

In the Name of Social Stability:  
The European Payments Union

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Introduction

In October 1949, the Belgian-American economist Robert Triffin recalled the signing of the Bretton Woods Agreements of July 1944. From a luxurious hotel in the secluded forests of New Hampshire, the world had aimed to stabilise the international economic system by creating a new rules-based global monetary order. At the time, the financial experts of continental Europe had little to say in bringing about this new order, which was predominantly of Anglo-American design. In a parallel effort to the Anglo-American financial experts, most notably John Maynard Keynes and Harry D. White, Europe's leaders envisioned the post-war monetary system differently. They deliberated 'regional monetary groups' that should tie in with a 'skeleton world council' in the form of the International Monetary Fund (IMF). However, these regional monetary groups – proposed within the circles of the exiled European financial experts in London by men such as Paul van Zeeland and Wim Beyen – were deemed 'too slow, pedestrian and cumbersome' by Keynes and White, as Triffin remembered in 1949.<sup>o</sup> Ironically, the global Bretton Woods system turned out to be 'trying to do too much', and after 5 years it had 'achieved too little'.<sup>1</sup>

In the meantime, regional schemes for monetary multilateralism had become an important vehicle for European integration, most notably through the creation of the European Payments Union (EPU) in 1950, for which Triffin

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<sup>1</sup> R. Triffin, 'Institutional Developments in the Intra-European System', 8 October 1949, Box 19, Triffin Papers, YUL.

himself helped lay the intellectual and practical foundations.<sup>2</sup> Beyen, who witnessed the social and economic chaos of the 1930s, also wrote about the events leading up to the establishment of the EPU in 1949 and noted a favourable shift in ‘ideas regarding a regional approach’ under the Marshall Plan. In fact, by facilitating increased trade and employment, the Marshall Plan enabled western Europe to ‘grow into its Bretton Woods coat’.<sup>3</sup> It revived the regionalism that had been advocated by Europe’s continental exiles during the war.

The creation of a new European monetary order through the EPU represented the culmination of a decades-long quest for socio-economic stability that had commenced after the First World War, and which was first pursued through the League of Nations’ Economic and Financial Organisation in the 1920s and 1930s.<sup>4</sup> During the Second World War the search continued and ‘[n] either blackout nor bombs’ hindered the European policymakers who were jointly studying their financial and economic problems.<sup>5</sup> The post-war economic order, it was widely believed, should be geared to ‘create the wealth necessary to achieve social and political ends’.<sup>6</sup> After the war, these social and economic priorities resonated, most notably in the creation of welfare states, but also internationally. In drawing up the blueprints that eventually led to the creation of the EPU, one international official deemed the new system of multilateral payments ‘in the interests not only of full employment at home but also of the interests of the group as a whole’.<sup>7</sup> In that sense, monetary multilateralism highlighted a conviction to share socio-economic responsibilities through an international framework.

This gradual post-war regionalisation of monetary order in a western European framework was driven by a quest for socio-economic stability. Yet, the history of the EPU – as well as the preceding series of payments agreements concluded within the Organisation for European Economic Co-operation (OEEC) – generally falls outside the scope of European integration history, which tends to pick up with the European Coal and Steel Community (ECSC) in 1950. Shedding light on the OEEC and the creation of the EPU, including the longer trajectory of ideas rooted in the 1930s and early 1940s that informed post-war European economic cooperation,

2 I. Maes, *Robert Triffin: A Life* (New York, NY, Oxford University Press, 2021), pp. 79–86.

3 J. W. Beyen, *Money in a Maelstrom* (New York, NY, Macmillan, 1949), pp. 204–5.

4 P. Clavin, *Securing the World Economy: The Reinvention of the League of Nations, 1920–1946* (Oxford, Oxford University Press, 2013).

5 Beyen, *Money in a Maelstrom*, p. 142.

6 J. W. Beyen, ‘La reconstruction matérielle de l’Europe après la fin de la guerre’, *La France Libre*, 15 November 1940, 56.

7 ‘Trade and Payments Arrangements’, 1 December 1949, OEEC 241, HAEU.

helps correct this imbalance. After all, it was through the OEEC and the EPU that pre-1950 instances of Western financial and economic multilateralism were appropriated to a regional western European framework and that the quest for socio-economic stability transpired in the integration of western Europe.

Within the largely technocratic and bureaucratic OEEC, western European countries together laid the practical foundations for a new monetary order. In doing so, they built upon the financial and economic expertise of men who had experienced the social and economic crises of the 1930s, like Triffin and his contemporaries. Some of them had been actively involved in the League of Nations' economic conferences and the creation of regional trade blocs, through which they had hoped to mitigate the socio-economic effects of shrinking world trade. The OEEC, for that matter, constituted a crucial link between the inter-war, war, and post-war periods because it channelled pre-war ideas for European monetary and economic cooperation, early instances of Western multilateralism, their advocates' emotional driving forces and the new post-war political priorities of European welfare states into a pioneering institutional architecture of European economic cooperation.

This chapter analyses both how the socio-economic quest of the West created instances of European integration and how this quest (which was a constant factor from the 1920s to the late 1940s) gained traction through the realities of the war and the post-war years. First, it proceeds with a brief overview of the literature. Secondly, by adopting a diachronic perspective of European integration, it sets forth the reservoir of experiences, ideas and emotions and some of the blueprints accumulated throughout the 1920s and 1930s which underpinned later European economic cooperation. Thirdly, it shows how Europe's continental exiles in wartime London developed a regional approach to the post-war European economic order. Fourthly, it shows that, in the aftermath of the Second World War, the practices of regionalism hardly developed beyond the drawing table until the American government decided to fund European economic recovery through the Marshall Plan. Finally, it analyses the stages through which western Europe integrated its monetary policies within the OEEC. The predominant aim, in that sense, is to show the continuity in terms of the actors involved and the way in which social priorities constantly underpinned the European plans for international monetary and economic cooperation from the inter-war period onwards.<sup>8</sup>

8 See also J. Steehouder, 'Constructing Europe: Blueprints for a New Monetary Order, 1919–1950' (Ph.D. thesis, Utrecht University, 2022).

## Beyond 'Core Europe' towards 'Laboratory Europe'

Recent scholarship has increasingly shifted focus beyond the 'core Europe' of the ECSC. A growing body of literature 'de-centers the EU's predecessors' as the exclusive sites for European cooperation.<sup>9</sup> Kiran Patel therefore argued that European integration history should be 'embedded more firmly into a wider array of international structures'. This chapter takes up this suggestion by analysing early integration efforts within the OEEC. The focus on 'core Europe' and the ECSC has devoted too much attention to transfers of sovereignty and supranational integration, by which logic the economic cooperation and integration that took off in the OEEC have been considered a 'failed start'.<sup>10</sup> But, as Beyen remarked as early as in 1954, 'European integration' is flexible and undefined, and may be used for 'all aspects, including non-political aspects of this connection'.<sup>11</sup>

In analysing early European institution-building from the perspective of its wider multilateral context, the extent to which it was driven by a desire to solve complex socio-economic problems becomes visible. According to Mathieu Segers, pre-1950 Western (and indeed transatlantic) multilateralism constituted a 'laboratory' in which different forms of European cooperation and integration were developed and tested. A closer examination of this 'laboratory' sheds new light on the emergence of a regionally oriented social market through the pursuit of European integration. After the war, international financial and economic cooperation was guided by a desire to share 'societal responsibilities internationally'.<sup>12</sup>

These social and economic priorities of post-war Europe indicate a basis of continuity upon which European integration emerged. According to Charles Maier, both of Europe's twentieth century's post-war periods 'formed part of a continuing effort at stabilization'.<sup>13</sup> After the end of the First World War,

9 K. K. Patel, 'Widening and Deepening? Recent Advances in European Integration History', *Neue Politische Literatur* 64, no. 2 (2019): 327–57, 329.

10 K. K. Patel, 'Provincialising European Union: Co-operation and Integration in Europe in a Historical Perspective', *Contemporary European History* 22, no. 4 (2013): 649–73, 651; K. K. Patel, *Project Europe: A History* (Cambridge and New York, NY, Cambridge University Press, 2020).

11 J. W. Beyen, 'Weerstand tegen de Europese integratie', 12 February 1954, NL-HaNA, 2.05.117, inv. no. 16850.

12 M. L. L. Segers, 'Eclipsing Atlantis: Trans-Atlantic Multilateralism in Trade and Monetary Affairs as a Pre-history to the Genesis of Social Market Europe (1942–1950)', *Journal of Common Market Studies* 57, no. 1 (2019): 60–76, 61–2.

13 C. S. Maier, *In Search of Stability: Explorations in Historical Political Economy* (Cambridge, Cambridge University Press, 1987), p. 161.

countries increasingly sought to improve social conditions by raising living standards and safeguarding employment levels. These new social priorities went hand in hand with the search for a new international economic order, for example through the League of Nations, which helped pave the road for Bretton Woods.<sup>14</sup>

In an attempt to illuminate the longer trajectories and continuities of the history of European integration across the twentieth century, scholars have increasingly adopted diachronic perspectives, moving beyond the life and death of institutions, and breaking through the standard periodisation of European integration history.<sup>15</sup> One way of doing this is by following actors and the development of their ideas over longer periods of time, conceptualising them as ‘carriers of continuity’.<sup>16</sup> In doing so, it becomes possible to analyse how their accumulated experiences with social and economic chaos and war over the course of the 1930s and 1940s informed new and hopeful visions of future European economic cooperation.

As it turns out, the OEEC then emerges as much more than just an intergovernmental organisation with a ‘dull but durable bureaucratic routine’.<sup>17</sup> Rather, it becomes a transformer house and laboratory, where the deeper undercurrent of Europe’s past of war and depression was fused with practical monetary instruments designed to safeguard social and economic stability in an international framework. Having been witness to the bloodiest consequences of economic crisis, the post-war policymakers of Europe shared a set of similar emotionally fraught experiences, and harmoniously rejected the social inequities caused by *laissez-faire* capitalism.

## Regional Multilateralism in Inter-war Europe

Policymakers who became active in post-1945 Europe shared the 1930s as an emotionally fraught ‘space of experience’.<sup>18</sup> For men like Robert Marjolin (the French Secretary-General of the OEEC) and Hans Hirschfeld (who

14 L. W. Pauly, ‘The League of Nations and the Foreshadowing of the International Monetary Fund’, *Essays in International Finance* 201 (1996): 1–47.

15 S. G. Gross, ‘Introduction: European Integration across the Twentieth Century’, *Contemporary European History* 26, no. 2 (2017): 205–7, 205; M. Conway and K. K. Patel (eds.), *Europeanization in the Twentieth Century: Historical Approaches* (London, Palgrave Macmillan, 2010).

16 K. K. Patel and W. Kaiser, ‘Continuity and Change in European Cooperation during the Twentieth Century’, *Contemporary European History* 27, no. 2 (2018): 165–82, 172.

17 A. S. Milward, *The Reconstruction of Western Europe, 1945–51* (London, Methuen & Co., 1984), p. 172.

18 See the work of the German historian R. Koselleck, *The Practice of Conceptual History: Timing History, Spacing Concepts* (Stanford, CA, Stanford University Press, 2002), p. 111.

headed the Dutch delegation to the OEEC), the many failures of international financial diplomacy, the instability of international currencies and the vengeful economic nationalism of these years constituted a shared experience. Additionally, the memories of the 1920s were ‘close enough and their witnesses numerous enough’ to be recalled vividly.<sup>19</sup> This was especially the case for men like Triffin and Marjolin, both of whom were born in 1911 and younger than Van Zeeland (born in 1893) and Hirschfeld (born in 1899).

It was in these years before the Second World War that these men developed a shared quest for socio-economic stability that eventually led to the creation of the EPU more than a decade later. Some ideas and instruments designed to bring about a new stability in international economic relations were very similar to those that underpinned the EPU years later. In general, the 1920s and 1930s gave birth to two path-dependences for post-1945 Europe. First, there emerged new priorities for the functioning of capitalism, which needed to be cured of its free market excesses. Secondly, ‘Europe’ emerged as an ‘economic space’ with a desire for international cooperation – a counterintuitive conclusion given the subsequent bloodshed of the Second World War. As it turns out, the financial and economic burden of the First World War not only gave rise to an increased sense of nationalism, but also accelerated calls for international cooperation and European unity.

After the First World War, Keynes warned against burdening Germany with reparations, because it could harm the ‘economic rehabilitation of Europe’. Keeping Germany economically underdeveloped would negatively impact the value and stability of currencies in Europe, and invoked the danger of spreading inflation, which would have disastrous socio-economic consequences. Such ‘rapid depression of the standard of life’, observed Keynes, ‘drives other temperaments to the nervous instability of hysteria and to a mad despair’.<sup>20</sup> Yet the reparations of the Versailles settlement set the stage for the 1920s, which were characterised by international financial diplomacy between the great powers.<sup>21</sup> Both France and Britain had incurred large debts with the United States, and France in particular depended on German reparations to repay these debts. In 1924 and 1929 the American

19 R. Marjolin, *Architect of European Unity: Memoirs, 1911–1986* (London, Weidenfeld and Nicolson, 1989), p. 145.

20 J. M. Keynes, *The Collected Writings of John Maynard Keynes*, vol. 11: *The Economic Consequences of the Peace*, eds. E. Johnson and D. Moggridge (Cambridge and New York, NY, Cambridge University Press, 2013 [1919]), pp. 143–4.

21 P. Clavin, *The Failure of Economic Diplomacy: Britain, Germany, France and the United States, 1931–36* (Basingstoke, Macmillan, 1996).

government funded this vicious debt cycle through the Dawes and Young Plans, effectively commercialising German reparations.<sup>22</sup>

To some, this perpetual 'Wirtschaft- und Währungschaos' highlighted the economic necessity for a united Europe – or *Pan-Europa*, as Austrian-Japanese Count Richard Coudenhove-Kalergi dubbed it in 1923.<sup>23</sup> His movement attracted many followers across the continent, including statesmen such as Aristide Briand, Gustav Stresemann and Edvard Beneš. Another hub for the spread of economic internationalism was the League of Nations, where the French industrialist Louis Loucheur advocated the abolition of protectionist policies, which some thought could lead to the creation of a 'United States of Europe'.<sup>24</sup> Pietro Stoppani, an Italian delegate to the League of Nations, was one of the driving forces behind the World Economic Conference of 1927, where he hoped to restore world free trade.<sup>25</sup> But none of these idealistic plans materialised. When the globally interdependent economic system collapsed after the Wall Street crash of October 1929, it set in motion a global surge of protectionism and economic nationalism.

The failure to stabilise the international economy during the 1920s and the subsequent turn to economic nationalism was one of the most pervasive results of the Great Depression, causing what has been dubbed a 'quantum leap in interventionism' across the globe. The excesses of global capitalism led to a renegotiation of the relations between state, society and the individual, and gave rise to a new understanding of the role of the state and the purpose of the economy. The early 1930s witnessed an increased role for the government in the economy (for example, through government-funded infrastructure plans or large-scale nationalisation of industries), which is often referred to as *planisme*.<sup>26</sup> At the heart of these socialist-inspired economic programmes was the desire to preserve social stability, maintain living standards and secure employment.

The most extraordinary example of this surge in state-led capitalism was Roosevelt's New Deal, launched in 1933. It was right about then, in the run-up to Roosevelt's election in September 1932, that Marjolin arrived in New Haven to study at Yale University. During the 1920s, he had been inspired

22 A. Tooze, *The Deluge: The Great War and the Remaking of Global Order, 1916 – 1931* (London, Allen Lane, 2014), pp. 301–3.

23 R. N. Coudenhove-Kalergi, *Pan-Europa* (Vienna, Pan-Europa-Verlag, 1982 [1923]), p. 17.

24 Clavin, *Securing the World Economy*, p. 41.

25 E. Tollardo, 'International Experts or Fascist Envoys? Alberto Theodoli and Pietro Stoppani at the League of Nations', *New Global Studies* 10, no. 3 (2016): 283–306, 299.

26 K. K. Patel, *The New Deal: A Global History* (Princeton, NJ, Princeton University Press, 2016), pp. 41–3, 93.



by socialism and the writings of Marx, and the Great Depression represented to him the ultimate failure of capitalism. But Marjolin also admired Roosevelt's New Deal for its 'energy and action' and for the great social and economic experiment it represented. Roosevelt's New Deal taught Marjolin that a proclivity towards 'social justice and equality' and an 'efficient and productive society' could go hand in hand.<sup>27</sup> It was in those years that he developed a dual commitment towards social goals as well as the preservation of capitalism.

To preserve capitalism, it had to be reformed so as to deliver social and economic stability (which the free market could not) through a mix of socialism and economic planning. However, these new social priorities and the reform of capitalism were carried by a global turn towards state-planning and a devastating trend towards economic autarky and economic nationalism, and not by an internationally coordinated approach. At the time, Marjolin – who later developed strong internationalist ambitions when he became an 'architect of European unity' – had no ideas on how to preserve social domestic stability through an international framework. It was only during and after the Second World War that he embraced the advantages of economic planning and international financial institutions. Others, like Paul van Zeeland, drew more internationalist lessons from the inter-war period, and sought ways out of the global social and economic crisis by means of international cooperation.

'The year 1932', he wrote, 'has come to an end in a state of utter confusion, both political and economic'. Global economic interdependence had led the people of the world 'one after the other, and one because of the other, into the way of economic nationalism'. To get rid of the 'artificial defenses' the world was in need of a 'general plan and on the condition that each one does its part, and at the same time'.<sup>28</sup> Van Zeeland's optimism for finding such an international solution was remarkable but not entirely unjustified. In preceding years, he had been involved in multiple undertakings aimed at international cooperation in the monetary and economic sphere. For example, the Bank for International Settlements (BIS), where he was a board member, emerged as a network of central bankers committed to preserving international monetary stability on the basis of the gold standard.<sup>29</sup>

27 Marjolin, *Architect of European Unity*, p. 41; R. Marjolin, *Les expériences Roosevelt* (Paris, La Librairie Populaire, 1934), pp. 2, 32–3.

28 P. van Zeeland, *A View of Europe, 1932: An Interpretative Essay on Some Workings of Economic Nationalism* (Baltimore, MD, The Johns Hopkins University Press, 1933), pp. 1, 150.

29 G. Toniolo, *Central Bank Cooperation at the Bank for International Settlements, 1930–1973* (Cambridge, Cambridge University Press, 2005), p. 131.



Moreover, several smaller European states had signed regional trade agreements, showing that international cooperation was possible. One of these initiatives was the Oslo Convention of 1930, where Belgium, the Netherlands, Luxembourg, Norway, Denmark and Sweden synchronised their tariff policies. They shielded their domestic markets from unexpected shocks from each other, and insulated themselves from the volatile German market – which was at the heart of the European economic crisis.<sup>30</sup> Another example of such ‘regional projects’ was the 1932 Ouchy Convention between Belgium, the Netherlands and Luxembourg. Together they called for the gradual reduction of economic barriers and hoped to create the foundations for an agreement between an even larger group of European states.<sup>31</sup> Van Zeeland – who was involved in the negotiations – supported these regional projects. Leading up to the League’s World Economic Conference of 1933, he even brought them to the attention of the American government.<sup>32</sup>

Van Zeeland hoped that these developments would culminate in a new ‘social peace’, with ‘sufficient stability of prices, of business, of active purchasing power, and of social relationships’.<sup>33</sup> But, soon after the conference started, Roosevelt announced that the United States would not facilitate a return to the gold standard, which sealed the fate of the monetary side of the conference. After this, even the most ardent advocates of international cooperation, like Van Zeeland, Hirschfeld and Beyen, were forced to prioritise protectionist trade policies.

A final attempt to overcome the increasingly strong ‘going it alone’ attitude in international economic relations was undertaken by Van Zeeland during the late 1930s. Over the course of 1937, he undertook a mission on behalf of France and the United Kingdom (UK) to see whether a ‘general reduction of quotas and of other obstacles to international trade’ was possible.<sup>34</sup> In doing so, he drew upon a plan by Italian League of Nations delegate Stoppani, who had proposed in 1936 to abolish trade quotas between France, the UK, the United States, Germany and Italy – all in order to avoid another European war.<sup>35</sup>

30 G. van Roon, *Kleine landen in crisistijd: Van Oslostaten tot Benelux, 1930–1940* (Amsterdam, Elsevier, 1985), pp. 150–2.

31 R. Boyce, *The Great Interwar Crisis and the Collapse of Globalization* (Basingstoke, Palgrave Macmillan, 2014), pp. 365, 372–5; Van Roon, *Kleine landen in crisistijd*, pp. 115–16.

32 B. Henau, *Paul van Zeeland en het monetaire, sociaal-economische en Europese beleid van België, 1920–1960* (Brussels: Koninklijke Academie voor Wetenschappen, Letteren en Schone Kunsten, 1995), p. 114.

33 Van Zeeland, *A View of Europe*, p. 152.

34 *Report Presented by Monsieur Van Zeeland to the Governments of the United Kingdom and France on the Possibility of Obtaining a General Reduction of the Obstacles to International Trade* (London, HMSO, 1938), pp. 27–50.

35 Tollardo, ‘International Experts or Fascist Envoys?’, 301.

It is worthwhile to devote some consideration to the visionary plans and principles Van Zeeland put forth. Most importantly, his endeavour to revive international trade was underpinned by an appeal for socio-economic stability. The basis of a 'pact of economic collaboration', argued Van Zeeland, should be to 'assist the participants to raise the standard of living of their nationals by improving the general well-being'. Clearly, domestic socio-economic stability could be safeguarded only through a framework of international economic cooperation. One of his more practical suggestions to restore trust in the international economic system was for countries to freeze and gradually reduce their tariffs.<sup>36</sup>

Even more visionary was his plan to reorganise Europe's monetary system. He proposed that the United States government deposit a large stock of gold at the BIS in Basle, which could then serve as a 'basis on which to reorganize the monetary systems of Europe'.<sup>37</sup> It would function as a reserve fund for the settling of intra-European debts and payments. This plan was ahead of its time, as it took another 10 years before US Secretary of State George C. Marshall pleaded for billions of US dollars to assist in Europe's economic recovery. And even then, it took 3 years and additional injections of American capital before the EPU incorporated the basic principle of Van Zeeland's proposal. In 1938, when Van Zeeland presented his report, the international response was limited, as Hirschfeld remembered with regret.<sup>38</sup>

Van Zeeland's mission report was cause for both optimism and pessimism. On the positive side, there seemed to be a widespread desire to reduce trade barriers and overcome protectionism in the countries he visited. But there was also a lack of political willingness to see trade liberalisation through, for 'nobody wanted to commit himself to advance in any direction, before being certain that the path had been taken, or that at any rate it had been mapped out, by several others.'<sup>39</sup> At a Cambridge University lecture in 1938, Van Zeeland bitterly observed that the world was still in 'no man's land', because nothing was done towards reviving world trade.<sup>40</sup> Prospects for multilateral economic cooperation eroded with European nations on a collision course for war. But the ideas for regional European cooperation were not abandoned.

36 *Report Presented by Monsieur Van Zeeland*, pp. 33, 48.

37 William C. Bullitt to Cordell Hull, 12 June 1937, *Foreign Relations of the United States* (Washington, DC, US Government Printing Office), 1937, Volume 1, pp. 678–9, <https://history.state.gov/historicaldocuments/frus1937vol1/d695>.

38 H. M. Hirschfeld, *Herinneringen uit de jaren 1933–1939* (Amsterdam, Elsevier, 1959), p. 111.

39 *Report Presented by Monsieur Van Zeeland*, pp. 30–1.

40 P. van Zeeland, *Economics or Politics? A Lecture on the Present Problems of International Relations* (Cambridge, Cambridge University Press, 1939), p. 12.

## Europe in Exile: The Pre-eminence of Economic Cooperation

Thinking about a multilateral economic framework through which socio-economic stability in Europe could be safeguarded continued and deepened during the Second World War. If anything, the regional and socio-economic aspects of post-war European cooperation were strengthened during this period. In London, the exiled governments of continental Europe found a safe haven, where they formed new connections and developed new ideas. Over the course of 1940 and 1941, as Hitler's *Blitzkrieg* took Europe by surprise, the governments of Poland, Czechoslovakia, Belgium, the Netherlands, Luxembourg, Norway, Greece and Yugoslavia, as well as de Gaulle's Free French, fled to London, where they remained for the duration of the war (except that, in 1943, the French moved their headquarters to Algiers). Included in this 'miniature Europe' (the term was frequently used by British government officials and in the press) were Beyen, Marjolin, Van Zeeland and many others.<sup>41</sup> The proximity of so many European officials in London created a wholly new international context in which peace preparations became a growing concern. Czechoslovakia's President Beneš, for example, did not want to 'face the end and be still unprepared for peace'.<sup>42</sup>

Exiles from the heart of Europe – most notably Poland and Czechoslovakia – were well represented on this 'construction site' for post-war Europe, not least because they had been the first to be forced into exile. From 1939 onwards, Beneš and Polish Prime Minister Władysław Sikorski initiated talks on a post-war federation between their countries – an initiative largely motivated by their inter-war experiences at the geographical heart of the continent, where they were squeezed between the ambitions of Hitler and Stalin. However, as a Polish note indicates, it was equally important to provide an alternative to the 'giant German plans of rebuilding the earth' – most notably the 'Funk plan' to arrange Europe as an economic unit centred around Germany – and provide a 'fair allocation of the social revenue' in post-war Europe.<sup>43</sup> The Polish government hoped that through 'the means of

41 See P. Jakubec, 'Together and Alone in Allied London: Czechoslovak, Norwegian and Polish Governments-in-Exile, 1940–1945', *The International History Review* 42, no. 3 (2020): 465–84, 467; F. E. Oppenheimer, 'Governments and Authorities in Exile', *The American Journal of International Law* 36, no. 4 (1942): 568–95, 568.

42 H. R. Madol, *The League of London: A Book of Interviews with Allied Sovereigns and Statesmen* (London, Hutchinson & Company Limited, 1942), p. 7.

43 'Opracowanie: Sprawa odbudowy Europy po wojnie' ['Note: Post-war Rebuilding of Europe'], undated [probably 1940], PRM 34, PISM. I am indebted to Weronika Fay for the translation of Polish documents.

economic cooperation', Europe could be prepared for political cooperation. Economic cooperation within a 'tighter all-European federation' should be the cornerstone of post-war Europe.<sup>44</sup>

By late 1940 and early 1941, Sikorski's close confidant Joseph Retinger had shared these ideas with Marcel-Henri Jaspar, the Belgian ambassador in eastern European affairs. Jaspar was especially interested in the economic aspects of post-war cooperation and less so in the federative political framework within which these were wrapped. He wanted Belgium to join the work for this new economic order, because he was convinced that the problem with the Versailles Treaty had been that it catered too much to the 'political claims of states'.<sup>45</sup> At a subsequent meeting, Retinger acknowledged that 'of all the concepts for post-war Europe', it was 'the economic one, that is by far the most serious one', because a future peace would be 'stable only if all of the economic needs of participating states are met'.<sup>46</sup> The first encounters between the European exiles showed that the path towards post-war cooperation was primarily economic, and that economic cooperation essentially was about creating social stability.

This was confirmed during a conference in Oxford hosted by Federal Union – a London-based think tank that advocated federations as a basis for post-war organisation. Here, the idea of an economic federation was discussed within a larger group of European exiles under the auspices of William Beveridge – who later laid the foundations for the British welfare state with the Beveridge Report (1942). As it turned out, the concept of a federation was contested and considered 'too ambitious'. Jaspar concluded that the basis of Europe's post-war order 'lay in the economic structure'.<sup>47</sup> His boss, Foreign Minister Paul-Henri Spaak, agreed, and added that post-war 'economic arrangements' could only be created between countries that possessed a 'natural affinity' and 'homogeneity' – effectively paving the way for a predominantly western European economic unity.<sup>48</sup> The Dutch

44 'Memoriał Rządu Polskiego dla min. Bevina' ['Memorandum of the Polish Government for Minister Bevin'], undated [probably September 1940], PRM 20, PISM.

45 "'Pro Memoria" 2 egz. – Sprawozdanie z lunchu odbytego dn. 5.XII.40 w Ecu de France z p. H. Jaspar i R. Motz o stosunkach polsko-belgijskich' ["'Pro Memoria" 2 copies – Report from Lunch at Ecu de France with H. Jaspar and R. Motz on Polish–Belgian Relations'], 5 December 1940, PRM 53, PISM.

46 'Memorandum z rozmowy między H. Jasparem i Dr. M. Dogilewskim w sprawie zbliżenia polsko-belgijskiego po wojnie' ['Memorandum of Conversation between H. Jaspar and Dr. M. Dogilewski on Polish–Belgian Rapprochement after the War'], 20 December 1940, PRM 53, PISM.

47 'Federal Union Research Institute. Conference', 18–19 January 1941, ARA, Papiers Jaspar, inv. no. 2110.

48 'Rede van den Heer Spaak', 20 February 1941, NL-HaNA, 2.05.80, inv. no. 2558.

government at the time even considered non-economic forms of post-war European cooperation 'pipe dreams'.<sup>49</sup>

Early encounters between the exiled governments in London point to an emerging split between eastern and western Europe, most notably on the extent to which post-war Europe should become a federation. The entry of both the Soviet Union and the United States into the war in 1941 quickly exacerbated these differences. Western European governments (such as those of Norway, Belgium and the Netherlands) were favourably predisposed to the principles of economic cooperation, free trade and social advancement that were set forth in the Atlantic Charter, while they were reluctant to become entangled in 'Eastern European quarrels' through an all-European federation.<sup>50</sup> Belgian Prime Minister Hubert Pierlot wrote to Spaak that he could not see the post-war fate of Belgium tied to eastern Europe in the same way 'as we can envisage our future relations with purely Western countries'.<sup>51</sup>

The Soviet entry into the war in 1941 dramatically altered the strategic landscape for the British, as well as the dynamics between the European exiles. Sikorski's diplomatic position (and Poland's prospect of post-war independence) deteriorated after the Soviet entry and the ensuing British reluctance to support Polish proposals for post-war bloc formation in eastern Europe. From the American ambassador to the exiled governments, Anthony J. Drexel Biddle, Jr., Sikorski could draw equally little hope. Biddle was in London merely to boost the morale of the exiles, or, as Roosevelt put it, to 'hold their hands, look at their tongues, and take their pulses'.<sup>52</sup>

Therefore, Retinger and Sikorski tried seizing the diplomatic initiative amongst the London-based exiles and organised a Conference of Representatives of the Allied Governments in January 1942. While they aimed at a mere declaration of post-war solidarity between the exiles in London, the underlying intention to create a post-war European order based on a regional federation was evident to Jaspars.<sup>53</sup> The endeavour was discouraged by the British and the Americans (as it would upset relations with the Soviet Union), and a survey by the Foreign Office indicated that there was division amongst the European exiles as well.<sup>54</sup>

49 Note accompanying 'Post-War Reorganisation of Central Europe' by Dr Hubert Ripka, 26 May 1941, NL-HaNA, 2.05.80, inv. no. 2540.

50 A. P. C. van Karnebeek to Van Kleffens, 16 February 1942, NL-HaNA, 2.05.80, inv. no. 2551.

51 Pierlot to Spaak, 7 February 1941, PHS 66, HAEU.

52 'Memorandum for Tony Biddle', 12 December 1941; Biddle to Roosevelt, 31 December 1941, Box 24, PSF, FDRPL.

53 'Memorandum Confidentiel', 2 February 1942, PHS 90, HAEU.

54 Minutes, 9 February 1942, C 1544/1543/62, FO 371/30871, TNA.

As it turned out, the harder Retinger and Sikorski pushed to bring the exiles together, the more evident the split between eastern and western Europe became. Western European exiles from France, Belgium and the Netherlands did not want a political federation and deliberated a different *sortie de guerre*. The Belgian and Dutch governments grafted their plans for the post-war order upon the Atlantic Charter, which laid out the principles for an open economic order, with economic growth and social advancement.<sup>55</sup>

In the margins of the London International Assembly – another London-based think tank – Hervé Alphand (de Gaulle's economic advisor) and Wim Beyen (who advised the Dutch government-in-exile) prepared papers on the post-war international economic order. They agreed that the future economic order should be focused on preventing 'chronic crises of unemployment' and 'securing the individual's social security'. Alphand particularly feared the return of economic nationalism and the implementation of trade barriers in the immediate post-war situation.<sup>56</sup> Shrinking world trade (like in the 1930s) would have disastrous social repercussions. In March 1942, Alphand discussed this with Van Zeeland, who headed the Belgian think tank on post-war problems. Both agreed that free world trade was desirable, but that it would not work unless there was close monetary cooperation. Such monetary cooperation did not necessarily have to be of a universal character, and could also be implemented on a regional basis between several European countries, as long as it was embedded in a global rules-based order of free trade and monetary relations.<sup>57</sup>

Meanwhile, plans for a global monetary order were in the pipeline. Keynes had drafted a proposal for an International Clearing Union in February 1942, which he did not share with the exiles. Nevertheless, reflecting the 'desire to be taken more closely into the counsels of His Majesty's Government' evident in Sikorski's efforts to organise the exiles, the British Treasury invited the financial experts of the exiled governments to discuss their immediate post-war currency problems. Between July 1942 and February 1943, multiple meetings – which included Beyen, Alphand, Marjolin and Hubert Ansiaux (a Belgian central banker) – took place. Nevertheless, Keynes discussed matters with his 'American friends' first, effectively barring the exiles from what became the negotiations over the new Bretton Woods order.<sup>58</sup>

55 'Observations critiques', 23 February 1942, NL-HaNA, 2.05.80, inv. no. 2551.

56 'Rapport préliminaire sur les questions économiques, financières et sociales d'après-guerre', [January 1942], NL-HaNA, 2.05.80, inv. no. 2598.

57 'Conversation avec Monsieur van Zeeland', 25 March 1942, FD 2, HAEU.

58 'Meeting at Treasury', 24 July 1942, NL-HaNA, 2.21.408, inv. no. 45; 'Dispatch', 23 March 1942, C 2230/1543/62, FO 371/30871, TNA; Jaspas to Spaak, 2 July 1942, PHS 90, HAEU.

This spurred the exiles to further develop their own plans for regional monetary order. From December 1942 onwards, Dutch and Belgian financial experts (including Beyen and Ansiaux) worked on a monetary agreement that would introduce a mechanism of payments between the two countries and thus stabilise temporary surpluses or deficits in the balance of payments. The agreement was signed in October 1943 and ultimately led to the creation of the Benelux after the war.<sup>59</sup> Moreover, as part of the continued effort by Sikorski and Retinger to bring Europe together, the exiles created the *Comité des Ministres des Affaires Étrangères des Gouvernements Alliés* during the autumn of 1942. One of the first things this committee did was to create a subcommittee tasked with studying the post-war economic reconstruction of Europe. It was Van Zeeland who became responsible for this undertaking.

After consulting a ‘series of eminent personages of all the United Nations’ (including Alphand), Van Zeeland finished his report in late 1942.<sup>60</sup> Most importantly, the report shows that Europe’s exiles considered post-war economic reconstruction a world-wide responsibility, in which each country must strive for ‘economic equilibrium [...] within the framework of a concerted international policy’. This concerted policy, according to Van Zeeland, was tied up with ‘the betterment of the standard of living of all citizens’ and the recognition that ‘political security is reinforced by economic and social security’. The ultimate objective of this internationally concerted post-war economic policy was ‘the suppression of endemic, generalised or permanent unemployment’. Among the exiles, Van Zeeland observed a preference for regional economic groups, rather than creating a global trade and monetary regime.<sup>61</sup> His report, for that matter, highlights a distinct social mission for post-war Europe, as well as a desire to achieve this together through regional entities.

The war highlighted two views on post-war international economic order. One was the fruit of Anglo-American planning and had a global character. The other was the result of exile-based planning in London, owed part of its existence to the Polish endeavours for a European-wide federation and was regional in its approach. It was only in the post-war period that the latter

59 J. W. L. Brouwer, ‘Divergences d’intérêts et mauvaises humeurs. La France et les pays du Benelux devant la construction européenne, 1942–1950’ (Ph.D. thesis, Leiden University, 1997), pp. 37–43.

60 ‘La France et les problèmes économiques d’après-guerre. Discours prononcé par M. Alphand à l’Institut Tchèqueoslovaque’, 23 November 1942; Alphand to Jaspard, 30 November 1942, ARA, Papiers Jaspard, inv. no. 2176 and 23.

61 ‘Preliminary Notes on Certain Important Aspects of the Economic Reconstruction of Europe after the War’, December 1942, NL-HaNA, 2.05.86, inv. no. 260.



gained traction through the new Cold War realities, which effectively ended the prospects of global cooperation and prompted the American government to invest in the economic recovery of western Europe.

### Into the Post-war Period: An 'Intermediate Stage'

In a way, the post-liberation period and return from exile was as chaotic and disruptive as the initial move to London in 1940. Once again European governments had to adjust to a new reality: that of the post-war period. By introducing social security legislation and pursuing policies of full employment, western European governments translated wartime demands for higher living standards into practical policies. International institutions comprised a vital aspect of this post-war social and economic stability. By a stabilisation of international currencies through the IMF, inflation could be kept in check, and international economic shocks affecting domestic social order could be cushioned so that they would not set in motion a retaliatory wave of protectionism. But the Bretton Woods institutions were predominantly unfit to deal with the material devastation of war and Europe was not yet ready for global currency convertibility.

It was in this context of post-war reconstruction that 'regionalism' emerged as a practical 'in between', albeit with limited success. The most compelling example is that of the Benelux countries. Another initiative to put regionalism in practice had been advanced by Alphand late in the war. In 1944, he had reached out to the Benelux governments and proposed a customs union with France. He was convinced that the global scope of Bretton Woods should be 'supplemented on an intermediate stage' and he therefore wanted to create 'one or more regional solutions in Europe'.<sup>62</sup> Eventually, Alphand's initiative led to the establishment of the Tripartite Council near the end of the war in March 1945. Its purpose was to study the possibilities of a customs union between the four countries.

From the outset, such examples of regional multilateralism suggest close cooperation and coordination in post-war European reconstruction. In reality, the different priorities of the countries involved caused grave difficulties. Within the Tripartite Council, the French government advocated a dismantling of German heavy industry, partly to shield its own economy from potential German competition and resurgent militarism.<sup>63</sup> Such

62 'Conférence de Hervé Alphand au Centre d'Études Internationales École Libre des Hautes Études', 15 January 1944, AME 56/2/4, FJME.

63 Brouwer, 'Divergences d'intérêts', pp. 82–3.

a crippling of the German economy was intolerable for the Dutch, whose economy was closely linked to Germany. When the Dutch government sought compensation for the dismantling of German factories, this put them on a collision course with the French. Moreover, the Dutch government feared that, if the economic ties of the Netherlands with the German hinterland were severed, they would become too dependent on trade with France and Belgium. In the end, the monetary agreement between the Benelux countries, as well as the Tripartite Council, all hinged on bilateral trade and payments agreements.<sup>64</sup>

Despite these difficulties, regional multilateralism was considered a practical way to overcome bilateralism and to safeguard socio-economic stability. Within the Emergency Economic Committee for Europe – which administered aid to western Europe between 1945 and 1947 – one Dutch representative regarded ‘regionality [...] as a progress beyond bilateralism, which in uncertain relations has proven to lead to economic nationalism and continues to lead to economic, but also political chaos’. Furthermore, regionalism, or regionalism, could become a stepping stone to universalism, or the dam that could serve as a ‘line of defence’ in case the global economic system collapsed as it had in the 1930s.<sup>65</sup> Negative consequences of shrinking world trade could then be cushioned through a regional European framework.

By 1947, however, true monetary multilateralism in western Europe had not been achieved. Reflecting a scarcity of ‘hard currency’, intra-European trade was resumed on bilateral patterns. There was no automaticity or multilateralism in currency clearing, and countries tried to prevent the outflow of ‘hard currency’ by resorting to bilateral barter and exchange controls. By 1947, hundreds of bilateral trade treaties were created – turning Europe into a ‘spaghetti bowl of [...] bilateral arrangements’.<sup>66</sup> These necessarily restricted the growth of both trade and production, as each country sought to protect its balance of payments by limiting its imports or exports. While this bilateralism was not as rigid as in the 1930s, the spectre of social and economic crises loomed in post-war Europe.

With the slow pace of European economic recovery, the general dollar shortages, rising communist influence in countries such as France and Italy, and souring relations between the United States and the Soviet Union over

64 R. T. Griffiths and F. M. B. Lynch, ‘L’*échec de la “Petite Europe”*? Le Conseil Tripartite 1944–1948’, *Guerres mondiales et conflits contemporains* 152 (1988): 39–62, 45–7.

65 A. Th. Lamping to L. J. M. Beel, 16 September 1946, NL-HaNA, 2.03.01, inv. no. 2798.

66 B. Eichengreen, *The European Economy since 1945: Coordinated Capitalism and Beyond* (Princeton, NJ and Oxford: Princeton University Press, 2007), p. 73.

the future of Germany, it was US Secretary of State George Marshall who ripped open the situation of stasis in June 1947. He offered to aid Europe in its economic recovery, as long as the Europeans promised to work together and come up with a joint programme for recovery. Marshall's offer kickstarted an intense 10-month-long deliberation between representatives of sixteen western European countries and the American government, which led to the creation of the OEEC in April 1948. Essentially, it was through this offer of economic aid that the Americans facilitated the rise of western European regionalism.

### Bringing Europe Together in Paris

Between 1947 and 1950, the OEEC emerged as a socio-economic think tank for western Europe. Much of the intellectual groundwork had been done during the inter-war and wartime periods, and the necessity to prevent social chaos was ingrained in the minds of most policy-makers. Within the OEEC, these sentiments and ideas were translated into practical policies. For policy-makers like Alphand and Van Zeeland, the Marshall Plan presented the opportunity to take longstanding ideas about regional economic cooperation to the drawing table and transform them into actionable plans. Its most visible results were the OEEC's integrative monetary frameworks that emerged from 1947 onwards and culminated in the creation of the EPU in 1950.

By then, the OEEC had established an impressive bureaucratic workforce and acquired permanent headquarters at the Château de la Muette in Paris. Robert Marjolin became the OEEC's Secretary-General and was at the nerve centre of the novel European organisation, where financial experts developed an 'independent "European" point of view', enabling them to rise above national delegations and introduce new blueprints geared towards socio-economic stability.<sup>67</sup>

The first practical steps towards the EPU were taken during the summer of 1947, when the Committee for European Economic Cooperation assembled in Paris to create the joint European response to Marshall's policy initiative. The participating countries were Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the UK. Hirschfeld, who remembered the failed World Economic Conference of London, believed that the

<sup>67</sup> Lintott to Marjolin, 2 November 1949, ARM 4/6/1, FJME.

lessons of the 1930s should ‘not be forgotten’. Convinced that the new European economic order should prevent ‘long-term unemployment’ and shocks to the social order, he desired a system of ‘multi-lateral exchange of payments’. Should European countries fail to transcend the bilateralism in intra-European payments, they risked ‘paving the way for a new European crisis’.<sup>68</sup>

Hirschfeld and his Belgian colleague Hubert Ansiaux presented a proposal for a multilateral payments system in July 1947. By making European currencies ‘interchangeable’ and enabling ‘any country which showed an export surplus in one and an import surplus in another’ to ‘obtain payment which it would not receive otherwise’, they hoped to increase intra-European trade. This system, which resembled the Van Zeeland proposal of 1938, required an American dollar-pool in order for it to work. Regional monetary multilateralism, it was envisioned, would allow western Europe a transition period during which economic life could be restored to normal so that the Bretton Woods institutions ‘would be able to play the role they have been created for’.<sup>69</sup> The proposal was further developed by a group of financial experts, which included Ansiaux and Stoppani, as well as Raymond Bertrand and Edward Bernstein – two of Triffin’s colleagues at the IMF.<sup>70</sup> Hirschfeld lobbied in Washington for a dollar-pool to back up the scheme, but failed to harness the necessary support, because the European Recovery Plan would be based on commodities instead of direct financial transactions.

Despite this, the committee of financial experts drafted an Agreement on Multilateral Monetary Compensation by October 1947 – a mere 4 months after Marshall’s speech. Even though it amounted to no more than a bilateral clearing of intra-European payments through the BIS, to which only five countries subscribed, the scheme was met with optimism by Triffin. He had followed the developments in European payments plans on behalf of the IMF, and thought it could be a stepping stone to a much more ambitious ‘European Clearing Union’, through which countries could settle their balance-of-payments accounts with other countries by using their own currencies.<sup>71</sup>

68 H. M. Hirschfeld, *Actieve economische politiek in Nederland in de jaren 1929–1934* (Amsterdam, Elsevier, 1946), pp. 152–4; ‘Memorandum Submitted by the Delegation for the Netherlands’, 29 July 1947, NL-HaNA, 2.05.117, inv. no. 10487.

69 ‘Déclaration faite à la séance du Comité Exécutif par le délégué de la Belgique, au nom de la Belgique, du Luxembourg et des Pays-Bas’, 31 July 1947, NL-HaNA, 2.21.183.08, inv. no. 20.

70 Maes, *Robert Triffin*, pp. 74–5, 83.

71 R. Triffin, ‘The Unresolved Problem of Financing European Trade’, 29 December 1947, Box 19, Triffin Papers, YUL. The memo was written in September 1947.

From April 1948 onwards, the OEEC discussed a follow-up to the Multilateral Compensations scheme in the context of the first division of Marshall Plan aid. To alleviate the impact of the reduced Congressional Marshall Plan appropriation for 1948–9, Europeans had to switch imports from the dollar zone with intra-European trade. For that, they needed a better functioning monetary system, in which the dollar played a less central role. The OEEC's Intra-European Payments Committee, chaired by Ansiaux and Stoppani and which included Triffin, paved the road. Triffin proposed to 'multilateralize the system now in existence' and was supported in this by Dutch financial expert F. A. G. Keesing, who warned his colleagues about the alternative of monetary anarchy and a 'general stoppage of trade' that could disrupt social life.<sup>72</sup>

Eventually, the OEEC agreed to a system of drawing rights, which effectively balanced the interests of both creditor and debtor states in intra-European payments. With the negotiations concerning both the division of aid and the new payments scheme in their final stages by early September 1948, the Belgian Chairman of the Council Jean-Charles Snoy et d'Oppuers noted that a failure to agree might have consequences of 'catastrophic proportions', which could put western Europe on track towards a 'reduction of its standard of living, to a dislocation of its economic structure and consequently to social disorder'.<sup>73</sup> After agreement regarding the Intra-European Payments Scheme (IEPS) and the division of aid was reached on 11 September, Alphand noted that a 'tragic regression in the general standard of living' had been avoided.<sup>74</sup> These utterances and recollections of social chaos are the reminders of what was constantly at the back of the minds of all OEEC policy-makers: preserving the social stability of a continent that had just emerged from a devastating war.

Not long after the signing of the IEPS, the American government asked the OEEC to increase its efforts aimed at trade liberalisation, which immediately raised concerns for Europe's socio-economic stability. After Marjolin and a delegation of the OEEC visited Washington to speak with representatives of the American government, they drafted an action programme to free trade from its bilateral shackles. The Council of the OEEC was adamant that trade liberalisation should follow 'an adequate system of intra-European

72 R. Triffin, 'Report on Recent Developments on European Clearing', 28 May 1948, Box 19, Triffin Papers, YUL; F. A. G. Keesing, 'Note on the Multilateralization of Intra-European Payments', Annex B, 18 June 1948, PC(48)7, OEEC, OECD.

73 Council, Minutes, 3 September 1948, C/M(48)38, OEEC, OECD.

74 'Exposé de M. Alphand', 11 September 1948, MAEF 341, HAEU.

payments'.<sup>75</sup> In other words, the OEEC put the cart of trade liberalisation behind the horse of an integrative monetary framework.

A new European monetary order was the only carrier upon which trade liberalisation could be grafted without harming Europe's social stability. Frank Figgures, who headed Marjolin's Trade and Finance Department, warned that the American pace of trade liberalisation was forcing Europe along 'dangerous paths'. Fast liberalisation would invoke intolerable competition from foreign markets. On the other hand, slow liberalisation could mean that Europe would 'never become competitive in world markets', which would have 'incalculable effects on the social stability of Europe'.<sup>76</sup> Marjolin agreed, but maintained that the 'danger to the European economic and social structure involved in letting the existing system persist' was even greater.<sup>77</sup>

Creating a multilateral intra-European payments system became a more urgent matter in 1949, with the half-way mark of the Marshall Plan approaching; all the more so because the OEEC showed signs of disunity and even disintegration – particularly because of British obstruction.<sup>78</sup> In the light of another reduced Congressional appropriation of Marshall Plan aid, and the proposed multilateralisation of intra-European payments, the British dragged their feet and clung to bilateralism because they feared that they would lose hard currency through intra-European trade. The British nearly torpedoed the division of aid for 1949–50 when they demanded a larger share.

This British reluctance to bind the UK to the continent motivated France to seek a third way between what Finance Minister Maurice Petsche dubbed the 'narrow British bilateralism' and the American proposals for multilateralisation and liberalisation.<sup>79</sup> Encouraged by the American administrator of the Economic Cooperation Administration (ECA) Paul Hoffman, who (in the light of the British attitude) called for the creation of multiple regional groupings, Petsche suggested that 'some of us can travel further and faster than others along the road of "European integration"'.<sup>80</sup>

75 'Proposals on the Organisation's Plan of Action for 1949-1950', 8 March 1949, CGM(49)8 (Final), OEEC, OECD.

76 Figgures to Marjolin, 26 April 1949, ARM 4/3/6, FJME.

77 'A Proposal for the Liberalisation of Intra-European Trade', 30 May 1949, ARM 4/3/8, FJME.

78 Council, Minutes, 11–12 August 1949, C/M(49)15(Prov.), Annex A, OEEC, OECD.

79 H. Alphand, *L'étonnement d'être: Journal (1939–1973)* (Paris, Fayard, 1977), p. 211.

80 'Statement by the French Minister of Finance and Economic Affairs', 29 October 1949, CGM(49)17, OEEC, OECD.

It was somewhat ironic that at the moment when American leaders finally seemed ready to adapt their strategy for global monetary multilateralism to a regional European variant, Europeans themselves thought in terms of even smaller entities. With the British having ‘shunned away from the joint venture’, Petsche led an initiative that became known as the ‘Fritalux’ and which amounted to an economic and monetary association between France, Italy and the Benelux countries.<sup>81</sup> Notwithstanding French ulterior motives of creating a favourable trading bloc that excluded West Germany, the crux was to liberalise trade and payments in a controlled fashion, without causing inflation, by keeping a ‘maximum level of employment’ and thereby also ‘without risking [...] serious social unrest’.<sup>82</sup>

But the small-scale regionalism of Fritalux was torpedoed in favour of a larger OEEC-wide system for intra-European payments by the international civil servants of the OEEC. In December 1949, Figgures and Marjolin proposed a ‘European monetary fund’ – essentially a ‘pool of European currencies’ and American dollars through which (structural) surpluses and deficits on intra-European trade could be cleared.<sup>83</sup> Simultaneously, from the other side of the Atlantic, Richard Bissell, one of Hoffman’s most seasoned financial experts, launched a proposal for a European Clearing Union. The proposal, which had come about as a result of deliberations by the ECA’s financial experts (among whom Triffin also belonged), aimed to create an ‘appropriate set of relations between obligations to provide credits and obligations to make settlements in gold or dollar’.<sup>84</sup> It came to pass as the Bissell Plan. Effectively, as Triffin noted, the regional approach, which had been pursued by France with the Fritalux, was now ‘in the doldrums’.<sup>85</sup>

Together with a British counterproposal, the Bissell Plan and the Secretariat’s proposal were entrusted to a group of financial experts headed by Ansiaux. By the end of December 1949, they had started referring to their project as ‘X’, or using ‘the pool’ as the designated name for creating a durable European payments mechanism that would overcome bilateral practices. They essentially aimed for the creation of a European Bretton Woods, or, as the British expert Hugh Ellis Rees put it, it was ‘an attempt to

81 Dispatch by R. Schuman to French embassies, 3 November 1949, MAEF 351, HAEU.

82 ‘Memorandum’, 14 November 1949, NL-HaNA, 2.05.117, inv. no. 24064.

83 ‘Trade and Payments Arrangements’, 1 December 1949, OEEC 241, HAEU.

84 J. Wilson, *Robert Triffin – Milieux académiques et cénacles économiques internationaux (1935–1951)* (Brussels, Versant Sud, 2015), p. 624; ‘Trade and Payments Arrangements’, 9 December 1949, OEEC 241, HAEU.

85 Triffin to Tasca, 16 December 1949, Box 19, Triffin Papers, YUL.



provide transferability in the limited area of Europe, because the European countries were not yet ready for world-wide transferability'.<sup>86</sup>

In bringing this new monetary order about, the OEEC's financial experts were motivated by an esprit de corps that incorporated a strong inclination to bring about social stability. One delegate who took part in the discussions noted that the 'essential thing was to avoid the risk of the spread of unemployment from countries in which conditions of high unemployment and deflation exist'. Figgures maintained that 'Europe should be able to pay for its requirements by its earnings without a disastrous reduction in its standard of living'. Pierre Uri – a French professor of economics and intimate aide of Jean Monnet – joined the discussions in January 1950 and emphasised that the new system should permit countries with full employment policies to maintain these policies, while at the same time helping other countries to 'obtain full employment'.<sup>87</sup>

In December 1949 and January 1950, the financial experts created the foundations for the EPU. The most important factor was their recognition of the link between domestic employment policies, liberalisation of trade and multilateral payments. One of the central objectives of the EPU, according to their report of late January, was that it should help 'all members to achieve or maintain a high and stable level of trade and employment'. For the 'bold experiment' to work, all countries should aim at an equilibrium in their 'overall balance of payments', as well as 'internal financial equilibrium' – tolerating no internal deficit spending that could create inflationary tendencies. After all, both inflation and deflation should 'not be allowed to endanger the liberation of trade and the maintenance of a high and stable level of employment' and 'render ineffective' the proposed payments mechanism.<sup>88</sup>

After several months of intense negotiations – especially with the British over the position of sterling – the EPU became a fact of life.<sup>89</sup> The EPU members were Austria, Belgium, Denmark, France, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and West Germany. By early June, the British were accommodated through an American dollar-guarantee which compensated them for any loss

86 Minutes, Working Party No. 3, 28 December 1949, EPU/EMA 2, OECD. Other names that were used were European Currency Union, European Currency Reserve Fund and European Credit Union.

87 Minutes, Working Party No. 3, 28–29 December 1949 and 21 January 1950, EPU/EMA 2, OECD.

88 'Payments Arrangements', 24 January 1950, EPU/EMA 2, OECD.

89 See J. J. Kaplan and G. Schleiminger, *The European Payments Union: Financial Diplomacy in the 1950s* (Oxford, Clarendon Press, 1989).

of hard currency on intra-European payments. There was a great sense of relief among those involved. One of them was Marjolin, who also argued that the EPU should 'not be considered as a final goal but rather as a starting point for further progress'.<sup>90</sup> As such, the EPU was a solution to the 'state of bilateralism' that had hampered European economic relations for so long, and it became a 'starting point for further measures of liberalization and integration'.<sup>91</sup> The American government did not consider the EPU a 'miracle drug' that would 'cure' all of the economic problems Europe was grappling with, but saw it as a beginning for further trade liberalisation and European integration.<sup>92</sup> The door of the past, of bilateralism, economic instability and the looming threat of social instability, could finally be closed.

## Conclusion

This chapter has shown how Europe's quest for socio-economic stability gained traction through the inter-war, war and post-war periods, and how it culminated in the creation of the EPU in 1950. The roots of Europe's post-war monetary integration must also be placed firmly against the background of the Bretton Woods institutions and Anglo-American wartime financial cooperation. The fact that the quest for socio-economic stability transpired in the integration of western Europe through monetary multilateralism at the OEEC is consistent with the emerging schism in the Cold War and with the longer thinking about western European regional economic order that emerged before and during the Second World War. In that sense, the Cold War and the American intervention in Europe by way of the Marshall Plan merely provided a window of opportunity for European policy-makers to secure their socio-economic priorities of maintaining high employment and low inflation in a western European framework.

While the EPU would have a rough start due to a German balance-of-payments crisis, it signalled a momentous event in European integration. West Germany, by way of the integrative monetary policies of the OEEC, was brought back into the 'European family', as Marjolin so eloquently put it after the conclusion of the IEPS in October 1948.<sup>93</sup> While it hardly had a voice in bringing it about, as its representatives had only been observers to OEEC

90 'Statement by the Secretary General', 2 June 1950, C(50)149, OEEC, OECD.

91 'Proposals for an E.P.U.', 14 June 1950, PC(50)31, OEEC, OECD.

92 Tasca to Bissell, 3 July 1950, Box 50, UD 59, RG 469, NARA.

93 'The Agreement for Intra-European Payments and Compensations', 19 November 1948, ARM 7/5/2, FJME.

matters until October 1949, the EPU eventually became a platform upon which West Germany could resume its economic relations with the rest of the continent. Thus, the EPU was at least as important as the creation of the ECSC for West Germany, also because it amounted to economic integration beyond coal and steel. Moreover, with the smooth functioning of the EPU, the participating countries of the OEEC gradually continued the work on a common market through practices of trade liberalisation. To avoid upsetting Europe's socio-economic stability, this happened in a controlled and gradual fashion – just as Van Zeeland had proposed in 1938. The OEEC provided the monetary multilateral framework upon which further European integration – for example, through the ECSC – could move forward.

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