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Chapter · April 2021

DOI: 10.1007/978-3-030-60368-7_5

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“Large Switzerland” or “Large France”? The Ordoliberals and Early European Integration

Stefan Kolev

5.1 INTRODUCTION: TWO VISIONS OF EUROPE

For the process of European integration, the past decade has been above all a sequence of cumulative crises. The combined effects of the financial, Eurozone, Crimea, refugee, and Brexit crises stifled much of the earlier optimism about the quasi-automatic formation of an “ever closer union.” The current struggle with the consequences of the coronavirus has produced yet another stress test for the architecture of the European Union, especially regarding the basic freedoms when borders are being closed and unprecedented restrictive measures in the public space are being introduced, but also regarding the problem-solving capacities for this new macroeconomic shock on the national and supranational levels.

This chapter focuses on the early phase in the process of European integration as seen from the perspective of the German political economists

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F. Giavazzi et al. (eds.), *The Liberal Heart of Europe*,
https://doi.org/10.1007/978-3-030-60368-7_5

whose combination of the notions of liberty and order led to the designation “ordoliberalism.” Special attention is given to Wilhelm Röpke (1899–1966) who accompanied the first decades of the integration process as theorist and public intellectual. The positions of Ludwig Erhard (1897–1977) and Alfred Müller-Armack (1901–1978) are incorporated to provide the political perspective in the complex negotiations leading to the Treaty of Rome. Since for many protagonists the early phase of European integration was motivated by the central aim to contain the young West German Federal Republic and to integrate its war-relevant industries into a common entity, the positions of these three German political economists in their different roles are of particular interest. As theorists, public intellectuals, and policymakers, they were formative not only for the decision-making process in Germany, but also for the observers in neighboring countries and for reassuring them. Overall, the narrative centers around a key metaphor of two visions of Europe that helps to structure these early debates: For the ordoliberals, the trajectories of European integration could bring about a “large Switzerland,” that is, a politically decentralized entity which is economically integrated internally as well as non-protectionist externally, or a “large France,” that is, a politically centralized entity which is economically integrated internally but protectionist externally. From today’s perspective, this prescient diagnosis is not only of historical value: While it is instrumental to capture the oscillations of European integration between the two trajectories during the past seven decades, it is also conducive to therapies for the crises-ridden EU of today and tomorrow which, especially in recent decades, has arguably moved toward a “large France.”

5.2 EUROPE’S DIVERSE FACES: FROM ZEUS AND EUROPA TO *FESTUNG EUROPA*

What are the key vehicles for communicating history? Many would reply: books. This is certainly true, at least since the majority of citizens has become functionally literate and thus has the capacity to engage in historical texts. And yet, much earlier than our global-digital age with its new media channels, another vehicle has been very powerful: images. Images are capable of capturing collective imaginations of a phenomenon at a point in time, and correspondingly one can grasp the history of a certain

phenomenon as a sequence of such images which has accumulated over time.

In the case of Europe, the power of collective images is very much palpable. A large piece of land as a continent is not necessarily predestined to play an important role in the popular imagination. For this to happen, a set of “mythical and symbolic underpinnings” (Bottici and Challand 2009, p. 11) is required. And Europe has been on the minds of humanity for millennia, captured in a number of principal images: The Greek myth of Europa (Klocek di Blasio and Michalski 2016), the images of ancient Athens and Rome as the cradles of civilization (Spawforth and Walker 1985), the Renaissance as the awakening of Western civilization (Patterson 1997) are prominent examples of such mythical and symbolic underpinnings which are almost universally shared today. In addition to their universal spread, it can be argued that for today’s Europeans they invoke mostly positive associations.

However, there is a different type of images of Europe which, even if not universally shared, invoke more controversial associations and less unambiguous emotions. A prominent example here is the historical image of Europe as a patchwork of small states as it presented itself for several centuries prior to the emergence of the nation-state. This pattern persisted particularly long in Central Europe, and until today for many Germans the notion of “*Kleinstaaterei*” (Kamusella 2012, pp. 75–80) is taken as a synonym for fragmentation, weakness of state capacity, and diplomatic irrelevance. In contrast, the counter-interpretation of this “*Kleinstaaterei*” as a realm of diversity where the abundance of small territories provided an essential laboratory for learning through experimentation with various regulatory frameworks for economy and society (Rohac 2019, pp. 53–9) is much less widely shared and more or less confined to the pronouncements of proponents of liberalism.

As an initiation of this narrative of postwar European integration, it is important to ask what dominant images of Europe were on the minds of the generation which is at the core of the chapter. The period 1942–1943 is a suitable anchor to depict two extremes in the spectrum of images. On the one hand, Stefan Zweig’s *The World of Yesterday: Memoirs of a European* (Zweig [1942] 1943) was posthumously published shortly after he had committed suicide in Brazil. Zweig’s brilliant and section-wise melancholic account of the decline of European civilization since 1914 praised the diversity of European cultures, European solidarity across borders, and cosmopolitanism. On the other hand, in the course of the deterioration of

the war situation for the National Socialists, they increasingly invoked the image of *Festung Europa* and attempted to depict the war efforts as being not about Germany but about protecting this fortified Europe against enemies in the East and in the West (Rosenberg 1943; Russell 1944). Given the prominence of the image of a unified Europe under German leadership, which lived through the horrors of such a unified Europe from 1939 to 1945 (Mazower 2008), the initiation of the European unification project so soon after the end of the war can by no means be taken for granted.

5.3 DISINTEGRATION BEFORE INTEGRATION, IDENTITY THROUGH FRIENDS AND FOES

By shedding light on crucial concepts, this section lays the foundation for penetrating the history of the first decades of European integration. The concept “integration,” its history, and sources are the natural outset for such a task. Fritz Machlup’s *A History of Thought on Economic Integration* (Machlup 1977) proves of invaluable help regarding the usage of “integration” in international economics. Machlup shows how, at least in English, the term was not in circulation until the late 1930s and that curiously it was “disintegration” which first emerged during the 1930s as a scholarly concept to capture the falling apart of the global economy after 1914, especially since the protectionist race of most nations during and after the Great Depression (Machlup 1977, pp. 4–9).

In this literature which was largely produced by European liberal political economists, several of whom were based in Geneva, Machlup emphasized Wilhelm Röpke’s contributions and especially his *International Economic Disintegration* (Röpke 1942) as a pioneering work not only in diagnosing this process of interwar disintegration but also in suggesting therapies how this impasse could be overcome after the end of the war. The European pioneer of explicitly using “integration” in English, as identified by Machlup, was the Swedish economist Folke Hilgerdt in his *The Network of World Trade* (Hilgerdt 1942a). The curiosity that the book was officially published in Geneva but actually printed in the US by Princeton University Press due to the move of the League of Nations’ Economic Intelligence Service from Geneva to Princeton, along with the publication of US economist John S. De Beers (1941) as well as Hilgerdt’s contemporaneous publications (Hilgerdt 1942b, 1943), may have been

the conduits across the Atlantic to initiate the usage of “integration” in the US. “Integration” became common parlance in the US, first in bureaucratic documents, during the immediate postwar years (Machlup 1977, pp. 8–12).

A look at the etymology is also illuminating: The Latin *integrare* means not only to put pieces together but also to recreate or renovate something that existed before (Thode 2003, p. 29). The latter meaning is particularly interesting: It adds a nuance that integration is not simply a process open to future outcomes, but also a process that can identify anchors in the past serving as points of orientation (Lachmann 1971, pp. 39–40) that can inspire and guide the unfolding of the cognitive processes in the minds of the players involved. Indeed, what happened in the postwar decades in Europe had predecessors in the past, both in intellectual history and in economic history: Machlup’s book identifies a rich set of ideational strands (Machlup 1977, Part II) as well as institutional and personal contributors (Machlup 1977, Part III) on the basis of which his generation thought about integration in the post-WWII decades. For this very generation, the pre-1914 world with its first wave of globalization commonly served as the ideal, both regarding the economic order in the German-speaking world and the types of integration achieved globally in the domains of trade, capital flows, and migration during this first wave of globalization (Wegner 2020a, b).

The motivational forces driving integration are also of interest here, in other words the identity of an integration process: Is such a process primarily motivated by a positive identity targeted at unifying with certain partners, or is it rather a project targeted at unifying against certain adversaries? In the case of early European integration, three patterns can be identified: integration against the increasing threats from the Soviet Union (Mueller 2009), integration with Western European partners, and integration with the US as an ally (Jarausch 2015). When studying different proponents and phases of European integration, different combinations of these three patterns are discernible, from the Marshall Plan until today. In the larger history of Europe’s identity—from the ancient Greeks over the Middle Ages to the Enlightenment—intellectual history shows that identity has been very often drawn from a distinction against adversaries captured through the notion of “the Other,” commonly equated to the notion of “barbarians” (Salter 2002, pp. 18–21). In this distinction, “the East” as embodied by Russia—from the Muscovy over the Tsarist centuries to the Soviet Union—played a formative part of “the Other” as an

adversary (Neumann 1999, pp. 67–112), while “the West” as embodied by the US transformed into a formative part of “the Other” as an ally (Larres 1999, pp. 83–6). The increasing aggression of the Soviet Union in the immediate postwar years which culminated in the Berlin Blockade of 1948–1949 (Murphy et al. 1997), and, after some initial indecisiveness, the increasing commitment of the US in Western Europe culminating in the Marshall Plan of 1947 (Bissell et al. 1996) provided the geopolitical framework. And within this framework, Western European scholars and politicians made the first steps toward “integrating” the pieces of the continent, which had economically belonged together before 1914 and yet had politically consisted of adversaries for centuries.

5.4 WILHELM RÖPKE AS A THEORIST OF (DIS-)INTEGRATION

The central figure of this chapter is the German political economist Wilhelm Röpke (1899–1966) and that for a number of reasons. To begin with, in the 1920s he had already written on those international economics intricacies which, along with the hyperinflation and the Great Depression, seriously hindered the Weimar Republic’s prosperity. In 1937, after four years of exile in Istanbul, he received a call to the Institut Universitaire de Hautes Études Internationales (HEI) in Geneva (Frachebourg 2002) and lived until his passing in one of the most internationalist cities in the world—amid the bleakness of looming military conflicts in Europe. Röpke was hired at HEI with the assignment to identify diagnoses for the disintegration of the post-1914 global economy and therapies for its reconstruction (Hennecke 2005, pp. 111–4; Slobodian 2018, pp. 73–6). The spirit of Geneva and of the HEI, his specific assignment, as well as the luxury of living outside Germany in those darkest years of Central Europe meant that Röpke was uniquely privileged—especially when compared to his like-minded colleagues who remained in Germany, above all the Freiburg School around Walter Eucken, and Alexander Rüstow, who remained in the peripheral Istanbul (Kolev 2019a, pp. xix–xxiii). Correspondingly, out of the group of political economists who would become known as the ordoliberalists in the postwar years, Röpke was the scholar who could—and did—dedicate a particular amount of his intellectual energy to the problems of international economics.

As outlined in the previous section, the question of the future of Western Europe became a pressing issue very soon during the immediate postwar years, and Röpke had laid the conceptual foundations for bringing together what had successively fallen apart since 1914. Already during the war, he published *International Economic Disintegration* with William Hodge in London (Röpke 1942) as the outcome of his HEI assignment. The book distinguished different levels of disintegration. Apart from the empirical investigation of the agrarianization of industrial countries and the industrialization of agricultural countries as a result of the disturbances in the global division of labor, a crucial Röpkean distinction was the one between economic and extra-economic disintegration. In his view, economic disintegration consisted of the emergence of protectionism conducted by isolated economic blocs and bilateralism, the destruction of the gold standard as the overarching monetary system, and the hindrance of the flows of factors of production due to proliferating practices of economic nationalism. Even more important for the long-term reintegration of the pre-1914 order was the process of extra-economic disintegration: It led to the exhaustion of “certain psycho-moral reserves” (Röpke 1942, p. 69) that were needed as ideational prerequisites for the market economy to thrive, but in Röpke’s theory those prerequisites were not produced by the market economy itself. It is to those extra-economic prerequisites and preconditions that Röpke dedicated the first two volumes of his wartime trilogy, *The Social Crisis of Our Time* ([1942] 1950) and *Civitas Humana* ([1944] 1948), while the third volume, *International Order and Economic Integration* ([1945] 1959), emphasized the economic processes of disintegration and integration. Röpke was convinced that both of these levels, the economic and the extra-economic, had to be thought as being interdependent and as forming an “*ordre public international*” (Warneke 2013, pp. 36–44), or else the challenges of rebuilding the ruins of Europe could not be solved sustainably.

Ordoliberalism is often understood as a system of political economy formulated on the basis of principles (Rieter and Zweynert 2010; Kolev 2019b; Dold and Krieger 2020), and thus it is appropriate to start with Röpke’s five principles regarding the future of economic and extra-economic integration of Europe (Petersen and Wohlgemuth 2010, pp. 207–17): (1) endorsing pre-1914 Europe as the ideal of post-WWII integration, that is, interdependence of markets, multilateralism, international monetary system, no prohibitive tariffs, free movement of capital and people; (2) conducting ordoliberal economic policies on the national

and lower levels as the prerequisite for integration, that is, focusing integration on the principles of federalism, subsidiarity, and decentralism; (3) enabling the convertibility of national currencies; (4) abandoning central planning on the national level; and (5) discarding “economism,” that is, not limiting integration to the economic level and avoiding the neglect of cultural prerequisites for integration beyond economics and politics.

Röpke’s five principles add up to a roadmap both for national economic policies and for the necessary steps to initiate and sustain integration of potential national partners. An additional question is posed by the political forms into which those five principles can be sustainably implemented. For these political forms, Röpke’s notion of “true internationalism” is of special relevance, that is, the belief that Europe’s diversity can only be preserved if—in contrast to the negative reading of *Kleinstaaterei* outlined in Sect. 5.2—integration classifies this historical heritage of diversity as an asset and finds forms to capitalize on it (Sally 1994, pp. 470–4). Such a position emphasizes the principle of subsidiarity, and Röpke’s own notion of subsidiarity and decentralism profited from his exchange with representatives of Catholic social teaching and their notion of subsidiarity formulated in the pontifical encyclicals: “It is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community. It is also an injustice, grave evil and a disturbance of right order to assign to a greater and a higher association what a lesser and subordinate organization can do” (Pius XI 1931, paragraph 79).

In this worldview, trust in the individual, one’s natural embeddedness in small decentralized units, and the problem-solving capacities of such units are able to capture Europe’s uniqueness (Kenney 1955; Warneke 2013, pp. 44–7). And it is on those lower levels where integration must start: “European disintegration, like charity in the English proverb, began at home, and the reintegration of Europe’s economy must likewise begin at home, i.e. within each individual nation” (Röpke [1945] 1959, p. 228). If the nation-state featured in Röpke’s five principles, this happened for pragmatic reasons, given the nation-state’s being the principal arena of democratic deliberation of the age:

[...] the nation in its political organization is partly too large and partly too small. Too large for the evolution of genuinely free and neighbourly communal life and for true and permanent integration, which is able to exist without degenerating into nationalistic self-intoxication of mass-consciousness. Too small for those intellectual, political and economic

relations which today can only flourish satisfactorily in an international community. (Röpke [1945] 1959, p. 45)

This set of principles of economic and political integration are elegantly captured in juxtaposing the future trajectories of Europe as becoming a “large Switzerland” or a “large France,” and Röpke clearly sympathized with the former. Two quotations are particularly illuminating. When discarding the notion of the European “superstate,” he diagnosed:

There is unanimity today among socialists and nonsocialists that the unification of European nations to an international government is at best possible in the loose form of a federation similar to the Swiss Confederation which is preserving the national specificities [...] this federation can only exist if its economic ordering principle is, like in the case of the Swiss Confederation, that of a market economy and not that of a bureaucratic economy. (Röpke 1951, pp. 288–9)

as well as

This ideal of a centralist nation which arose in the past following the pattern of France must be overcome, but not through new continental nationalism and centralism, but instead through a form of unification which corresponds to the spirit of Europe. This form is federalism which, following the pattern of Switzerland, is the only one which is able to realize unity in diversity. (Röpke [1958] 2009, p. 238)

If the evolution of European integration is depicted as oscillating between those two trajectories of a “large Switzerland” or a “large France,” Röpke had a self-understanding beyond that of an analyst of these possibilities. For him, “political economy” was not only the traditional name of economics. Rather, political economists had the obligation to openly express their value judgments about the various goals and ends of political processes (Röpke [1942] 2015; Christ 2018). And early European integration—along with the success of the Social Market Economy in the young Federal Republic—possessed top priority for the political economist Röpke. The next section reconstructs his stance on the concrete steps of integration.

5.5 WILHELM RÖPKE AS AN ACTIVIST OBSERVER OF INTEGRATION

Based on the conceptual foundations and principles outlined above, Röpke became one of the first genuinely European intellectuals on the issues of the continent's economic and political integration. The number of his journalistic interventions in the different languages of European media, all the way from the Marshall Plan and the Schuman Plan to Röpke's passing in 1966, exceeded 150 (Peukert 1992, pp. 1385–93). Already the rapprochement of Jean Monnet and Robert Schuman to France's neighbors and especially to the barely one-year-old Federal Republic did not meet Röpke's enthusiasm, and he expressed his skepticism in similar terms as he had voiced critique of the Marshall Plan (Petersen and Wohlgemuth 2010, pp. 223–4). In the *ORDO Jahrbuch* he depicted the Schuman Plan's focus on integrating the coal and steel industries as a “textbook-like example” of “the economic logic of international central planning” (Röpke 1951, p. 289). First, he assessed this attempt at integrating the essential industries as hardly compatible with the status of most national economies as of 1950, which were not structurally prepared for integration due to the continuous predomination of foreign exchange controls and protectionism, as well as isolationist economic and fiscal policies (Schüller 1950)—policies already identified by Röpke as the hindrance for a long-term success of the Marshall Plan beyond alleviating some short-term hardships. Second, he emphasized his apprehension regarding the coordinating mechanisms endowed by the Schuman Plan to the new “*autorité*” and the likelihood of its management of the coal and steel industries to become a new device of supranational central planning (Röpke 1951, pp. 289–90). At the same time, he expressed his skepticism about the new European Payment Union as proposed in 1950: Like the Marshall Plan and the Schuman Plan, in Röpke's view it would not be conducive to abandoning the underlying structural problems of the national economies, here especially the foreign exchange controls and the non-convertibility of national currencies (Röpke [1952] 1962, p. 180; 1954, p. 78).

On the way to the Treaty of Rome, Röpke remained a skeptic: Neither the European Coal and Steel Community (ECSC) nor the negotiations which in 1957 led to the establishment of the European Communities, especially the European Economic Community (EEC), were received enthusiastically by him (Warneke 2013, pp. 107–19). Röpke opposed the Common Market as embodied by the EEC for a number of reasons. His

apprehensions were especially the persisting non-convertibility of the currencies, the potential of the EEC to develop protectionist tendencies toward the rest of the world, and the potential for supranational central planning in the EEC’s organs (Röpke 1957, pp. 176–82). All those risks which he attested to the young EEC were assessed by him as much less pronounced in the competing project of the European Free Trade Area (EFTA), and thus Röpke’s clear preference for EFTA over EEC: The risk that the EEC could become a protectionist bloc possessed the serious external potential not only to threaten the Transatlantic relations, but also to evolve internally into a centralist political entity which he called the “colossal state” (Röpke [1957] 1958a, pp. 20–21). The tendency toward such a superstate could counteract most of the five principles outlined in Sect. 5.4, resulting in Röpke’s succinct warnings about the threats inherent in the EEC. In addition, he warned that EURATOM, as another European Community, could become “the ideal ground for the thriving of a combination of technocracy and economocracy” and thus be captured by experts on the field of technology and economics (Röpke 1958b, p. 31). These experts embodied Röpke’s skepticism of centralization in economy and society, while constituting the very opposite to his ideal of integration outlined in Sect. 5.4, an ideal aiming at a political entity constituted by the principles of federalism, subsidiarity, and decentralism. To reproduce Röpke’s specific rhetoric contained in these warnings, three of them (many more are contained in Petersen and Wohlgemuth 2010) are reproduced here: “Europe should not become an altar to which the market economy may be sacrificed” (Röpke [1957] 1958a, p. 29), and “What was supposed to be mortar and was praised as such, turned out in reality to be dynamite” (Röpke 1959, p. 88), as well as “It is very difficult for an economist to be a good European and to simultaneously have the reputation of a good European” (Röpke 1955, p. 1).

A final source of apprehension regarding the nature and potential of ECSC and EEC was Röpke’s assessment of the relationship of European integration to the General Agreement on Tariffs and Trade (GATT). In a recent widely discussed history of neoliberalism, Röpke is depicted as a principal defender of GATT as the institutional anchor in the postwar world, on which he posed his hopes for a comeback of multilateral international trade in line with his pre-1914 ideal (Slobodian 2018, pp. 182–93). Röpke and the Austrian economist Gottfried Haberler (1900–1995) are depicted in this narrative as “the universalists” whose aim was the establishment of multilateral international trade, so that any regional bloc like

the EEC was a threat to multilateral trade due to the aforementioned fears about such blocs' protectionist potential. In contrast, a younger generation of economists and lawyers represented by Erich Hoppmann (1923–2007) and Ernst-Joachim Mestmäcker (*1926), called “the constitutionalists,” saw the EEC as a project in which regional integration could be deepened beyond GATT's focus on trade, initially incurring the protectionist potential vis-à-vis the rest of the world, but hoping to later scale up Europe's level of integration to the global level (Slobodian 2018, pp. 202–10).

To summarize these and other pronouncements of Röpke, he can be described as an activist observer who, more than just expressing skepticism, was fighting for his notion of “true internationalism.” He saw the potential of integration in overcoming the war-related ruins of foreign exchange controls, non-convertibility, and central planning on the national level by instituting a supranational framework—but of the EFTA, not of the EEC type. He saw the potential of integration to bring European nations together—if the process allowed for the necessary time for cultures to approach each other and slowly create a common identity. He saw the potential of integration for reintroducing market economy principles in line with the pre-1914 order instead of central planning and interventionism—if this process was not conducted top-down by experts aiming at centralization, but instead bottom-up by citizens and federal political units bound by the principles of federalism, subsidiarity, and decentralism. Röpke's overall approach to integration has been succinctly summarized by the motto “liberalism from below” (Sally 1999, pp. 48–51).

5.6 LUDWIG ERHARD AND ALFRED MÜLLER-ARMACK: FUNCTIONALIST OR INSTITUTIONALIST INTEGRATION

This section enhances the picture by introducing two fellow ordoliberalists of Röpke who belonged to the same generation and were formative for the process of early European integration. Like Röpke, they were economists by education, and unlike Röpke, during the postwar years, they found a new vocation and primary role, despite academic credentials and continuing publications, in the political domain: Ludwig Erhard (1897–1977) and Alfred Müller-Armack (1901–1978). Once Müller-Armack coined the concept “Social Market Economy” in 1946–1947 (Müller-Armack 1947; Siebert 2005, pp. 24–37), Erhard became the

political entrepreneur who, after the June 1948 reforms of introducing the new DM currency and liberalizing numerous prices, became the international symbol of the Social Market Economy as the concept behind the German economic miracle (Erhard 1958, pp. 10–36; Berghahn 2015). Erhard served as minister of the economy of the Federal Republic from 1949 to 1963 and as federal chancellor from 1963 to 1966, while Müller-Armack served as a top official in Erhard’s ministry from 1952 to 1963.

When drawing a comparative picture of the different German positions in those first decades of European integration, Erhard and Müller-Armack occupy a curious in-between position, between Röpke on the one hand and the position of the German foreign ministry on the other. Erhard’s and Müller-Armack’s approaches can be captured by the notion of “functionalist integration,” while their foreign ministry colleagues favored “institutionalist integration” (Warneke 2013, pp. 124–5). Essentially, the main difference is the degree of willingness to pass the autonomy of lower political entities in the integration process to overarching institutions, which become increasingly dominant players in this process. Institutionalists show a higher willingness to build such overarching institutions, like the EEC Commission, while functionalists assert that removing interstate hindrances to trade (first-degree integration) and enabling the movement of labor and capital (second-degree integration) are possible via case-by-case intergovernmental agreement on those different functions of integration. Along with diplomats like Heinrich von Brentano, Walter Hallstein, and Carl Friedrich Ophüls who were more inclined to follow an institutionalist approach, it was above all Konrad Adenauer who shared it and saw in it an indispensable tool to put the Franco-German relationships into solid institutional forms (Müller-Armack 1971, pp. 69–76, 111–20).

On the way to the Treaty of Rome, a tension within the federal cabinet surfaced since Erhard opposed the institutionalist approach by summarizing its risks under “the catchword of ‘harmonization’” and the tendencies toward a “bureaucratically manipulated Europe” and “supra-national dirigisme” (Erhard 1958, pp. 213–6, [1959] 1962). Müller-Armack’s account of these inner-German tensions and of the negotiations with the European partners clearly indicate the significant width of integration ideas that attempted to set and shape the agenda, as well as the number of critical moments in which negotiations were at the brink of failure due to issues like the harmonization of policies, or specific sectoral privileges demanded by individual negotiating states. The fact that Walter Hallstein became the first president of the EEC Commission should certainly not be interpreted

as an indication that only a decade after the end of the war, the position of the Germans was in any sense an easy one. During these years preceding the signing of the Treaty in March 1957, the cohesion between Röpke, Erhard, and Müller-Armack was still largely preserved, which was visible, for example, in their joint trip to the US in 1955 (Müller-Armack 1971, pp. 95–6). But once the Treaty was finalized and signed, Röpke and Erhard clashed (Hennecke 2005, pp. 209–16): Despite its theoretical imperfections, Erhard defended the political compromise reached in Rome and found Röpke’s rhetoric in his extremely harsh public pronouncements and publications in the months after Rome, especially his address at *Aktionsgemeinschaft Soziale Marktwirtschaft* (Röpke [1957] 1958a), inappropriate. In correspondence, Erhard warned his intellectual brother in arms that the alternative would have been Erhard’s abandoning the political domain and leaving the further shaping of the integration process to forces much more inimical to Röpke’s ideal. He called these forces “the patent Europeans,” with implicit reference to his opposition to the institutionalist ideas in Germany and beyond. Röpke accepted this reminder of the very different roles of the politician and the scholar, but nevertheless emphasized how, unlike the responsible politician, he as “the theorist without responsibility for any signature” could and should “put his weight to the other side and contribute to balancing the car in the curve” (Hennecke 2005, pp. 212–3).

Summarizing these tensions, Erhard’s positions, especially during the early postwar years, were close to Röpke’s and aimed at a subsidiarity-based Europe where nation-states successively transitioned to ordoliberal economic policies and respected multilateralism as embodied by GATT. And yet, Erhard increasingly understood that integration was above all a political process and required acknowledging the entangled nature of economic and political reasoning, so that only a certain degree of one’s theoretical ideals could be reached within the constraints of negotiations. Such constraints included the geopolitical impasses of the opposing projects of EEC and EFTA, as well as the overarching geostrategic project of Adenauer and de Gaulle which buried Erhard’s and Müller-Armack’s hope that the UK-centered EFTA could merge with the EEC. Röpke suspected that, in his final decision about the essence of EEC to be a common market and not a free trade area, Erhard trusted Müller-Armack instead of Röpke. Indeed, Müller-Armack’s stance was characterized by a pragmatic liberalism: He chose to be the moderate who balanced the different German positions and those of the negotiating partners

(Warneke 2013, pp. 177–90). In the final analysis, the scholar Röpke could afford to cling to his ideal of the pre-1914 order and castigate any deviations from this “first-best,” while in the course of the 1950s Erhard and Müller-Armack transitioned from the principles-focused logic of academia to the compromises-focused logic of the agora, and correspondingly adopted a reasoning which often accepted the “second-best.”

5.7 CONCLUSION: SWERVING TOWARD A “LARGE SWITZERLAND”?

The ordoliberalists conducted an openly normative analysis of the potential trajectories which the European project could take that went beyond the mere identification of such trajectories (Blümle and Goldschmidt 2006). They conjectured how during its constant re-ordering in the decades to come, the project would oscillate between the visions of a “large Switzerland,” that is, a politically decentralized entity which is economically integrated internally as well as non-protectionist externally, and a “large France,” that is, a politically centralized entity which is economically integrated internally but protectionist externally. The explicit preference of the ordoliberalists for a “large Switzerland” shaped the integration process until their leaving the public domain during the 1960s. But how about today’s Europe? Can ordoliberal reasoning, as outlined in this chapter, inform politicians and especially citizens in the forthcoming years, years which will be largely dedicated to overcoming the multiple crises of the EU outlined in the introduction?

Since Jacques Delors’ presidency of the European Commission (1985–1995), it is difficult to overlook a persistent movement on the “large France” trajectory, despite the lip service to the principle of subsidiarity in numerous articles of the European treaties. The transformation from EEC to EU, the introduction of the euro, the increasing accumulation of competences in Brussels, and the increasing preference for bilateral trade agreements in potential conflict with the World Trade Organization’s multilateralism are clear indications of this movement on the “large France” trajectory. Brexit will most probably lower the political relevance of those who favor federalism, subsidiarity, and decentralism even more. And yet, Brexit and the other crises also constitute an opportunity. As with integration in Sect. 5.3, a look at the etymology of crisis is illuminating: Among other things, *krísis* describes the situation of a crossroads where a

decision about the forthcoming direction has to be taken. If Europeans switch mentally to the positive connotation of crossroads and away from the negative connotation of crash and disaster associated with a crisis, the multiple crises of our times can turn productive.

Indeed, the institutional inertia of the “large France” movement over the past 35 years is substantial, and a sudden swerve in a different direction, as required by many who employ revolutionary rhetoric vis-à-vis the EU, can easily let the European project derail. Nevertheless, if the citizen learns to appreciate the benefits of Europe à la “large Switzerland,” especially if living the principle of subsidiarity becomes a widespread practice by systematically placing political processes as closely as possible to the citizen, Europe can transform over a number of years. It can regain much of the lost legitimacy, reconfigure the levels of its decision-making processes, and come closer to what has always been its crucial advantage in the eyes of European liberals: capitalizing on its diversity and harnessing decentralized decision-making as an indispensable laboratory for learning what humane combinations of liberty and order are (Feld 2012). Given the fundamental “order uncertainty” (Kolev 2020, pp. 43–4) of our age generated by the combination of globalization and digitalization, such learning in decentralized laboratories has become even more valuable than it was in the decades discussed in this chapter.

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