



**Reinhard Neebe.** *Weichenstellung für die Globalisierung: Deutsche Weltmarktpolitik, Europa und Amerika in der Ära Ludwig Erhard.* Köln: Böhlau Verlag, 2004. 620 S. EUR 69.90 (paper), ISBN 978-3-412-10403-0.



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## Ludwig Erhard and the Modern Trading State

Historian Reinhard Neebe's book traces West Germany's rapid reintegration into the world market from a position of economic weakness and isolation following surrender and occupation by the Allied Powers in 1945. As the title demonstrates, Neebe sees Ludwig Erhard as the central figure in this process, which occurred during the period roughly coinciding with his tenure as Federal Economics Minister (1949-1963). The book is in part an attempt to trace Erhard's influence on foreign economic policy, which has been neglected in comparison to his role in shaping domestic economic policy, and to assess his overall contributions to German and European reintegration into the world economy.[1] For Neebe, Erhard was the architect of the modern German trading state operating according to the neo-liberal principle of peaceful competition in a globally oriented, free market economy as well as a central contributor to the foundations of a corresponding model for European economic integration. Neebe not only aims to shift attention to the foreign policy role of Ludwig Erhard in the period more commonly termed the "Adenauer Era." He also responds to contemporary debates in Germany about globalization, which have been highly critical of Erhard's policies.[2]

While some popular accounts depict the development of the free market economy linked to Erhard as a "konservativer Irrweg" or as an "Angriff auf Demokratie und Wohlstand," Neebe suggests that when viewed within historical context, it appears rather as "ein insgesamt erfolgreicher Ablösungsprozess von den Handlungsmustern der Welt von Gestern" (p. 505).

Rejecting a narrative of economic determinism, Neebe argues that the neo-liberal reconstruction of German economic policy largely engineered by Erhard was neither inevitable nor the outcome of a wholesale adoption of U.S. principles. Through analysis of key moments of debate and policy development, Neebe emphasizes the "relative openness" of the situation, while also demonstrating that the "Americanization" of West German foreign economic policy was a contested and uneven process from the outset (p. 21).[3] Following the example of Volker Berghahn's collection *Quest for Economic Empire*, to which he is also a contributor, Neebe places these postwar developments within a longer historical trajectory.[4] Indeed, 1945 hardly marked a *Stunde Null*, but rather saw the continuation, albeit under changed cir-

cumstances, of controversy about German trade policy and relations to the European and world markets reaching back to the Wilhelmine period.

Neebe begins with analysis of the pre-1945 roots of postwar debates about German trade and foreign economic policy. At the center of the controversy were two competing conceptions and strategies of foreign economic policy: the traditional hegemonic nation state model of the “military-political-territorial world,” and the “modern trading state” of a world increasingly characterized by global networks and connections (p. 33).[5] While the modern trading state promoted economic growth and peaceful expansion through strategies of free trade and economic competition in an open world market, the traditional hegemonic nation state called for protectionism, block building and direct economic and military domination of closed continental European markets. In terms of foreign policy, the modern trading state operated under the principle of the “primacy of economics” in ordering international relations, while the traditional nation state operated according to the “primacy of politics” and utilized economics as a power-political tool. This model was evident in the drive for informal empire in continental Europe in the *Mitteleuropa* conceptions of conservative elements in agriculture and industry in the Wilhelmine and Weimar periods and, in its extreme versions, in pan-German and Nazi plans for formal imperialism in central, eastern and southern Europe.[6] In contrast, Neebe credits the historical legacy of the modern trading state in Germany to figures such as Walter Rathenau, who promoted free, world-market oriented trade, even while conceptualizing *Mitteleuropa* as a natural outlet for German economic expansion (pp. 37-38). For Neebe the postwar representative of this model is Erhard, who held to the “primacy of economics” and defended neo-liberal economic principles against proponents of the military-hegemonic nation state throughout the period under discussion.

Subsequent chapters turn to the initial steps leading to FRG reintegration into the world economy. Key milestones in this process include: entry into the Marshall Plan and the OEEC in 1948/49, GATT in 1951 and the London Debt Agreement in 1953; West German handling of trade issues during the Korean crisis; and the first attempts to re-access former markets in spite of the dominance of the dollar and restrictive U.S. embargo policies, such as evident in the successful export offensive to Latin America beginning in 1949. Neebe shows however, that reintegration into the world market along neo-liberal lines was never a foregone conclusion. In

the course of his analysis he complicates the thesis of the “Americanization” of West German economic policy. U.S. methods and aims with respect to German economic reintegration were by no means predetermined, but rather were subject to competing interpretations that could even contradict neo-liberal economic models. This state of affairs is evident, for example, in the first debates within the allied command about West German economic reconstruction, when limiting Germany’s access to the world market seemed to be the best way to maintain the peace. According to the “isolationist” Morgenthau Plan, de-industrialization and economic isolation were necessary to prevent any future German ambitions to dominate continental Europe. It was not until the establishment of the Marshall Plan that the “integrationist” approach promoted by Cordell Hull came to the fore. Neebe further illustrates the uneven and often contradictory nature of U.S. influence in chapters exploring conflict between German business and economic prerogatives and increasingly Cold War-motivated U.S. policies. For example, during the Korean War—the first key point of conflict between the FRG and the Allied High Command (p. 131)—Erhard, West German business leaders and the banking community, defended the principle of trade liberalization, and thereby the integrity of the free market economy, by refusing to bow to politically motivated U.S. demands to institute control mechanisms that would channel raw materials towards NATO military defense.

Neebe’s thesis about the competing conceptions of the modern trading state and the traditional hegemonic nation state comes into sharpest relief in his discussion of the disagreement between Erhard and Adenauer over processes of European integration. He devotes half of the text to this problem, and it is here that Erhard’s role in laying the foundations of German world market economic policy comes across most strongly. If Erhard was the representative of the modern trading state, then Adenauer represented the traditional nation state. Neebe traces the increasing rift between Erhard and Adenauer and these two models of foreign economic policy from the negotiations over the Montan Union of 1954/55 and the Treaty of Rome in 1957. At issue was whether European integration would be inward- or outward-looking, “institutionalist” or “functionalist,” and governed by the “primacy of politics” or “economics.” Erhard and allies in German big business promoted policies such as a European Free Trade Zone and currency convertibility that would lead to economic cooperation without governmental structures—or “functional” integration—as well as

free trade within and without the community. In contrast, Adenauer and the Foreign Office, whose “institutionalist” model prevailed in the Treaty of Rome and was closely aligned with de Gaulle’s policy, promoted European integration with a French-German partnership at its core. Such a union would be built on protectionist institutions that would not only provide economic benefits to the member states and disadvantages to non-members, but also create a political power block—supported by nuclear military capabilities—that would afford Germany and France leverage against the two super powers.

The Erhard-Adenauer controversy culminated in the debate between the “Atlanticists” and “Gaullists” sparked by the French veto of British entry into the EEC in January, 1963. This conflict not only led to an irreparable break between Adenauer and Erhard but in Neebe’s estimation was “eine der schwersten Krisen innerhalb der westlichen Welt nach 1945” (p. 449). Tension had been mounting since 1960/61 when members of business and political circles and even the Foreign Office, critical of the growing Bonn-Paris axis, began to coalesce around Erhard. These “Atlanticists” forged ties with U.S. politicians and business leaders to agitate for Britain’s inclusion in European integration and the formation of an “Atlantic community” after Kennedy’s “Grand Design” (p. 423). “Ludwig Erhard,” Neebe writes, “erkannte in dem Grand Design Kennedys und seinem Angebot einer atlantischen Partnerschaft eine ‚kühne Vision,‘ vergleichbar dem Marshallplan. Demgegenüber nährte sich Adenauer der Vision de Gaulle von einem deutsch-französischen Zweibund und einer Erneuerung eines kontinental-karolingischen Imperiums immer stärker an” (p. 516). Neebe suggests that the Adenauer-Gaullist retreat to the hegemonic nation state model that would threaten the cohesion of the west was only narrowly prevented, in great part thanks to the efforts of Erhard and the “Atlanticists.” In fact, Neebe largely credits Erhard with the success of the May, 1963, GATT Minister Conference that led to the French compromise of its protectionist policies that allowed the EEC to adopt linear tariff reductions proposed by Kennedy. A “Meilenstein fuer die Entwicklung der Welthandelsbeziehungen nach dem Zweiten Weltkrieg,” the GATT agreement not only eased the tension between Europe and the United States caused by the French veto, but also “signalisierte die erfolgreiche Einpassung der EWG in das System der liberalen Weltwirtschaft, eine Weichenstellung von kaum zu ueberschätzender Bedeutung” (p. 491).

*Weichenstellung* succeeds in illuminating Erhard’s role in West Germany’s return to the World Market af-

ter 1945. Neebe’s detailed study of Erhard’s positions in debates about trade policy and European integration during his tenure as Economics Minister lends much insight into the foreign economic policy corresponding to his well-known domestic social market economy. Moreover, Neebe demonstrates that Erhard played a significant role in laying the foundations of European integration. One of the strengths of Neebe’s approach is his insistence that, in order to be fully appreciated, these developments must be viewed within a historical context reaching back to the late nineteenth century. His account of the controversy about the modern trading state and the hegemonic nation state before 1945 and again in the changed political and economic environment of postwar reconstruction is perhaps the most interesting aspect of the book. By tracing the persistence of this debate, Neebe complicates historical periodization that would identify 1945 as marking a complete break with the past, while also showing that the triumph of neo-liberalism was not inevitable but rather was one, heavily disputed, option. This is a point that also comes across in his portrayal of the role of the United States in shaping West Germany’s return to the world market. Neebe’s account of the often contradictory and evolving nature of U.S. policy and influence highlights the contested nature of processes of “Americanization.”

One aspect that remains underanalyzed in Neebe’s account is trade policy towards the Third World. Attention to the decolonizing and “developing” world could lend important insight into West Germany’s return to the world market and the beginnings of European integration, given that both took place not only within the context of the postwar reshuffling of inter-European and U.S. relations, but also the reorganization of relations between the European powers and their former colonies. Neebe opens the door to such an analysis in his discussion of the export offensive to Latin America beginning in 1949. While he cites the historically “close ties” between Germany and Latin America, he does not ask how Latin America has fit into German imperial ambitions, nor does he interrogate the nature of postwar trade relations in light of the history of colonialism and inequality between the “First World” and the “Third.”[7] Thinking about these questions could further develop Neebe’s account of historical continuities and change in German foreign economic policy by extending the analysis of strategies of “formal” and “informal empire” in continental Europe to their overseas variants.[8]

In spite of this omission, *Weichenstellung* does much to enrich our understanding of Ludwig Erhard’s foreign

economic policy and West Germany's return to the world market. The culmination of years of research in German and U.S. archives, Neebe's detailed, economic policy oriented analysis will be of primary interest to economic and political theorists and historians.

While claiming an interdisciplinary method (p. 22), *Weichenstellung* can only be said to be so in a narrow sense: Neebe does not reach beyond business elite and political circles in his source base and, moreover, pays little attention to the ways that these debates fit into larger social or political contexts. Nonetheless, Neebe's book would also be of value to those working to extend his arguments, central paradigms and empirical research in ways that combine an analysis of social or cultural with economic history.

#### Notes

[1]. For an influential account of Erhard's role in shaping the domestic German social market economy see A. J. Nichols, *Freedom with Responsibility: The Social Market Economy in Germany, 1918-1963* (Oxford: Clarendon Press, 1994).

[2]. Neebe responds in particular to the German bestseller by Horst Afheldt, *Wohlstand für niemand. Die Marktwirtschaft entläßt ihre Kinder* (Munich: Kunstmann, 1994); and Hans-Peter Martin and Harald Schumann, *Die Globalisierungsfalle—Der Angriff auf Demokratie und Wohlstand* (Reinbek bei Hamburg: Rowohlt, 1996).

[3]. In his approach to "Americanization," Neebe draws on Volker Berghahn's influential study, *The Americanization of West German Industry, 1945-1973* (New York: Berg, 1986). For other accounts that follow this approach see Heide Fehrenbach, *Cinema in Democratizing Germany: Reconstructing National Identity after Hitler* (Chapel Hill: University of North Carolina Press, 1995); Konrad Jarausch and Hannes

Siegrist, eds., *Amerikanisierung und Sowjetisierung in Deutschland* (Frankfurt a.M.: Campus, 1997); and Alfdtke, Inge Marssolek, and Adelheid von Saldern, eds., *Amerikanisierung: Traum und Alptraum in Deutschland des 20. Jahrhunderts* (Stuttgart: Steiner, 1996).

[4]. Volker Berghahn ed., *Quest for Economic Empire: European Strategies of German Big Business in the Twentieth Century* (Providence: Berghahn, 1996).

[5]. Neebe borrows the concept of the "modern trading state" from Richard Rosecrance's *Rise of the Trading State* (New York: Basic Books, 1986). Neebe mis-cites Rosecrance as "Rosecrane" throughout the text, which is an unfortunate editorial error given the significance of Rosecrance's concept for Neebe's argument.

[6]. In his analysis of these historical debates about these competing conceptions of foreign economic policy, and in his use of the concepts of "formal" and "informal empire" Neebe follows Volker Berghahn's analysis in his introduction to *Quest for Economic Empire*, "German Big Business and the Quest for European Economic Empire in the Twentieth Century."

[7]. On German colonial ambitions in Latin America see for example, Christiane Diehl, "Die historische Beziehung zwischen Deutschland und Lateinamerika," in *Deutschland-Lateinamerika: Geschichte, Gegenwart und Perspektiven*, edited by Manfred Mols and Christoph Wagner (Frankfurt a.M.: Veruert, 1994), pp. 13-50; and Susanne Zantop, *Colonial Fantasies: Conquest, Family, and Nation in Precolonial Germany 1770-1870* (Durham: Duke University Press, 1997).

[8]. For an assessment of the concepts of "formal" and "informal empire" in German historiography and a call for such analysis, see Uta G. Poiger, "Imperialism and Empire in Twentieth-Century Germany," *History and Memory* 17, no. 1 (Spring/Summer 2005): pp. 117-143.

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