

## The Intellectual Legacy of Alan S. Milward

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Alan S. Milward was a contemporary historian who was driven by a compelling desire to understand the forces responsible for change in twentieth century Europe. Graduating in 1956 with a first class degree in medieval and modern history from University College London he went on to develop a method which was to characterize his research activity throughout the next fifty years and which was to place him apart from most other historians of his generation. This was to approach the writing of history by first of all understanding the relevant social science theories, whether they were of classical economics, political science, or sociology, before immersing himself in a wide range of national archives (due to his capacity to master a number of European languages) and economic statistics which were to provide the evidence against which he would test the existing theories. He thus combined the political historian's method of consulting the written record with the economic historian's use of statistical data and the social scientist's preference for general theory. On the strength of the resulting research methodology he produced a series of highly original histories of nineteenth and twentieth century Europe which tackled the big historical questions of his time: the nature of Nazism; of total war; of economic development in modern Europe; and the reasons for the sustained economic boom in Western Europe after 1945 and for the origins of European integration. In so far as his conclusions on each separate theme challenged the dominant theories they stimulated considerable debate. In what follows we will present a short summary of Milward's own views on each of these issues as an introduction to the wide debates which Milward's work has provoked. It is important to underline from the outset that due to constraints of space we can do no more than touch on these debates and on the historiographical context in which they took place. Our primary focus is on Milward's thought as it developed over fifty years of historical research.<sup>1</sup>

### The nature of Nazism

As a young graduate it was no accident that Alan Milward chose to do his doctoral research on the history of the Nazi war economy. Two of the most powerful forces

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1. An earlier version of this article was published in Italian in the journal *Memoria e Ricerca*, 41 (September-December 2012), pp. 181-206. The authors thank the Italian publisher for the permission to reprint this amended version in English and Serge Noiret for having carried out the necessary arrangements. For a more complete elaboration of every aspect of this text see F.M.B. LYNCH, F. GUIRAO, *A Lifetime's Search for a Theory of Historical Change—An Introduction to the Work of Alan S. Milward*, in: F. GUIRAO, F.M.B. LYNCH, S. RAMÍREZ (eds), *Alan S. Milward and a Century of European Change*, Routledge, London/New York, 2012, pp. 1-129.

which were to shape twentieth century Europe were the experiences of fascism and total war. Since war was central to the Nazi ideology, an understanding of how the Nazi regime operated during the period 1939-45, when Nazi Germany occupied most of continental Europe, would offer Milward a clear insight into the nature of both the Nazi regime and the 'New Order' with which the Third Reich aimed to transform the whole European continent in political, economic and social terms. In the mid-1950s when he began his research, the two dominant views of the Nazi regime were, on the one hand, the orthodox Marxist-Leninist one according to which Nazism was a form of fascism and was the direct agent of monopoly capitalism; and on the other, the liberal-bourgeois view which saw it as a form of totalitarianism and thus a state-controlled command economy similar to Communism in the Soviet Union. He soon concluded that neither of these views explained the complexity of Nazi Germany.

Shortly before he defended his Ph.D. thesis entitled *The Armaments Industry in the German Economy in the Second World War* (LSE, 1960), the economist Burton H. Klein, former member of the United States' Strategic Bombing Survey, published a book based on his own wartime experience.<sup>2</sup> The young Milward did not disagree with Klein's novel argument that in 1939 the Nazis had launched not a full-scale war, as Allied intelligence had maintained, but a series of short attacks referred to as the Blitzkrieg. According to Klein, the Blitzkrieg rested on a military strategy which implied a succession of rapid knock-out blows delivered against the enemy's forces from a position of strength without requiring the full-scale and permanent mobilization of the country's economy and society. Temporary efforts to boost the production of particular sectors were to precede each military campaign. The degree of wartime resource mobilization was to be flexible, varying in accordance with the military needs of each successive aggressive campaign between September 1939 and the summer of 1941. These campaigns were based on German military forces being superior in number and capacity to the opposing forces at the time of each surprise attack.

If the exact scale of the military preparations has subsequently been debated by historians, with many calling into question the appropriateness of the Blitzkrieg term to describe Adolf Hitler's military strategy, according to Milward's interpretation, the Blitzkrieg was an economic and political – as much as a military – strategy. As an economic strategy, it was based on operating a war economy within the general framework of the heavily mobilized economy which Nazi Germany had sustained since 1936. It thus required balancing the preparation of the country for war, which was an intrinsic goal of Nazi ideology, with the maintenance of consumption at levels necessary to retain sufficient domestic support for the Nazi regime. It was thus based on achieving the Nazi party's ultimate political objectives with less disruption to the national economy and society than would otherwise have been possible. The Third Reich would impose on German civilians the rigours of a full-scale war economy only if and when it would be forced to do so. As a political strategy, the Blitzkrieg

2. B.H. KLEIN, *Germany's Economic Preparations for War*, Harvard University Press, Cambridge (MA), 1959.

was to prepare the country to wage successfully the sort of war which would lay the basis for the future German dominance of continental Europe under the leadership of the National Socialist party.

It was at the beginning of 1942, due to the unexpected resistance of the Soviet Union (and not because of resistance in occupied Europe), that Germany was forced to abandon the economic and military strategy of the Blitzkrieg and develop an alternative one aimed at sustaining a prolonged war effort. Given the Allied superiority in the quantity of strategic resources at their disposal, the emphasis in Germany was placed on achieving qualitative superiority. Hitler and the Ministry of Armaments and Munitions assumed that it was impossible for Germany to out-produce its enemies in armaments but that it 'could still win a war of mass production by harnessing her technology and science to the task of keeping a qualitative superiority in many individual armaments'.<sup>3</sup> This illusion was abandoned in turn, Milward argued, in the summer of 1944, when Germany geared itself towards a total-war effort which required the full mobilization of all available resources at the expense of both the quality of armaments and domestic living standards.

What Milward's research into the changing operation of the German war economy demonstrated was that Nazi Germany was far from being a centralized totalitarian regime or one driven by the demands of monopoly capitalism: '[T]he whole structure of the German administrative body', he wrote, 'was one of competing individuals and competing machines which by 1942 represented a powerful collection of vested interests each unwilling to relinquish its control of its own small part of the war economy'. There were, he argued, 'strong centrifugal forces in the National Socialist Party, which found the whole idea and system of the Blitzkrieg immensely more attractive than a full-scale war economy which would need centralized direction'.<sup>4</sup> The *raison d'être* of the Blitzkrieg economy had been to avoid an overall centralization of economic power, allowing for the maintenance of independent economic empires responding to different, even opposing objectives despite operating under the supreme authority of the Führer. According to Milward, the kind of central planning and command that 'armaments in depth' entailed inhibited the very economic flexibility on which Hitler's strategy so much depended.

It was precisely the need for flexibility which made the Blitzkrieg economy suit the structure of the Nazi state. The end of the Blitzkrieg thus meant the end of the perfect symbiosis between war, the independence of the Nazi party leaders and a sufficiently high level of popular support for the regime. If the Blitzkrieg strategy had been successful in the first twenty months of the war in defeating the armed forces of Poland, Denmark, Norway, Belgium, the Netherlands, Luxembourg, France, Yugoslavia and Greece, the post-Blitzkrieg war effort which the Third Reich initiated in 1942 was insufficient, however impressive its actual results, against the combined resources and capabilities of powers which were not only economically stronger but,

3. A.S. MILWARD, *The German Economy at War*, Athlone Press of the University of London, London, 1965, p.101.

4. *Ibid.*, pp.10 and 11.

through an efficient system of cooperation, proved themselves better suited for the kind of command over all the resources which was necessary to win the war. Thus, in his first book, Milward was making a persuasive case for the importance of economic and political as well as military strategy in explaining the onset as well as the outcome of the war, and for the importance of the Soviet Union, along with Britain, to Allied victory by defeating the Blitzkrieg before the United States joined the Allies.

If Alan Milward argued that Blitzkrieg represented a ‘strategic synthesis’ between foreign and domestic economic policy, in the 1980s this interpretation came under attack from a new generation of historians who challenged whether Blitzkrieg as a strategy had ever existed. Richard Overy in particular argued that the Blitzkrieg was an ex-post invention.<sup>5</sup> As he maintained ‘the concept of *Blitzkrieg* economics [...] in most respects [...] does not fit with the actual facts of German economic life between 1936 and 1942’. According to Overy Hitler was planning for a global war based on a full-scale mobilisation of the economy. If he launched war in 1939 before the economy was fully prepared for such a total war this was due to a lack of synthesis between his foreign and his domestic economic policies. As evidence Overy maintained that military spending had risen at a consistent rate between 1938/39 and 1943/44 and if the output of armaments had increased after the beginning of 1942 this was due to improvements in productivity rather than any change in economic strategy.<sup>6</sup> But Overy’s views failed to convince many historians. Mark Harrison and Mark Roseman continued to accept the Blitzkrieg thesis.<sup>7</sup> Arthur Marwick and Clive Emsley lamented that ‘[l]ike most historians challenging an orthodoxy Overy does tend to make his target appear rather less substantial than it was: Alan Milward’s original research in this area was both pioneering and persuasive’.<sup>8</sup> As far as Alan Milward himself was concerned, Overy’s arguments could not be proven: ‘If, in order to give a definitive answer to this problem, we must know exactly what Hitler’s personal intentions were’, he was to write in 1995, ‘then the debate will never end, for it is unlikely that we will discover much that is new’.<sup>9</sup> In 2001, Raymond E.

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5. R. OVERY, *War and Economy in the Third Reich*, Oxford University Press, New York, 1994, p. 254.
  6. R. OVERY, *Hitler’s War and the German Economy: A Reinterpretation*, in: *The Economic History Review*, 2(1982), pp.272-291, here pp.272 and 283-286.
  7. M. HARRISON, *Resource Mobilization for World War II: The USA., UK, USSR, and Germany, 1938-1945*, in: *The Economic History Review*, 2(1988), pp.171-192, here p.173; and M. ROSEMAN, *World War II and Social Change in Germany*, in: A MARWICK (ed.), *Total War and Social Change*, Macmillan and St. Martin’s Press, London/New York, 1988, pp.58-78.
  8. A. MARWICK, C. EMSLEY, *Introduction* in: C. EMSLEY, A. MARWICK, W. SIMPSON (eds), *War, Peace and Social Change in Twentieth Century Europe*, Open University Press, Milton Keynes, 1990, p.19.
  9. A.S. Milward, *Économie de guerre*, in: J.-P. AZÉMA, F. BÉDARIDA (eds), *1938-1948: les années de tourmente; de Munich à Prague: dictionnaire critique*, Paris, Flammarion, 1995, pp.177-190 (quotation, p.182).

Frank Jr, contrasting Milward's and Overy's theses, concluded that their 'disagreements as to facts, and differences of interpretation' remained unsettled.<sup>10</sup>

And indeed the debate has continued with younger scholars wrestling over the question of what kind of war Hitler intended and when he had planned to wage it. One of Alan Milward's former doctoral students, J. Adam Tooze, who had written his thesis on official statistics in interwar Germany came down on Milward's side in arguing that Hitler did intend to launch a war in 1939 but did so with an economy which was more highly mobilised than either Milward or Overy had calculated. His analysis of the economic statistics compiled by the Armaments Minister Albert Speer's chief statistician, Rolf Wagenführ, which Milward had cautioned in 1964 would probably have underestimated the scale of armaments production in the period 1938-1942 and overestimated them after that date in order to exaggerate Speer's achievements, showed that his supervisor's caution was justified. According to Tooze, the statistics grossly understated the level of armaments production in 1939 and the level of labour productivity in armaments-producing industries.<sup>11</sup> But whether the higher degree of mobilisation meant that Hitler was planning for a total war in which consumption would be severely squeezed until Nazi Germany had achieved global victory, as the Allies had initially thought, or a series of short wars in which occupied countries would be converted to fascism and help overcome Germany's shortages of raw materials and labour, without cutting consumption at home, as Milward argued, still provokes debate almost seventy years after the end of the War.<sup>12</sup> In re-visiting the statistics of investment in armaments production in the 1930s, Jonas Scherner claims that they prove that the Nazis were investing in armaments in depth rather than armaments in breath and were therefore preparing for a long war rather than a series of short ones. As he states

'both the extent of actual gross investments and their structure widely reflect the bellicose intentions of the Nazi regime almost from the beginning of Hitler's rule in Germany and clearly refute the Blitzkrieg hypothesis'.<sup>13</sup>

What is missing from the evidence of Tooze and Scherner is an answer to the equally important question of whether private consumption rose in the 1930s or was squeezed

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10. R.E. FRANK's combined review of A. MILWARD's *War, Economy and Society* and R. OVERY's *War and Economy in the Third Reich*, published in: *Armed Forces & Society*, 3(2001), pp.477-487 (quotation, p.484).
  11. J.A. TOOZE, *No room for miracles: German industrial output in World War II reassessed*, in: *Geschichte und Gesellschaft*, 31(July-September 2005), pp.439-464. Milward's caution about Wagenführ's estimates appears in *The End of the Blitzkrieg*, in: *The Economic History Review*, 3(1964), pp.499-518.
  12. In *The Wages of Destruction. The Making and Breaking of the Nazi Economy*, Penguin, London, 2006, Tooze demonstrates the seriousness of Hitler's rearmament effort before 1939 which he argues was in preparation for a long war ultimately against the United States.
  13. J. SCHERNER, *Nazi Germany's Preparation for War: Evidence from Revised Industrial Investment Series*, in: *European Review of Economic History*, 3(August 2010), pp.433-468, and *Armament in the Depth or Armament in the Breadth? German Investments Pattern and Rearmament during the Nazi Period*, in: *Economic History Review*, 2(2013), pp.497-517 (quotation, p.511).

by the increasing demands of rearmament and the shortage of foreign exchange.<sup>14</sup> As Robert Gordon points out in his review of *The Wages of Destruction*, Tooze provides no proof for his assertion that private consumption fell as spending on armaments rose. It is however central to Milward's understanding of the nature of the Nazi regime that it went to war in 1939 with a higher level of private consumption than in 1936 and that it aimed to maintain the balance between armaments production and consumption – between 'guns and butter' – through its conquest and occupation of Europe. Indeed the origins of the Third Reich's Blitzkrieg strategy and the ultimate outcome of the German war effort were both related, in his view, to the concept of establishing a New Order in Europe. This referred to the place which occupied territories – and the subsequent policies for their control – had in the overall German war effort and post-war planning for the establishment of a revolutionary socio-economic system on a continental scale. In line with this interpretation, the failure to make the best use of the occupied territories represented a fatal blow to the overall efficiency of the German economy in the later phase of the war. But what he wanted to understand was what the New Order in Europe might have looked like if the Nazis had not been defeated and to what extent their defeat was due to the failure of their occupation policies. In two subsequent monographs on the German occupation of France and Norway he provided some answers to those questions.<sup>15</sup>

France was the most important economy to fall under Nazi control. According to Milward's calculations the total contribution of this country to the Nazi war effort 'was roughly equal to one-quarter of [France's] own Gross National Product on the eve of the war'.<sup>16</sup> What he was anxious to settle in *The New Order and the French Economy* was whether the startlingly high level of exploitation of the French economy could have been sustained had German domestic economic policy not changed and with it the economic policy in occupied Europe. In other words could the Nazi conquest of continental Europe have worked economically had Germany not been defeated militarily? The fact that the occupation of France had been so successful not only in serving the interests of Nazi Germany but also in serving the interests of the many French businesses and officials who had welcomed it as offering a solution to the socio-economic problems of interwar France, challenged in his view both the liberal and Marxist interpretations of the occupation. The liberal view which dismissed the New Order as no more than 'windy rhetoric, a verbal disguise for conquest' was, he argued, dangerously complacent in so far as it ignored the success of the occupation of France within an anti-liberal political economy. On the other hand the Marxist view which saw the occupation as 'the subjection and looting of the occupied territories by German bankers and industrialists in whose interests the war had been prepared and carried out' misunderstood the nature and ultimate objectives of the

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14. See review by R.J. GORDON of TOOZE's *Wages of Destruction*, published in: *The Journal of Economic History*, 1(2009), p.312.
  15. A.S. MILWARD, *The New Order and the French Economy* and *The Fascist Economy in Norway*, The Clarendon Press, Oxford, 1970 and 1972 respectively.
  16. A.S. MILWARD, *The New Order ...*, op.cit., p.277.

Nazi state which differed from those of German industrialists and bankers.<sup>17</sup> As Milward showed, it was only when the Blitzkrieg was abandoned that falling levels of labour productivity in France undermined the success of the occupation.

In a subsequent study on Norway, Milward showed that the Nazi occupation failed from the outset since Norway produced few commodities that were of value to Germany and had been too integrated into the international economy to survive in a German-directed European economy. After careful research Milward concluded that '[t]here was very little in fascist economic policy in Norway which offered much chance of converting the population to support for the fascist regime'.<sup>18</sup> In other words, contrasting the war experiences in France and Norway, Milward concluded that the New Order had worked in France briefly, while the Blitzkrieg strategy was in operation, but it had never worked in Norway, despite the rhetoric about a country to which the Nazis felt racially close.

The problem which Milward faced and for which he was criticized was that because the New Order never became a reality in its entirety his research attributed to the German occupation policy a degree of rationality which was greater than seemed to be merited by a policy characterized by local improvisation.<sup>19</sup> Consequently, if his first monograph received widespread acclaim his two subsequent books on the Nazi occupation of France and Norway came under fierce and sustained attack from reviewers who objected to Milward's insistence on the ideological and economic basis of the occupation. He was also criticised for denigrating the contribution of the Resistance to the defeat of Nazi Germany. His argument that there were very few instances where the Resistance made any difference to the outcome of the war was hotly contested by French historians and also by Michael R.D. Foot, Professor of Modern History in the University of Manchester.<sup>20</sup> Foot, a recipient of the Croix de Guerre, defended the positive contribution of the Résistance in both military and political respects.

More recent research by Filippo Occhino, Kim Oosterlinck and Eugene N. White into the effectiveness of German occupation policy concludes that the extent to which conquest can be made to pay depends on the degree of cooperation from the defeated country. France, they reaffirm, collaborated willingly, offering much more to Nazi Germany than was required, in the belief that a German-dominated Europe was

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17. A.S. MILWARD, *French Labour and the German Economy, 1942-45: An Essay on the Nature of the Fascist New Order*, in: *The Economic History Review*, 2(1970), pp.336-351, p.339 for the first quotation. The second is Milward's own direct quotation from W. SCHUMANN, G. LOZEK, *Die faschistische Okkupationspolitik im Spiegel der Historiographie der beiden deutschen Staaten*, in: *Zeitschrift für Geschichtswissenschaft*, 12(1964), pp.213-230.
  18. A.S. MILWARD, *The Fascist Economy in Norway*, op.cit., p.300.
  19. Reviews of A.S. MILWARD's *The New Order and the French Economy* by R. TILLY in: *The Journal of Economic History*, 2(1974), pp.512-514, and by H. UMBREIT in: *Historische Zeitschrift*, 3(1973), pp.740-741.
  20. See a brief summary of the Foot-Milward controversy in F. BÉDARIDA, *L'histoire de la résistance: Lectures d'hier, chantiers de demain*, in: *Vingtième Siècle: Revue d'histoire*, 11(July-September 1986), pp.75-89.

preferable to one dominated by Great Britain. ‘The economic support of the Reich’s vassal states was crucial’, they argue, on account of Germany’s severe shortage of labour and of foreign exchange reserves to pay for vital imports of raw materials.<sup>21</sup>

### The impact of total war

Alan Milward’s conclusion that until the 1942 turning point Nazi Germany drew considerable benefit from its conquest and occupation of continental Europe undermined in his view the robustness of the liberal theory of war which saw war primarily as a loss. For Milward war was also a catalyst for change some effects of which were positive for many groups in society.<sup>22</sup> As an economic historian he was unusual in showing any interest in the study of war since war was perceived by economists as an abnormality, a period in which the normal working of the market was disrupted, and by social and economic historians as an interruption of long-run continuity. At a time when interest in applying quantitative methods to economic change over the long term – what was known as the ‘new economic history’ – was growing, Milward’s focus on war and the effects of war led him to engage more with other social scientists than with economic historians.<sup>23</sup> Initially he was to contrast how war was perceived and interpreted in Britain with the United States. Whereas in Britain, after the First World War, social scientists began to show a greater concern with groups and with society as a whole than with individuals, and social thought moved away from ‘mechanical accounting’ to ‘less strictly defined aspects of the human condition’, in the United States the prevailing view as late as 1940 was to consider the main effect of war to be ‘its tendency to promote economic instability and to produce either a downturn in the trade cycle or a severe crisis outside the normal oscillations of that cycle’. Not only did the two wars stimulate scientific and technological discovery and lead to the development of new industries but the pressure of producing on a much greater scale than in peacetime ‘led to new methods of doing old jobs, new methods of factory layout, new methods of management and more intensive mecha-

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21. F. OCCHINO, K. OOSTERLINCK, E.G. WHITE, *How much can a victor force the vanquished to pay?*, in: *The Journal of Economic History*, 1(2008), pp.1-45 (quotation, p.5).
  22. This was a theme which he first explored in a short pamphlet on the economic effects of both world wars on Britain (*The Economic Effects of the World Wars on Britain*, Macmillan, London, 1970) before writing an ambitious global economic and social history of the Second World War (*War, Economy and Society 1939-1945*, Allen Lane, London, 1977). The pamphlet was reprinted in 1973 with a more specific title, *The Economic Effects of the Two World Wars on Britain*, and a slightly longer second edition was published in 1984. All subsequent references to this pamphlet refer to the 1973 reprint.
  23. It was not until the 1990s that other economic historians became interested in the Second World War, i.e., G. RÁNKI, *The Economics of the Second World War*, Böhlau, Vienna, 1993, and M. HARRISON (ed.), *The Economics of World War II: Six great powers in international comparison*, Cambridge University Press, Cambridge, 1998.

nisation'. It led to unskilled workers and women replacing skilled and semi-skilled workers. Women, he concluded, became 'a new industrial proletariat'.<sup>24</sup>

From a sociological point of view, the debate focused on whether the two wars had drawn British society closer together, creating a new degree of social unity which found its expression in the establishment of the welfare state after the Second World War, or whether different groups participated in the war effort to varying degrees and therefore had different amounts of influence over policy after the war. Many argued that the provision of social welfare for all, as opposed to the restriction of provision to specific groups (widows or orphans), was a direct consequence of the similar effect that war had had on society in general, without regard to individuals' social class or status. If the population as a whole shared the war-time suffering, the population as a whole should benefit from a more democratic and cohesive society after the war. To this general argument Milward added his own view that certain groups whose services became much more important in war were able to use this opportunity to improve their position more rapidly than it had been improving in peacetime and to retain their advantages in the long run after the wars. The change in the position of the farming sector was one such example. In general he felt that the extent of social unity produced in Britain by the wars had been exaggerated and that the changes in that country were certainly not on the scale of those experienced in other European countries. Indeed he argued that the real impact of the wars on Britain could only be understood by recognizing the nature of the changes which the world wars had produced worldwide. The international indebtedness that Britain suffered as a consequence of the foreign loans which it received to finance its war efforts both in 1914-18 and 1939-45 produced more far-reaching consequences than any of the internal changes that the world wars had produced on Britain. It changed the latter's relationship with the rest of the world, including the United States and India, as much as it disrupted the central role played by Britain in the international economy since the mid-nineteenth century. Perhaps the most drastic effect on Britain of the two world wars was that it changed from being a structural creditor on a vast scale to being a structural debtor on the same scale.

Milward's primary concern was with war as an economic process, an engine for change and in some cases for progress, and a turning point in the economic and social history of many countries. The great increases of production in the United States, the changes in the world trading system, the revival of trade and production in the underdeveloped world, the structural changes in the European economies, did not have their origins in 1945, he argued, but in 1940. They were the result of the particular economic strategic choices, of what he termed the 'strategic synthesis' made by the powers in the face of war.<sup>25</sup> The impact of the war on employment and on the movement and productivity of labour did have a positive dimension. As he showed, in all the Western countries, the pre-war unemployed were now employed 'not short-term as in the First World War' but in activities linked to 'an economic change which

24. A.S. MILWARD, *The Economic Effects*, op.cit., pp.17, 34 and 37.

25. *Ibid.*, p.54.

would last for a quarter of a century'. The United Kingdom, which was the only country where the government took full powers to conscript women, was also the country in which women accounted for the largest increase in employment. Because of the Nazi attitude to women, Germany's labour demand could be met only by the employment of foreigners: 'The war began the influx of immigrant labour into the central manufacturing core of Europe which was also to be one of the most economically significant aspects of the post-war world'. Another lasting effect of the wartime production effort was the increase in the productivity of labour and capital but, as he showed, this was true only in those industries where 'substantial technological and organizational changes could be made'. It was only then that the benefits derived from investment in new plant, economies of scale, the exchange of information and the will to win the war were able to come into play. But in sectors such as coal-mining, where labour productivity levels had been in decline, 'no amount of goodwill could improve the position'. The shortage of labour, a fact of life everywhere apart from in the United States where it was not apparent until 1944, led to increases in overtime pay and thus income, to a greater concern for pay differentials within the workplace, but more generally to important shifts in social aspirations and political opinions. All these changes, he maintained, 'went far towards making the post-war economic world a very different one from that of the 1930s'.<sup>26</sup>

One unforeseen consequence of the increases in earned income was that demand for food increased. The two countries, the United Kingdom and Switzerland, which faced the greatest challenge in organizing food supplies to meet this demand during the war on account of their dependence on imports, achieved in his view the most remarkable success. British success, which lay in almost doubling the total net domestic output of calories from 1938-39 to 1943-44, was due, as he demonstrated, to the conversion from livestock to arable farming and to the new support prices and markets guaranteed by the state both during and after the war. The situation facing German agriculture was very different. The National Socialist party had inherited a situation in which German agriculture, which still employed 26% of the labour force in 1939, closely approached the desired goal of self-sufficiency. But the strategy of territorial expansion meant that this goal had to be achieved for a larger area of Europe. Planning was not on a national but on a continental scale and where agricultural production could not meet the future needs of Greater Germany the solution was sought in a restructuring not of Germany's but of Europe's agriculture.<sup>27</sup>

26. A.S. MILWARD, *War, Economy and Society*, op.cit., pp.219, 221, 230 and 244.

27. Milward's research inspired an international research project into the role of agriculture in the Second World War the results of which were published as B. MARTIN, A.S. MILWARD (eds), *Agriculture and food supply in the Second World War*, Scripta Mercaturae Verlag, Ostfildern, 1985.

## The nature of economic development in modern Europe

Milward's focus on the central role played by agriculture in the Second World War was also pioneering and owed much to a study of the economic development of continental Europe in the nineteenth century, which he was undertaking with his former colleague, S. Berrick Saul. It was while they were teaching at the University of Edinburgh in the 1960s that they observed that the then existing interpretations of the economic development of continental Europe in the nineteenth century were based either implicitly or explicitly on a comparison with the experience of either Britain or the United States.<sup>28</sup> And all explanations they maintained, whether they were based on neo-classical or Marxist theory, saw nineteenth-century capitalist development as a global phenomenon in which changes in the industrial sector were the catalyst for economic development. Sceptical of the explanatory value of emphasizing the similarities rather than the differences in the nature of economic development, Milward and Saul set out together to write a textbook which would analyse the nature of the European experience by focusing on each individual economy.

The result of their collaborative effort was the publication of a two-volume textbook on the economic development of continental Europe covering the period from 1780 to 1914 whose purpose was to establish whether there were common economic and social patterns in the European development process. The explicit emphasis of their research was on the impact on European societies of the great changes taking place in national economies throughout the nineteenth century. Convinced that economic development constituted 'the very basis of change in modern society', they set out to measure the increase in the factors of production and their deployment in a more productive way, which produced sustained increases in income, output and welfare.<sup>29</sup> In their view, there was no model of European economic development in existence which actually matched the rich and varied reality of the European experience. What they concluded was that each country followed its own unique path to development based not only on its particular endowment of natural resources but more importantly on its social and institutional structures which, they argued, determined a country's degree of receptiveness to change, including technological change.

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

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28. Good examples of the main literature at that time in the field were W.W. ROSTOW, *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge University Press, Cambridge, 1960, and A. GERSCHENKRON, *Economic Backwardness in Historical Perspective*, Harvard University Press, Cambridge (MA), 1962. It was not until 1973 and 1975 that C. CIPOLLA's *The Fontana Economic History of Europe*, vol.3 *The Industrial Revolution*, Collins/Fontana, London/Glasgow, and W.W. ROSTOW's *How it all Began. Origins of the Modern Economy*, McGraw-Hill, New York, were published respectively.
29. A.S. MILWARD, S.B. SAUL, *The Economic Development of Continental Europe 1780-1870*, Allen and Unwin, London, 1973 (quotation, p.20).

social, political and institutional context in which economic changes were taking place was to distance them increasingly from the direction in which economic history as a discipline was moving from the 1960s onwards. This explains the choice of the year 1780 as the starting point of Milward and Saul's economic history: it served to describe the kind of European society and its modes of production that were about to be subject to a profound change due to the combined effects of the French and Industrial revolutions. 'The coincidence in time' between the economic, social and political changes spreading from both revolutionary events 'finally persuaded' them to begin their analysis on the eve of both.<sup>30</sup>

If their main objective was to explain the process of long-term change, the most distinctive feature of their interpretation was to stress that change was a gradual process towards economic activities involving higher productivity and not a sudden, abrupt, revolutionary process; that it was not limited to one sector of the economy, as the term 'industrial revolution' used to describe the changes taking place in England implied, and that each country had to find its own path to change and development. In their view less emphasis on the industrial character of nineteenth century economic development in continental Europe was needed and a greater insistence placed on the significance of growing efficiency in agriculture and service activity. As they put it, 'the simple pressure of industrial development was never of itself enough to force significant change upon agrarian society'.<sup>31</sup> Milward and Saul concluded that the speed with which this new form of economic activity was established in different European countries depended on their domestic ability to respond to the forces of change and the different societies' willingness to meet the associated social costs. Social rather than technological factors ultimately determined the rate of growth in the eighteenth and nineteenth centuries, they argued.

A second distinctive feature of their work was their interest in the interaction of politics with economics. Milward and Saul show this in their detailed analysis of France, of those countries which shared the French experience of industrialization (Germany, Italy and Switzerland), as well as of those which combined industrialization with the institutional changes brought about during their occupation in the Napoleonic era. But what they showed was that whatever changes Napoleon imposed on continental Europe they were reversed after 1815. This led them to the further conclusion that change could not be imposed upon countries from outside either through force or by applying foreign institutions, laws, or models. After the pan-European changes introduced by the French Revolution and Napoleon's continental system, it was the national framework, with its highly individual political and social systems which, they argued, determined the nature of economic development until 1914. Because Milward and Saul were arguing against an entrenched body of opinion which saw capitalism as a global phenomenon in the nineteenth century they needed

30. Ibid.

31. A.S. MILWARD, S.B. SAUL, *The Development of the Economies of Continental Europe 1850-1914*, Allen and Unwin, London, 1977, p.530.

to prove through detailed studies of almost every country in Europe that each nation-state had followed its own path to economic development.<sup>32</sup>

### The post-1945 West European boom and integration

Milward continued this argument into his study of the great European economic boom which occurred after the end of the Second World War. One of the central questions which he considered was whether governments would apply in peacetime the positive aspects of the management of their economies during the war or, as he put it, whether

‘it lay in the hands of government to formulate strategic and economic policies which could to some extent determine whether or not a war would be economically a cause of gain or loss’.<sup>33</sup>

If John Maynard Keynes had demonstrated theoretically how governments could rescue liberal capitalism by eliminating cyclical downturns, Keynes’s theory, Milward wrote, had been based on the assumption of a closed economy in which governments would have to apply protectionist policies, particularly quantitative restrictions on trade, in order to stabilize the domestic economy.<sup>34</sup> The historical reality, as Milward argued, was that the prolonged post-war boom was accompanied by increasingly high levels of trade, particularly of trade within the countries of Western Europe, of those countries which were to form the European Economic Community (EEC). Therefore in explaining why Western Europe had enjoyed such a long period of uninterrupted economic growth after the end of the Second World War, he realized that he also needed to explain why a number of European states had taken the decision to form a customs union and why an increasing number of states were to join them in the EEC.<sup>35</sup>

Keynesian theory, in his view, offered little explanatory or predictive power in either case. But nor did neoclassical or Marxist theory, he argued. According to the prevailing liberal historiography the origins of both the post-war economic boom and of European integration lay in the response of the United States to the economic crisis in post-war Europe. By providing dollar aid, in the form of the Marshall Plan, to Western Europe and linking that aid to the measures taken by European governments to remove the barriers to trade with each other, the United States was judged to have

32. Many economists remained unconvinced of the utility of such an approach, like the Nobel Prize winner Douglass N. North; see D.N. NORTH’s review of *The Economic Development of Continental Europe*, by Milward and Saul, in: *The Journal of Economic Literature*, 3(1974), pp.910-911.

33. A.S. MILWARD, *War, Economy and Society*, op.cit., pp.16-17.

34. A.S. MILWARD, *Keynes, Keynesianism, and the International Economy*, in: *Proceedings of the British Academy*, 105(2000), pp.225-251.

35. A.S. MILWARD, *Politics and Economics in the History of the European Union*, Routledge, London, 2005, pp.1-37, provides his latest views on this question.

laid the basis for the economic but also the political unification of Western Europe, thereby helping to realize the dream of the European Resistance to replace the nation-state with a united Europe. Moreover since dollar aid was seen to correct the imbalances in payments between the United States and Western Europe which had been caused by the Second World War, it was also credited with enabling the multilateral payments system agreed at Bretton Woods in July 1944 – based on currencies being freely convertible into gold, dollars and sterling at a fixed rate of exchange – to function. Marxist historiography on the other hand, following the official analysis offered by the Soviet Union's leadership, saw the assistance programme that the US Secretary of State, General George C. Marshall, offered on 5 June 1947 and the creation of integrationist institutions in Western Europe as the product of American imperialism in the context of its struggle against the Soviet Union. In the Stalinist perspective Marshall aid served to secure markets for the United States and the survival of a reactionary capitalism which stifled the hopes for radical social and economic change after the war. The drive to create a federal Europe was thus generally seen as a self-serving initiative of the United States designed to achieve its economic and political objectives in Western Europe.

Milward set out to explain why all these assumptions were inaccurate. On the basis of documentary research in many archives in Europe and the United States, combined with a detailed study of economic, financial and commercial statistics, he offered a fundamentally different explanation for the origins and duration of the economic boom and for European integration.<sup>36</sup> Firstly he argued that the Marshall Plan had not rescued Western Europe because, unlike the situation after the First World War when a short restocking boom had been followed by a slump in 1921 as governments rapidly removed all controls over the economy, what Western Europe was experiencing in 1947 was not an economic crisis but a temporary payments crisis. The difference between the two post-war periods was primarily due to the changes in the balance of domestic political power which had occurred within European states after 1945. Central to his argument was his understanding that one lesson which ruling elites in Western Europe had drawn from the experience of the Second World War was that

‘defeat and occupation were not merely a collapse in the face of overwhelming military superiority [but] in most cases they were also a collapse of internal morale’.

From this came an understanding that if the nation-state was to survive in the post-war world it would have to become more responsive to the needs of a greater range and number of its citizens. Political parties would have to change from being ‘clubs of like-minded individuals associating to vote together at the political centre’ to become ‘a machine for discovering the demands coming from below in society and transmuted them into policies’.<sup>37</sup>

36. In *The Life and Death of the Great European Boom*, a paper which was drafted in early 1996 but remained unpublished and which is now being published in this same issue (pp.53-72), Alan Milward summarized his views on Western Europe's golden age.

37. A.S. MILWARD, *The European Rescue of the Nation-State*, Routledge, London, 1992, pp.26-28.

One result of these political changes was that after the war governments allowed per capita incomes to increase even though this was in the context of pent-up consumer demand. When this was combined with government-backed projects not only of reconstruction but also of modernization and industrialization, it increased the level of demand in the economy and also the demand for imports. Due to the restrictions placed by the Allies on Germany's industrial output and the imbalances in the international economy caused by the war, these imports had to come from the United States without European governments having any means of paying for them in the short term. 'It was', he argued 'the success and vigour of the European recovery, not its incipient failure' which had caused a payments problem with the dollar area in 1947.<sup>38</sup> If the US State Department presented 'the 1947 crisis' as an economic one it was in order to secure Congressional funding for its foreign policy of containing Communism in Western Europe. Milward's understanding was that Marshall's offer was motivated by politics and not economics, that it was a product of the Cold War and not a response to the political and economic changes caused by the Second World War.

Milward singularly argued that the way in which the international financial system had been reconstructed was an inadequate response to the changes in the balance of both political power within the countries of Western Europe and the structure of the world economy. The Bretton Woods system, an exclusively Anglo-American affair but one over which Britain had less influence, placed the burden of adjustment on debtors exclusively. Furthermore, Washington, with its focus on the Western bloc, undermined the possibility of re-establishing a dynamic and balanced world economy as had existed before 1914. Like its predecessor, the gold standard, it prioritized the needs of a narrow group of voters for whom price stability was more important than employment. Unsurprisingly, as Milward demonstrated, in the face of a dollar payments crisis in the first half of 1947, no European government was prepared to deflate and cut either investment or capital goods imports as they would have done at any time in the interwar period.

For this reason, Milward doubted that Marshall aid paved the way for the introduction of the Bretton Woods system. It was Milward's view that the US goal of using Marshall aid to enable Western Europe to reach an equilibrium in its trade and payments with the dollar area lost sight of the true causes of the fundamental structural imbalance in the international economy arising from the war, of which Europe's dollar shortage was a mere reflection. The United Kingdom, the only economy in Europe which carried out considerably more of its trade with the rest of the world than within Europe, was particularly aware of the global nature of the problem. However the US attack on British imperial preferences, combined with its willingness to construct a purely Western-European bloc for strategic reasons, did not offer the British much relief to their financial difficulties.

It was not until the end of 1949, after the devaluation of sterling, that the United States had to recognize that its policy of forcing Britain into an integrated Europe by

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38. A.S. MILWARD, *The Reconstruction of Western Europe, 1945-51*, Methuen, London, 1984, p.463.

dismantling the sterling area would not work. Dollar aid had to be provided to cover the inclusion of the sterling area in a new payments system in Europe, the European Payments Union (EPU), which would not be an institution for uniting Europe. The EPU, which lasted from 1950 until 1958, allowed the seventeen participating European countries to discriminate against dollar exports while giving incentives to debtor countries to continue to run expansionary domestic programmes on the basis of automatic credits rather than correct those deficits immediately through domestic deflation. It could not have worked, Milward argued, had the United States not been forced to recognize that no multilateral clearing mechanism in Europe could operate successfully without the inclusion of the sterling area and had the views of the US State Department not prevailed over those of the US Treasury. For both reasons, he insisted, the European Recovery Programme was not a step towards the convertibility of European currencies within the framework of the Bretton Woods system. A precondition for the collective decision (made in December 1958) to restore the convertibility of European currencies was, he argued, the decision previously made by a number of European states to form a common market.<sup>39</sup> This issue of whether Marshall aid was a step towards the multilateral system of Bretton Woods, as the majority of historians and economists maintained, or a step towards quite a different world in which the new domestic politics in Western Europe found recognition, as Milward argued, continues to be disputed.

In the years following the publication of *The Reconstruction of Western Europe* Alan Milward's views stimulated considerable research and debate. Milward was to observe though that many historians had simply not understood his arguments. He was particularly concerned to see that in Michael J. Hogan's scholarly history of the economic diplomacy of the Marshall Plan, his arguments had been entirely ignored. On the basis of archival research in the United States and Britain, Hogan had argued that through the Marshall Plan the United States had transmitted the politico-economic compromise of the American New Deal, as amended by the Second World War, to Western Europe; that this in turn had produced the stability and prosperity which characterized post-1947 West European corporative neo-capitalism, and led to the integration of Western Europe into one single market, and ultimately made the Bretton Woods system operable. In this Hogan was accepting the economic arguments of the Marshall planners at face value. Without Marshall aid, Hogan affirmed, 'a serious crisis in production would have come with the collapse of critical dollar imports'.<sup>40</sup> Without the Marshall Plan, the economic recovery of Western Europe and thus the favourable conditions for its transformation into a Golden Age would have not been possible.

When invited to write a review of Hogan's book Alan Milward used the opportunity to set out his arguments once again.<sup>41</sup> What he was at pains to demonstrate was

39. A.S. MILWARD, *The European Rescue*, op.cit., p.367.

40. M.J. HOGAN, *The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947-1952*, Cambridge University Press, Cambridge/New York, 1987, p.431.

41. A.S. MILWARD, *Was the Marshall Plan Necessary?*, in: *Diplomatic History*, 2(1989), pp.231-253.

that many of the arguments of the Marshall planners were politically motivated and had no foundation in economic reality. Not only did he doubt that the ideology underpinning the Marshall Plan originated in the New Deal but he was convinced that the political coalitions that characterised post-war Western Europe pre-dated the Marshall Plan. As he had argued in *The Reconstruction of Western Europe*, given the political and economic conditions in Western Europe there was no evidence pointing to an economic collapse had the US government not supplied dollars through Marshall aid. He went on to address the second claim made by Hogan, that the alternative policy options which the absence of the Marshall Plan would have made necessary were ‘not available to the fragile coalitions that presided over many of the participating countries, none of which could retreat from already low levels of consumption and hope to survive’.<sup>42</sup> This argument, Milward elaborated,

‘needs to be emended in one respect where Hogan has perhaps not understood the statistical implications of the contrary argument. No government needed to reduce the levels of food consumption of 1947 to implement the alternative policies, and most could have increased them. Of the six countries in question, four could still have obtained dollar capital goods and raw material imports in the same value as under the Marshall Plan and have had a margin of extra gold/dollars for food imports above the 1947 level. Only France and the Netherlands would have had to stay at that level’.<sup>43</sup>

Accepting that emendation Alan Milward presented the alternative course of action that several governments had considered when the conditions attached to US assistance appeared initially as too intrusive. Considering the case of France, the country which perhaps best fits Hogan’s ‘fragile coalition’ definition, Milward insisted that the French government would not have collapsed for economic reasons had there been no Marshall aid. It was a convenient tactic for the government to warn of a political collapse. The country which was most dependent on Marshall aid was Britain, not an example of the sort of weak coalition government to which Hogan was referring. It was in Britain that the new direction taken by the United States in proposing Marshall aid and abandoning a global solution to the problem caused by the dollar shortage could have been most damaging economically, had dollar aid not been extended belatedly to include the sterling area in the EPU. Was the Marshall plan necessary? On balance, Milward’s answer was that, ‘eminently successful policy though it was, the post-war European world would have looked much the same without it’.<sup>44</sup>

After the collapse of the Soviet empire, attention in the United States focused on whether a Marshall Plan for Eastern Europe would have been an appropriate vehicle for introducing capitalist methods into those countries and for closing the gap in economic performance between Eastern and Western Europe. In 1993 J. Bradford DeLong and Barry Eichengreen concluded that in fact Milward was correct to argue that Marshall aid was not large enough to ‘significantly stimulate Western European

42. M.J. HOGAN, *The Marshall Plan*, op.cit., p.431.

43. A.S. MILWARD, *Was the Marshall Plan Necessary?*, op.cit., p.242.

44. *Ibid.*, p.252.

growth by accelerating the replacement and expansion of its capital stock', nor to finance reconstruction which was completed by 1948.<sup>45</sup> But Marshall aid did make a difference to Western Europe, they maintained, in altering the environment in which economic policy was made. In their view, the ERP meant a careful, managed return to markets after the market failures in the Great Depression. Had it not been for Marshall aid, they asserted, Western European governments would have continued to control imports in order to cope with their deficit in external payments. Marshall aid therefore helped them to restore the market and to move to the multilateral system of Bretton Woods. Milward's demonstration that trade in Western Europe continued to be controlled in the 1950s was dismissed and his warning that historians should not assume that the period 1948-58 was 'only a journey back' to the Bretton Woods system rejected.<sup>46</sup>

To his own rejection of the two arguments that Marshall aid had saved Western Europe from an economic crisis in 1947 and paved the way for the operation of the multilateral financial system of Bretton Woods, Alan Milward had added a third and crucial one. He questioned whether the Marshall Plan had indeed been responsible for liberalizing European trade and for laying the basis for the subsequent political and economic integration of Europe. He showed that the response of the French and British governments to Marshall's offer was to try to take joint control over the European organization created under US pressure to coordinate the European response. Both governments were determined to lead the recovery of Western Europe but according to their own broad interests rather than concede to US pressure to unify Western Europe. The French government saw as its main task, according to Milward, to oppose and delay the process as much as possible while at the same time working towards defining the conditions and terms of a possible solution to what was referred to as *the German question*.

One constant element of French policy since the liberation of France had been a determination to strengthen France as an industrial power by expanding and modernizing its basic industries, including its capital goods industries. This depended on France having access to certain German raw-material resources. In political terms, modernization and industrialization became synonymous with national security, territorial integrity, economic independence, that is, the only path for the future viability of France as an independent nation. France planned to expand its industrial base (the steel industry in particular) using coal and coking coal from the Ruhr as well as US investment goods financed with Marshall aid. But the ultimate intention to make France rather than Germany the main industrial power in continental Europe failed, as Milward showed, to take account of the needs and aspirations of other West European countries which depended on a reconstructed German economy as a supplier and market, and of the British need to finance its zone of occupation in Germany

45. J.B. DELONG, B. EICHENGREEN, *The Marshall Plan: History's Most Successful Structural Adjustment Program*, in: R. DORNBUSCH, W. NÖLLING, R. LAYARD (eds), *Postwar Economic Reconstruction and Lessons for the East Today*, Massachusetts Institute of Technology Press, Cambridge (MA), 1993, pp.189-230 (quotation, pp.190-191).

46. A.S. MILWARD, *Was the Marshall Plan Necessary?*, op.cit., p.237.

which included the Ruhr. Furthermore, following the breakdown in relations with the Soviet Union, it also conflicted with the strategic needs of the United States to strengthen the whole of the Western zones of Germany as quickly as possible.

The plan to abandon the original Potsdam agreements on the level of industry in Germany and ultimately to incorporate 'Western Germany' into an integrated Western Europe, was already clear by the time of Marshall's speech. France, which had not been invited to either the Yalta or the Potsdam conferences, left no one in any doubt that 'any settlement in Germany had to be by agreement with France, and any progress towards a joint European agreement on the use of American aid in reconstruction had to depend on the settlement in Germany'.<sup>47</sup> However, the significance of the Conference of European Economic Cooperation held in Paris in July 1947 was that the United States had to listen to the views not only of the British and French governments but of all the European governments that had accepted the offer of aid. Unlike France, the Benelux countries and Italy wanted a rapid expansion of the German economy since Germany had become the main market for their exports. All wanted to be consulted about Allied policy in Germany and no solution to the German problem seemed feasible without attending to the main interests of all of them. Without even attending the Paris conference, Germany occupied the centre of the stage.

The French government's search for a permanent guarantee of access to vital German raw materials, which was not satisfied by the creation of a temporary body to control the resources of the Ruhr, the International Authority for the Ruhr, led to the innovative supranational concept announced to the press by Robert Schuman, the French Minister of Foreign affairs, on 9 May 1950. It was to take yet one more year of negotiations before the French were able to secure, through the Schuman Plan and the Treaty of Paris establishing the European Coal and Steel Community (ECSC), one of the key objectives of their national aspirations. Although Milward provided a pragmatic rationale for the French policy, this did not mean that he did not appreciate the value, the revolutionary nature and the overall importance of 'supranationality'. On the contrary, he considered that the supranational solution constituted the very last element in the reconstruction of Western Europe, the one that became a substitute for a peace settlement with Germany. He showed that the new supranational structure was crucial, not only for the future of national planning in France, but for achieving the national objectives of the Benelux countries, Italy and the new democratic West German state. Instead of free trade or the recreation of the pre-war industrial cartels run by the industries themselves, the European states were able to retain control – through a joint formula – over sectors seen to be vital for their national economic security. The form that European integration took was to be a highly regulated market not within the Organization for European Economic Cooperation, as Washington had expected, but among six countries and in the two sectors of coal and steel. Whereas the United States looked for a liberal solution to Western Europe's problems and to

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47. A.S. MILWARD, *The Committee of European Economic Cooperation (CEEC) and the Advent of the Customs Union*, in: W. LIPGENS, *A History of European Integration*, vol.1: 1945-1947, Clarendon Press, Oxford, 1982, pp.507-569 (quotation, p.520).

its own security concerns in the form of creating a single large market in Western Europe, the West European governments looked for a state-directed solution to a very specific problem. Indeed the establishment of the ECSC, however supranational its High Authority was to be, did not mean that the European states intended to lose control or indeed lost control over the regulatory framework that affected their coal and steel industries. Key to the successful pattern of institutionalized economic interdependence was, Milward affirmed, that it served 'the separate national interests of the countries concerned'.<sup>48</sup>

British interests, as he showed, lay elsewhere.<sup>49</sup> The recourse to many forms of trade protection in both Western Europe and the United States as a way out of the Great Depression of 1929-32 had led to a redirection of British exports to the markets of the Empire and Commonwealth where they enjoyed preferential access. These trade flows had persisted during the Second World War, with the result that in the post-war period a much higher proportion of British exports went to Australia, Canada and New Zealand than to Western Europe or the United States. The challenge facing British policy makers after 1945 was thus to find a way of using the temporary influence which they had over the Commonwealth in order to achieve a grand tariff bargain with both Western Europe and the United States to solve its international payments problems. Washington's failure to ratify the International Trade Organization and to make a serious commitment to reduce its tariffs in order to enable the rest of the world to earn dollars by increasing their exports to the United States was seriously undermining confidence in Britain that the United States was indeed committed to the multilateral principles agreed at Bretton Woods, which implied a balanced international economy. But however coherent the British strategy was, ultimately it did not work.<sup>50</sup>

What Alan Milward argued was that the United States neither stabilized the international economy in the 1950s nor was responsible for the prolonged period of growth enjoyed by Western Europe. As he demonstrated it was the contribution of the West German economy to the trade and payments of Western Europe in the 1950s which allowed the economic recovery in Western Europe not to be thrown into reverse by the recessions originating in the United States in the 1950s, as had happened in the 1920s.<sup>51</sup> It was the rapid expansion of the West German economy both as a supplier and a market for Western Europe and its willingness to fund, through the EPU, the deficits of its European partners, which favoured the decision of the six ECSC

48. A.S. MILWARD, *The Reconstruction*, op.cit., p.470.

49. A.S. MILWARD, G. BRENNAN, *Britain's place in the world: a historical enquiry into import controls 1945-60*, Routledge, London, 1996; A.S. MILWARD, *The United Kingdom and the European Community*, vol.1, *The Rise and Fall of a National Strategy, 1945-1963*, Whitehall History Publishing/ Frank Cass, London, 2002.

50. In *The United Kingdom and the European Union* paper, which is being published in this same issue (pp.73-79), Alan Milward maintains that the nature and objectives of British commercial policy after 1945 are crucial to an understanding of British policy towards the European Community/Union from 1950 to the present.

51. A.S. MILWARD, *The Marshall Plan and German Foreign Trade*, in: C.S. MAIER (ed.), *The Marshall Plan and Germany*, Berg, Leamington Spa, 1991, pp.452-487.

member states to form a common market. The Treaty of Rome signed in 1957 establishing the EEC was designed to ensure that these favourable conditions would not be undone within the liberal framework of Bretton Woods. It was designed to offer to its member states renewed economic security through a commercial arrangement which provided for the gradual liberalization of trade in manufactured goods, combined with continued protection for the rest of the economy, including agriculture. At the same time the EEC Treaty locked West Germany into a trading structure from which in the event of a recession, it could not easily leave as it had done in the 1930s.<sup>52</sup> It was a trading structure which had its origins in the New European Order of 1940 and on which the smaller West European economies in particular depended for their economic stability. Milward underlined the fact that trade liberalization followed rather than caused the great expansion in European trade which had taken place in the 1950s, that it was the need to preserve the perceived source of economic dynamism – i.e., industrial commodity trade with West Germany – which led the other five ECSC states to take the irreversible decision to integrate, and that only once that decision had been taken did the European states move to restore the convertibility of their currencies in December 1958 within the Bretton Woods system.

Alan Milward was one of the first historians to consider European integration to be a subject of sufficient importance to merit historical investigation. He initially based his research on the theoretical explanations offered by other disciplines, most notably economics and political science.<sup>53</sup> If most economic theory saw the integration of markets as the direct outcome of their growing interdependence, he did not see any automatic connection between economic interdependence and integration. Questioning whether European economies were any more interdependent in the 1950s than they had been under the gold standard between 1896 and 1914, he argued that there was nothing inherent in the nature of economic development which led to the erosion of the state and national frontiers in the interests of maximizing profits and incomes. This was an argument frequently advanced in the United States to justify the purpose of Marshall aid, as we have already seen with Hogan. It formed the basis of Charles S. Maier's argument that it was by promoting the growth of labour productivity that Western European governments were able to overcome the social tensions of the pre-war period.<sup>54</sup> But, since Alan Milward did not accept the proposition that growing markets inevitably led to improvements in productivity, he found Maier's 'politics of productivity' a sophisticated intellectual argument but not an explanation for the growth which occurred in Western Europe.<sup>55</sup> Not content with previous explanations, Milward set himself to the task of establishing

52. A.S. MILWARD, *The European Rescue*, op.cit., pp.119 f.

53. See A.S. MILWARD, *The Reconstruction*, op.cit., pp.494 f. He summarized why he was not convinced by those theories in *The Origins of the Treaty of Rome*, in: B. HETTNE (ed.), *Development Options in Europe*, Padrigu Papers, Göteborg, 1988, pp.1-13.

54. C.S. MAIER, *The Politics of Productivity: Foundations of American International Economic Policy after World War II*, in: *International Organization*, 4(1977), pp.607-634.

55. A.S. MILWARD, *The Origins of the Treaty of Rome*, op.cit., p.6.

‘[b]y what precise political mechanism did the organisational unit of the state, so feebly incapable even of fulfilling its primary task of protection in 1940, come to play such a role in the vast improvement in human life which took place [after 1945]’.<sup>56</sup>

Alan Milward was not the only historian dealing with the origins of European integration in the late 1970s and early 1980s, but he was in deep disagreement with the method and basic assumptions of most of them, including the most influential figure at the time, Walter Lippens. As a committed federalist and Catholic opponent to Nazi Germany, Lippens devoted his professional life to explaining that the roots of the European Community (EC) lay in the federalist thinking of the non-communist resistance during the Second World War. By 1977 he had traced and documented the various strands of federalist thinking in the Resistance during the war and up to 1947.<sup>57</sup> It was in that year, Lippens suggested, that governments in both Europe and the United States became interested for the first time in the idea of uniting Europe. To help him explain these changes at national governmental level, Lippens invited a group of historians from all nine EC member states to collaborate with him in writing the next stage in the history of European integration. Milward accepted the invitation and wrote about the European response to the offer of Marshall aid in 1947 but not in line with Lippens’ federalist conceptions but with his own interest in the post-war European economic boom.<sup>58</sup> Indeed, Milward’s research method and findings were so much at odds with those of Lippens that he did not contribute to Lippens’ further publications. Not only did they disagree over the importance of the Resistance to the outcome of the war but they also differed over the influence which the ideas for a united Europe held by many in the Resistance had over post-war European governments. Whereas Lippens argued that the very weakness of the post-war state made it receptive to the ideas of a united Europe which would weaken it still further, Milward maintained that the discredited states in Western Europe were determined to rebuild their strength and legitimacy by extending their power, including their power to control the economy.

Post-war Europe was not shaped either by Europeanist federalism or US intervention, he argued. In focusing on the real policies pursued by the European governments themselves Milward demonstrated that both the pro-European Unity federalists and the United States through Marshall aid had no more than a marginal impact on the agreements reached in Western Europe. ‘Marshall Aid’, he concluded ‘was not in fact important enough to give the United States sufficient leverage to reconstruct Western Europe according to its own wishes’.<sup>59</sup> It was the new institutional structure put in place by some of the European governments themselves which, Alan Milward claimed, was ultimately responsible for the success of the post-war

56. A.S. MILWARD, *The European Rescue*, op.cit., p.24.

57. W. LIPPENS, *Die Anfänge der europäischen Einigungspolitik 1945-1950*, Erster Teil: 1945-1947, Klett-Cotta, Stuttgart, 1977 (English edition, *A History of European Integration*, vol.1: 1945-1947, op.cit.).

58. A.S. MILWARD, *The Committee of European Economic Co-operation*, op.cit.

59. A.S. MILWARD, *The Reconstruction*, op.cit., p.469.

settlement in Europe and the subsequent unprecedented period of peace and prosperity.

Whereas both supporters and opponents of a federal Europe saw European integration as a process by which the supranational institutions of the European Community were replacing those of the nation-state Milward, questioning whether such an antithesis between the two existed, was to reach the paradoxical conclusion in his subsequent work, that integration, far from weakening the nation-state, was a policy choice designed to strengthen it. In *The European Rescue of the Nation-State* he argued that integration enabled the nation-state to implement the domestic policies for which there was a consensus within and among states and which could not be implemented by more traditional methods. Starting from the assumption that after 1945 the governments of democratic Western Europe considered that performing those policies was essential to legitimate the new post-war nation-state and to regain the allegiance of its citizens after the capitulation of all but Britain to Nazi Germany, Milward applied the very visual concept of the ‘European rescue of the nation-state’ to those decisions which involved the surrender of a degree of sovereignty to supranational institutions. He argued that they were taken in order to strengthen the power of the state over the market, when it was seen to be necessary for political, economic and strategic reasons. As he explained,

‘one of the inherent instabilities of the political economy of the post-war nation was that it had to be internationalized at certain points if it was to survive. All history is movement, and in its rescue the European nation-state was from the outset laying the basis of a new international order for the continent. Yet the feasibility of that order was, and continues to be, determined by the evolution of national economic life. [...] Although therefore the European rescue of the nation-state was necessarily an economic one, it is at the point where that economic rescue intersected with the problem of Germany’s future in Europe that the common policies of the European Community developed’.<sup>60</sup>

*The European Rescue of the Nation-State* was published in 1992, a time of renewed popular, political and academic interest in the historical dynamics of European integration due to the ratification of the Single European Act in 1986 and the signing of the Treaty of Maastricht in 1992. The timing of the publication alone ensured that the book would receive considerable attention but the attention which it received was both critical and patronising. The most frequent criticism was that the book was valuable from a historical point of view but that it lacked – as Anthony Adamthwaite put it – ‘predictive power’.<sup>61</sup> In other words, as Andrew Moravcsik phrased it, ‘Milward’s provocative claims about the 1950s do not constitute a new theory of integration; they remain a set of observations in search of a theory’.<sup>62</sup> Anticipating this criticism Milward concluded *The Frontier of National Sovereignty. History and Theory 1945-1992*, a book written with some of his closest students and collaborators,

60. A.S. MILWARD, *The European Rescue*, op.cit., pp.44-45.

61. A. ADAMTHWAITE’s review of *The European Rescue of the Nation-State* as published in: *International Affairs*, 2(1993), pp. 372-737 (quotation, p.373).

62. A. MORAVCSIK’s review of *The European Rescue of the Nation-State* as published in: *The Journal of Modern History*, 1(1995), pp.126-128 (quotation, p.128).

with a personal reflection on the predictive value of history for the future of integration in Europe. ‘Fortunate though the circumstances of the 1950s were for the integration of Western European states’, Milward wrote, ‘there does not seem any theoretical ground for arguing that the international order cannot be again changed by integration as well as by [...] disintegration’.<sup>63</sup> In this he was challenging both the functionalist and most International Relations integration theories. As shown in the short piece entitled ‘Governance in a Global Environment’ (in this issue), Alan Milward believed that monetary integration, as decided in the 1990s, was not the inevitable response to an increase in ‘globalisation’ but a decision adopted by the participating States because it was expected to bring material prosperity. Although it was a decision which had a large degree of popular support he warned that the stabilisation conditions for the euro would make it impossible to achieve acceptable levels of employment and growth in poorer countries and would ultimately benefit only the wealthy countries. It followed from this that the decision could be reversed by any government if it no longer had sufficient electoral support. The economic crisis in Greece and the declining support for the euro and EMU in poorer countries should alert policy makers to the fragility of an integration which has failed to deliver “the promised material reward”.<sup>64</sup> Unlike neo-classical economists, European federalists and many integration theorists, Milward argued that economic and monetary union would not necessarily lead to a democratic political union in Europe and the end of the nation-state. Indeed he predicted in 2000 that if the European Monetary Union were beset by asymmetric shocks, their effect would not be to cause its immediate collapse but to weaken it over the medium-term until its desired effect had been so reduced in value as to defeat the Union’s original purpose.<sup>65</sup> As we live through such an asymmetric shock Milward’s predictions seem to carry more force than any of the teleological theories of European integration.<sup>66</sup>

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63. A.S. MILWARD, *Conclusions: the value of history*, in: A.S. MILWARD, F.B. LYNCH, R. RANIERI, F. ROMERO, V. SØRENSEN, *The Frontier of National Sovereignty. History and theory 1945-1992*, Routledge, London/New York, 1992, pp.182-201 (quotation, p.200).
64. A.S. MILWARD, *Governance in a Global Environment*, in this issue (pp.49-51).
65. A.S. MILWARD, *Les Unions Monétaires Européennes*, in: *Archives du Centre Cultural Calouste Gulbenkian*, vol.40(December 2000), pp.37-48.
66. The first results of the Standard Eurobarometer of November 2013 (EB80), *Public Opinion in the European Union* (at [http://ec.europa.eu/public\\_opinion/archives/eb/eb80/eb80\\_first\\_en.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb80/eb80_first_en.pdf) – last accessed on 7 February 2014), show that 41% of Europeans reject an economic and monetary union with a single currency, the euro. The relatively high percentages attained in Greece (35%), Italy (36%), Spain (37%) and Portugal (42%), countries whose population greeted the arrival of the euro coins and notes in January 2002 with fireworks and general enthusiasm, illustrates very clearly Milward’s cautionary attitude vis-à-vis EMU.

## Concluding remarks

The arguments of one of the most challenging and innovative scholars of the nature of the modern state in Western Europe and the evolving nature of European integration continue to have a relevance today. As we interpret Alan Milward's thinking, a new international order for the continent will be secured only if policy-makers win the allegiance of voters by pursuing policies which respond to their concerns. The critical question, he said, was whether the state could find a political and economic base for survival.<sup>67</sup> The answer to that question would determine the future of the European Union.

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67. A.S. MILWARD, *Politics and Purpose in Fifty Years of European Integration*, 2003, published for the first time in this current issue, pp.43-48.

