: Keynesianism across Nations*. Princeton: Princeton University Press.

If the focus is placed not on a single person or group but on the content of the ERP policy, however, ordoliberalism could also be found in the British case. The Treasury emphasized the importance of sound balance of payments but, at the same time, tried to modernize the iron and steel sector by importing raw materials. Moreover, especially in the mid-1940s and the early 1950s, the British government made the most of direct control. Although there were different strands in and around the government, the Labor government attached great importance to modernization of British industry²³. The most interesting thing is that a variety of ideas poured into a policy network around the Treasury, which continued to adapt itself to the changing needs in balancing stabilization and development.

It can be said, therefore, that in the UK, ordoliberalism affected economic policy-making, though the effect in Britain was the weakest of the four countries discussed in this paper²⁴.

3.2. France

3.2.1. Policy Development

Because of the hard lessons taught by the War and France's defeat by Germany, the French government felt strongly that it needed to accelerate industrialization. This is why in the very early post-war period, le Plan de Modernisation Economique (PME) or the so-called Monnet Plan was formulated by Jean Monnet and adopted in March 1946²⁵. The Monnet Plan particularly targeted strengthening basic sectors such as the coal and rail traffic industries and concentrating available resources in these sectors rather than the consumption sector. However, the shortage of food raw materials, aggravating fiscal deficits, and decreasing foreign reserves put the brakes on this ambitious plan and caused serious inflation by early 1947. In addition to these economic difficulties, deepening Cold War conflicts, and the establishment of the center, the *Third Force* government transformed French economic policy more fiscal-conservative. Finance Minister René Mayer tried to cut public spending; Monnet found it difficult to finance the Monnet Plan, because the Blum-Byrnes credit in 1946 only temporarily financed the Plan

²³ In the British government, some officials closely followed the development of the Monnet Plan in France and eagerly promoted a sort of modernization in Britain.

²⁴ Tomlinson also pointed out the importance of a reformist idea in the ERP policy and called it "productionist socialism" (Tomlinson, op. cit., p. 155). However, the author put more emphasis on the constraints of balance of payments in the ERP policy.

²⁵ AN, F60/3026, Comité Economique Interministerielle, Sept. 1945-Aout 1946, Gouvernement provisoire de la Republique, Secreteriat Generale du Comite Economique Interministeriel, Document n. 228, "Compte" rendu de la Seance du lundi 18 fevrier 1946.

through 1947 and the government could not expect any more²⁶.

The ERP started in this changing context of the French economy. The French government continued to follow the basic objectives of the Monnet Plan. The US government praised the Plan as a model for the planned recovery in Europe. France imported more machinery than other countries did, by running the risk of inflation²⁷. Monnet pointed out the close relationship between the Monnet Plan and the Marshall Plan and expected that France could finance the PNE with counterpart funds²⁸. Actually, the government decided that the industrial investment of the Monnet Plan would be financed by the counterpart fund from the Interim aid and Marshall Plan aid²⁹.

However, until 1948, the French government made enormous efforts at financial stabilization. The US also requested France contain inflation and not ask for advances from the Bank of France³⁰. Thus, the Monnet Plan had to be modified to increase exports to improve the balance of payments³¹. The use of the counterpart fund for the Monnet Plan was just the obverse side of limiting state-financed funds for the Plan. In addition, officials in the Ministry of Finance prioritized a balanced budget, though they shared the principle targets of the Monnet Plan.

This liberal line of the ERP policy continued in spite of changes in the Cabinet. After the breakdown of the Schuman government and following the short interval of André Marie's government, Henri Queuille formed a government. Maurice Petsche, first as Deputy Minister for Treasury, then as Minister from 1949, stuck to austerity not only by raising taxes but also by cutting expenditures. In 1948, the Queuille government planned to raise several taxes and cut expenditures to create a balanced budget. Monnet and planners such as Pierre Uri were strongly opposed, and Monnet threatened to resign³².

²⁶ Nord, Philip G. 2010. *France's New Deal: From the Thirties to the Postwar Era*. Princeton: Princeton University Press, pp. 162-3.

²⁷ Milward, op. cit.; Kuisel, Richard F. 1981. *Capitalism and the State in Modern France: Renovation and Economic Management in the Twentieth Century*. Cambridge: Cambridge University Press.

²⁸ AN, F60ter/394, "Sous-commission au relevement europeen: Commission 21 juillet 1948"

²⁹ Lynch, Frances M. B. 1997. *France and the International Economy: From Vichy to the Treaty of Rome*. London and New York: Routledge, pp. 84-5.

³⁰ Not only the US but also the British government criticized the French ERP policy for excessive investment and dependence on industrial exports. AN, F60ter/390, 31421 "Programme a long termine francaise(1ere forme); aout, octobre-novembre 1948"

³¹ Esposito. 1994, op. cit., pp. 36-7.

³² Auriol, Vincent. 1974. *Journal du Septennat (1947-1954). Book II: 1948*. Paris: Librairie Armand Colin, pp. 556-7.

Monnet had to compromise by lowering the level of the objectives in the Plan³³.

However, this line is different from Keynesianism in some parts of the Treasury (Bloch-Lainé) and dirigisme such as Uri in the CPE.

From late 1949, the Bidault government basically followed the same line, and Finance Minister Petsche, until 1951. The balance of the government coalition was more inclined to the center-right. Thus, the government had to take into account fiscal conservative demands. Nevertheless, the end of the economic emergency enabled the government to invest more in industry. Although the Bidault government was pressured by the US government to invest more in low-cost housing and defense expenditures, the Bidault government still maintained the original priorities in the ERP policy.

3.2.2. Governance of the ERP Policy

The Monnet Plan has been highly praised for its contribution to economic development in France. As discussed above, the investment policy of the counterpart funds basically reflected the objectives Monnet had designed for the PME. However, this does not mean the initiatives in the ERP policy lay in the hands of Monnet. Actually, the Ministry of Finance led the ERP policy.

In 1948, the French government decided on the Mayer Plan. In the Plan, the Ministry of Finance assumed responsibility for managing two funds for investment for the ERP: the CAREC for economic reconstruction and the FME for investment of the Monnet Plan. Monnet and the Planning Commissariat tried to regain control of this fund, but they were forced to be reconciled to playing an advisory role³⁴. In addition, Monnet was excluded from the negotiation for the release of counterpart funds in spite of his complaints³⁵.

The difference between officials in the Ministry of Finance and the planners, nevertheless, should not be overemphasized. First, the objectives of the Monnet Plan were shared between various actors in the government and business, though their priorities were different. Second, there was a considerable difference inside the Treasury itself. For example, the Director of the Treasury, François Bloch-Lainé, supported Keynesian deficit spending, but strong opposition arose in support of a

³³ Esposito, *op. cit.*, pp. 41-3. However, the liberal line of the French government, nevertheless, was quite different from that of the UK and from what economic liberalism might have implied.

³⁴ Lynch, *op. cit.*, p. 89; Kuisel, *op. cit.*, pp. 239-42.

³⁵ Quille to Monnet, 25/Sept/1948, AN, F60ter, 497.

balanced budget³⁶. Third, the Interministerial Committee for European Cooperation (SGCI, later SCGI-CEE) played a larger role than has been discussed. Existing research has argued that the SCGI was just an agency collecting and exchanging information³⁷. However, the SCGI works as an arena for coordinating mutually conflicting interests and sometimes played a “decisive” role in selecting policy alternatives³⁸.

3.2.3. *Changing Configuration of Economic Ideas*

In early postwar France, ordoliberalism seemed to be weak. Conventional arguments have focused on the difference between dirigisme, Keynesianism, and traditional liberalism or (fiscal) conservatism³⁹. Some have argued that dirigisme is a master ideology in French industrial policy. Others argued that Keynesian deficit spending was a distinguished factor in the aggressive investment policy in France.

As the development of the ERP policy showed, however, the influence of these ideas was actually more limited. During this period, Finance Ministers put more emphasis on a balanced budget and balance of payments, though the ministers considered these elements more “plastic” according to the political and economic situations than is the case of Britain. As some researchers pointed out, the planners and Finance officials did not have the same idea. At the same time, existing arguments treated the Finance officials as expansionists or modernizers such as Monnet⁴⁰. However, this argument underscores the historical importance of financial stabilization in *actual ERP policy*, which might be different as a coherent economic ideology held by a specific person. In fact, Finance Ministers and officials executed severe stabilization against fierce opposition from the left and right, as was the case of *the loi de maxima* in late 1948 by Petsche⁴¹.

At the same time, it should not be forgotten that there was broad consensus in the government that France had to encourage industrialization of strategic industries and that after the revision of the Monnet Plan in 1948, such policy had to be achieved by promoting export sectors such as the iron and steel industry. This duly shows concern for sound balance of payments.

³⁶ Lunch, op. cit., p. 83.

³⁷ Esposito, op. cit., p. 96.

³⁸ AN, F60ter. 460, SGCI

³⁹ Hall, *ibid.* 1994; Nord, op. cit., pp. 102-3.

⁴⁰ Kuisel. 1984, op. cit.

⁴¹ Lyunch, op. cit., p. 95.

In France, therefore, as a concrete and actual prescription for the ERP policy, could be found the influence of ordoliberalism. Although it took on a more interventionist and expansionist look, the essential characteristics were the same as in other countries.

3.3. Germany

3.3.1. Policy Development

After the end of the War, the German economy was in a serious crisis, not only because of significant war damage but also because of heavy postwar burdens such as reparation, dismantling, the inflow of refugees from the East, and the disintegration of the prewar German market following the division into four occupied zones. Germans experienced extreme food, fuel, housing, and capital shortages, and suffered from falling production and soaring inflation⁴².

Due to the increasing conflicts with the USSR and the continued burdens of occupation, the US and British governments agreed in the Bevin-Byrnes Agreement of December 1946 to merge their occupied zones, and the Bizone was established in January 1947. Both governments, especially the US, stressed the need to reconstruct the German economy and integrate it into the framework of European cooperation. They set up the Economic Council (Wirtschaftsrat) as a parliamentary body and the Executive Council (Verwaltungsrat für Wirtschaftsgebietes) as a governmental body.

The announcement of the Marshall Plan urged the Allied Forces and German executives to speed up the reconstruction of the German economy as a leading industrial producer and exporter in Europe. To restore financial stability, in June 1948, Erhard, as director of the Economic Section of the Executive Council, introduced the new Deutsch Mark⁴³. In addition to the Currency Reform, the Social Market Economy policy directed by Erhardt aimed to liberalize the German market through deregulation. To counter the traditionally cartelized heavy industrial sectors, Erhard abolished political prices for consumer goods, while he maintained the prices of raw materials and goods for heavy industry.

⁴² Milward. 1984, op. cit.

⁴³ Rischel, Albrecht. 1985. "Die Währungsreform von 1948 und der Wiederaufstieg der deutschen Industrie." In *Vierteljahrshefte für Zeitgeschichte*, vol. 33, ss. 133-65.

This policy was reflected in the composition of imports from the ERP aid. Compared with other countries, Germany imported overwhelmingly for the consumer and manufacturing sectors, but only a slight portion of investment goods (Milward 1984:8). In addition, due to the opposition from France to the increasing industrial production in Germany, the release of counterpart funds was belated. The first significant release was decided as late as in 1949. Thus, Germany could not invest in heavy industry⁴⁴. In addition, the authority of the Economic Council was strictly restricted by the Allies, such as in the realm of the credit and financial sectors⁴⁵.

Until mid-1949, the success of the social market economic policy was widely acknowledged, which led to the victory of a conservative coalition of Christian Democrats (the CDU-CSU) and Liberal Democrats (the FDP) at the first general election and the establishment of the Adenauer government. In response to the improving economic and political situation, a new public loan credit corporation, the Kreditanstalt für Wiederaufbau (KfW), was established in late 1948 and began to pay more attention to investment⁴⁶.

In late 1949, however, the German economy faced a serious balance of payments crisis. Ahead of other OEEC countries, Erhard promoted the liberalization of foreign trade, getting rid of import quotas, especially for raw materials and other consumer goods. Moreover, Erhard was criticized that his policy was aggravating the problem of unemployment⁴⁷. In June 1950, the outbreak of the Korean War ignited panic buying of raw materials. This rapidly decreased foreign reserves. Moreover, the liberalization policy of the social market economy increased the level of unemployment.

Erhard's policy was under fire for his rigorous liberal stance. In the Cabinet, even Adenauer lost confidence in Erhard's management of the country's economic policy. Other ministers also challenged Erhard's liberalization⁴⁸. In addition, Americans such as High Commissioner McCloy, though

⁴⁴ The high price policy of German coal was a policy promoted by the Governor Clay, OMGUS while the ECA asked for lower prices for European reconstruction. See Clay to Draper, FRUS, 1948. III, p. 435.

⁴⁵ BA, Z 13/667 "Tagesordnungen und Protokolle des Ausschusses für Finanzen." April 1948- January 1949.

⁴⁶ BA, Z 13/1174; As for the establishment of the KfW, see Gründbacher, Armin. 2004. *Reconstruction and the Cold War in Germany. The Kreditanstalt für Wiederaufbau (1948-1961)*. Aldershot: Ashgate.

⁴⁷ Bissel to Harriman and Katz, FRUS 1949, IV, p. 413.

⁴⁸ Adenauer expressed the need to tackle the problem of unemployment in the meeting with the British High Commissioner on February 16 and March 2nd. TNA, FO 1005/1126a. See also Schwabe, Klaus. 1991. "German policy response to the Marshall Plan." In *The Marshall Plan and Germany: West German*

he was more sympathetic to the German government, criticized the import of “luxury goods” and low investment in heavy industry. In addition, until the end of 1950, Germany used up the quota in the EPU, for German industry to rush to buy raw materials following the outbreak of the Korean War. This would bring further inflation. Cabinet members and US officials pressed Erhard to give up the all-liberal policy and to let the state take a more active role in economic policy, such as reintroducing controls for imports and investing in basic sectors such as coal mining.

As a result, Erhard modified his policy, introducing more control of imports (e.g, licensing) and investing more in basic sectors such as coal and other heavy industry. The New Investment Law promoted industrial investments based on spontaneous initiatives from industrial associations. The KfW invested the counterpart funds in the housing sector in 1951.

3.3.2. Governance of the ERP Policy

Governance of the German ERP policy was based on a complicated balance of German actors and Allies. Before 1949, in the Bizone, the American and British governments exercised tight control over German economic policy⁴⁹. However, the Economic Council and the Executive Council, later the Administrative Council, had some degree of autonomy. In September 1949, the establishment of the Federal Republic gave more autonomy, though tight controls still remained based on a bilateral agreement between Germany and the Allies, while the US High Commissioner, who concurrently held the role of the head of the ECA in Germany, supervised management of the economic policy.

The domestic configuration of the ERP policy was, in fact, more plural than conventional researchers have stated. The initiative of Erhard, first as director of the Economic Division of the Executive Council and later as Minister of Economics, was admittedly distinguished, and he was considered the conductor of the social market economy. However, his influence was restricted by competing ministers and by social partners.

In managing the Marshall Plan, he competed and often collided with other ministries. First in 1947, when the Marshall Plan was launched, Otto Schniewind was appointed the Marshall Plan advisor

Development within the Framework of the European Recovery Program, Maier, Charles S. and Günther Bishiof, eds. New York and Oxford: Berg, pp. 225-281, Ch. 5.

⁴⁹ For example, in 1947, the Allied forces sent representatives to the CEEC, but they were supported by German experts.

(Marshallplan-berater). Then he was appointed the leader of the Office of the Advisor for the Marshall Plan. Erhard opposed Schniewind's authority. Although the Schniewind Office has been called the only coordinating body for the ERP policy⁵⁰, the target setting of the overall policy was deeply affected by Erhard's social market policy.

The problem continued even after the Federal Republic was established. Contrary to Erhard's desire to control the ERP policy, a special Ministry for the Marshall Plan was set up and was entrusted to Franz Blücher (FDP). A sharp conflict arose between Erhard and Blücher. The former asked to control the coordination of the whole economy, while the latter demanded to be able to coordinate all the tasks of the ERP⁵¹. The conflict was so severe that Adenauer had to intervene and proposed a compromise of creating a coordination committee of related parties.

Erhard had to compete with other ministers such as Fritz Schäffer (Minister for Finance). He had more interest in financial stability than Erhard and the ERP and related policies such as the balance of payments problem. In addition to ministers in the Cabinet, Vocke, the governor of the German Central Bank (Bank deutscher Länder), sometimes criticized Erhard's policy for causing inflation and risking the value of the currency. In addition, the director of the KfW, Hermann Abes, had great influence over investment policy and sought more investment in basic sectors than Erhard's policy. Thus, Erhard was circumvented by interventionists as well as fiscal conservatives.

A typical episode showing his power and limits is the "investment crisis." In late 1949, when the German economy fell into a balance of payments crisis due to growing demand for raw materials, Erhard's leadership was called into question, even by Chancellor Adenauer,⁵² and he sometimes criticized Erhard openly. However, Erhard succeeded in maintaining his grip. As in the case of the investment crisis in 1951, he enjoyed a favorable relationship with industrial associations.

3.3.3. Changing Configuration of Economic Ideas

As discussed in the introduction, ordoliberalism surely flowered in Germany. Erhard was the champion of this idea in postwar West Germany.

⁵⁰ Schwabe, op. cit., pp. 236-7.

⁵¹ Erhard to Blücher, and Blücher to Erhard, BA, B 102/12692.

⁵² "132 Kabinettsitzung am 27. Februar 1951"; *Kabinettsprotokolle der Bundesregierung*, 1951, pp. 182-97.

Erhard, through social market economic policy, abolished price controls on consumer goods and liberalized foreign trade. In the realm of the ERP policy, his focus on privileging the consumer and manufacturing sectors over heavy industry was reflected in the composition of ERP imports and more emphasis on microeconomic liberalization (e.g., abolishment of price controls on such goods) and stabilization than investment.

The tone of the ERP policy in Germany, nevertheless, transformed significantly. First, Erhard was surrounded by various actors with different ideologies. Finance Minister Schäffer tried to maintain finance stabilization. In late 1949, other ministers and experts with more interventionist ideas tried to modify Erhard's tout-court liberal policy. In the case of the investment crisis, interventionist wings in the Christian Democrats and other forces such as Abes and Blücher and fiscal conservatives such as Schhäffer requested the introduction of direct control of imports to contain inflation. Adenauer criticized Erhard for the same reason.

The paradox is that Erhard, who argued that state intervention in the economy should be decreased, had to rely on the very role of the state to liberalize the regulated market. Another paradox is that, to curb criticism from interventionists in the Cabinet and from Allied forces, Erhard was forced to appeal to a corporatist solution with industrial associations, which should principally contradict his aim to dissolve the cartels in the German market⁵³. A further paradox was that the more liberalized the German market was, the tighter the threshold of the balance of payments became, and the more the need to introduce state control in the market increased.

3.4. Italy

3.4.1. Policy Development

In the immediate postwar period, Italy was visited by a severe economic crisis: an extreme shortage of goods and materials, a lack of capital, and a wave of severe inflation. The change in government (*La svolta*) from the tripartite coalition of the Christian Democrats (DC), Communists, and Socialists to the centrist coalition ensured the dominance of a "liberal" economic policy in the government. Luigi Einaudi, the distinguished economic professor, became the Minister of Budget and executed a tough

⁵³ Van Hook, James C. 2004. *Rebuilding Germany. The Creation of the Social Market Economy, 1945-1957*. Cambridge: Cambridge University Press.

anti-inflationary policy. Inflation returned to normal levels⁵⁴. This tough anti-inflationary policy was called the “Einaudi-Pella” line, and the subsequent Minister for Treasury, Pella, continued a similar policy combining fiscal consolidation and partial protectionism for industry⁵⁵.

The advent of the Marshall Plan, though the left and labor organizations strongly protested, was welcomed. However, as Quaroni, the Italian Ambassador in Paris, wrote to Foreign Minister Sforza, Italy had no particular policy for the Marshall Plan except getting as much aid as possible from the US⁵⁶. In early 1948, the Italian government repeatedly discussed the program for incoming American aid, but the government could not arrive at a consensus. In the end, reflecting the predominance of economic liberals, at the meeting of the Interministerial Committee for the Reconstruction-European Recovery Program (CIR-ERP), the government decided that the main beneficiaries of the ERP aid would be the agriculture and transportation sectors, and the counterpart funds should be used to cover the fiscal deficits, rejecting demands for increasing industrial investment⁵⁷.

By 1949, production in Italy had returned to 1938 levels. Not only the left opposition but also the reformist wings inside the governing coalition harshly criticized the Einaudi-Pella line as having significantly worsened unemployment and caused social unrest. Especially the left wing of the leading party DC was calling for massive economic and social reforms and rapidly grasping power in the party organization. Such changes in the governmental forces led to some significant changes in economic policy, including the allocation of the ERP aid and the counterpart funds, progressively in the following years.

In early 1949, the ERP policy in Italy was bitterly attacked for an excessive accumulation of foreign reserves and for the lack of coordination and insufficient measures against severe unemployment. As the “Country Study” by Hoffman, the ECA harshly criticized the Italian government⁵⁸. Although economic liberals like Pella continued to maintain a grip on economic policy-making, the ERP policy gradually began to change. The government decided on a large-scale

⁵⁴ De Cecco, Marcello 1968. *Saggi di politica monetaria*. Milano: Giuffé, p. 67.

⁵⁵ This line is called “liberal protectionism” by Amato. Amato, Giuliano. 1976. *Il governo dell'industria in Italia*. Bologna: Il Mulino.

⁵⁶ Doc. No. 211, “L'Ambasciatore a Parigi, Quaroni al Ministro deli esteri, Sforza”, 28/August/1947, Documenti Diplomatici Italiani, 10a serie: 1943-1948, Vol. VI, pp. 495-98.

⁵⁷ CIR-ERP,1948 “Relazione su 1 e 2 trimestre ERP in Italy,”ACS, IRI, neri, b.144, fasc.1.

⁵⁸ Hoffman, Paul G. “Il ‘Country Study’ sull'Italia”, ISE, Documenti sul Piano Marsall nel primo anno di attuazione. Milano: Istituto Editoriale Italiano.

investment plan for the state-led steel industry⁵⁹. Then in late 1949, responding to mounting pressure from the US government, the Italian government decided to increase investment further and presented a new yearly program for the 1950-51 fiscal year⁶⁰.

Finally, in early 1950, the government decided to increase manufacturing machine imports in spite of strong opposition by Pella⁶¹. After the outbreak of the Korean War, the government extended investment in heavy industry in the civil sectors, resisting pressure from the US government for militarization.

3.4.2. Governance of the ERP Policy

In the late 1940s, economic liberals actually governed the ERP policy. Einaudi, as the Minister of the Budget, the so-called superminister, presided over two Treasury and Finance ministries. After Pella was elected President of the Republic, he served as the Minister of the Treasury and took on a liberal Einaudi-Pella line⁶². Liberals in the government developed their policy in close collaboration with industrial associations (Confindustria). Some have even argued that industrialists almost substituted in policy-making and implementation (privatismo)⁶³.

Of course, there were large-scale semi-public agencies and state-holding companies (public and private mixed ownership) such as the IRI (Institute for Industrial Reconstruction). However, during the immediate postwar period, they could not develop progressive investment autonomously not only because of a shortage of capital but also of suspicious links with the fascist economic policy.

The principal decisions concerning the ERP policy were discussed and determined at the CIR. Although Ferrari-Agradi was appointed the Permanent Secretary, the CIR was actually presided over by liberal Treasury ministers and remained weak organizationally in the late 1940s⁶⁴.

As the ERP policy became more pro-investment, the predominance of economic liberals in the government was gradually eroding. Although they continued to remain central figures in the Treasury and other key ministries, first, the center-left wing of the DC, e.g., Fanfani, Vanoni, gained

⁵⁹ Atti parlamentari del Senato, Discussioni, 26 maggio 1949.

⁶⁰ Petri, Rolf. 1997, m 356-7; Bottiglieri. 1984a, 55-9.

⁶¹ Esposito, pp.178-9; To ECA, NARA, Country Files b.11.

⁶² "Apopto per il Segretario generale," ACS, PCM,, COR, b.2 , n.d.

⁶³ Barca, Fabrizio, Mattina, Libro(1991a).

⁶⁴ 24 Ore, 4/junio/1947

more influence and grasped principal economic ministries such as Finance and Labor. They pressed the government for an active investment policy in public works, housing, and heavy industry.

Second, the CIR accumulated political influence as a coordinator of different interests of ministries, public agencies, and societal interests such as industrial associations and trade unions. In some cases, Ferrai-Aggradi took the lead in policy coordination, which the US administration also mentioned and promoted to its interest⁶⁵.

Third, the Governor of the Central Bank, Donato Menichella, exercised greater influence than during the early postwar period. He had been a key figure in the fascist economic policy, though he was an independent technocrat. He and other technocrats (*tecnici*) tried to achieve an ERP policy balanced between stabilization, sound balance of payments, and economic development. They tutored a vast network of public enterprises, financial sectors, and public investment agencies. Fourth, such initiatives were joined by various technocrats, Keynesians, and dirigistes such as Saraceno and Rossi⁶⁶.

3.4.3. Changing Configuration of Economic Ideas

The dominance of economic liberalism was the counteraction of a controlled economy under fascist dictatorship. This is why the most important advocate, Einaudi, took a key ministerial position and he and other liberals such as Pella (DC) guided economic policy-making in the late 1940s. Economic liberalism in Italy was similar to classical liberalism as an ideology, but was quite different as a practical guideline for economic policy. Einaudi and Pella stressed the pivotal value of financial stabilization, balanced budget, and liberal initiatives in the market, but they provided a fair amount of state assistance to industry and did not actively promote competition in the market.

As discussed above, such ideology and pragmatic policy ideas colored the ERP policy in the late 1940s. One of the reasons why Einaudi and Pella did not adopt an active public investment policy is that industrialists themselves did not favor state intervention and feared intensifying competition in the market⁶⁷.

⁶⁵ Ferrai-Aggradi a Menichella, 14/novembre/1949, ASBI, Studi, Pratt. N. 377, fasc.16. Esposito, op. cit. m 169-71.

⁶⁶ Ito, *ibid.*

⁶⁷ “Verbale della riunione tenuta dalla Commissione Centrale Industria,” 24/giugno/1948, ACS, MIC, Cci-Siai, b.4.

In the late 1940s, different ideologies came to the surface, and followers challenged the dominance of economic liberalism: communism in the left opposition, planism by the reformist left of some Communists, Socialists, trade unions in the opposition but also left-leaning Christian Democrats and Social Democrats, so-called “dirigistes” such as Tremelloni and Campilli as ministers and technocrats such as Saraceno and Rossi, and Keynesians such as reformist politicians like Vanoni or technocrats like Saraceno⁶⁸. These ideas partially flowed into the prescriptions of the ERP policy as far as the leading liberal politicians admitted practical efficacy.

As the policy changes in the early 1950s showed, nevertheless, the balance of competing economic ideas began to shift. In this transformation process, facing the difficult task of matching financial stability, economic and social development, and sound balance of payments, the technocrats’ concept of neo-mercantilism sprang up as a focal point of consensus. Menichella was a key figure in practical coordination as well as in ideational coordination. In the ERP policy, maintaining favorable relationships with the left and the right, he tried to keep the financial market stabilized through cautious banking and credit policies. He also promoted development policies for the South by using the ERP aid.

On the whole, these reformist policies were pursued as long as they did not hurt economic and financial stability in domestic and international perspectives. This policy and the technocrats’ economic idea accommodated the basic lines of ordoliberalism.⁶⁹

4. Conclusion: The Politics of the Marshall Plan and Ordoliberalism

Thus far, the paper has analyzed the impact of ordoliberalism on the politics of the aid and credit allocations of the Marshall Plan in four European countries. The main findings of the analysis can be summarized as follows:

First, ordoliberalism usually did not function as a coherent ideology for a single policy-maker. Rather, ordoliberalism represented an amalgam of actual prescriptions for the ERP policy. When exploring a policy idea, thinking of it as an idea of a certain policy-maker or an external critic is

⁶⁸ Hall, *ibid*; Ito, *ibid*.

⁶⁹ The neo-mercantilism of technocrats such as Menichella stressed the vital value of a free market and international competition as far as the people’s welfare was secured. See Ito, 2003. Mortara, Alberto. a cura di. 1984. *I protagonisti dell'intervento pubblico in Italia*. Milano: Franco Angeli.

common. However, an actual policy tends to be a product of a certain range of different ideas in the policy process. In the case of a comparison of different cases, focusing on the idea behind a specific policy is an effective research strategy. In Germany, ordoliberalism worked more coherently, as the economic policy was led by Erhard. However, in other countries, the actual policy mix represented ordoliberalism through competition and compromises by various forces with different thoughts.

Second, the importance of ordoliberalism depended on a few economic and political conditions in early postwar Europe. The cases of Britain, France, Germany, and Italy show that the concerns for the balance of payment worked as a vital interest, because three imperatives of the ERP (stabilization, development, security) hinged significantly on the ceilings of balance of payments. In a difficult economic situation and a “fixed” exchange rate system, the European governments did not have much room for policy maneuvering. Devaluation would give them only temporary relief, as was shown particularly in Britain. Therefore, on the whole, the government must commit to minimum financial stability and could not appeal to Keynesian deficit spending. Moreover, the governments could not spend much on rearmament⁷⁰.

This convergence, however, does not exclude the fact that the difference in the ERP policy had something to do with the differences in the political economies of the four countries. As the British commitment to export promotion and debt retirement shows, the responses differed from country to country, in terms of aid and credit allocation priorities and in the political balance of power. The policy coordination patterns reflected historically formed varieties of capitalism and of democracy and, at the same time, the transformation of political economies in new international and domestic contexts.

Third, the penetration of ordoliberalism in Western Europe through the ERP could explain an “ideational leap” from a German paradigm of political economy to a European one. This development might suggest that the ERP contributed to European integration not (only) through European institution-buildings but also through paradigm convergence. As European institutions generate common ideas for Europeans, European ideas produce European policies, and then, probably, European institutions. Ideas and institutions could lead to European integration.

In this sense, the Marshall Plan can be an origin of European integration. That is, an idea

⁷⁰ Of course, such constraints would be relaxed after their economy achieved a high rate of economic growth in the late 1950s and '60s.

with a German origin has now begun to have been argued as a central idea for European integration at an early stage, such as in the ECSC, competition policy, and following development in European institution-building.