

The Making of an Atlantic Ruling Class

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For Kiek, Margreet & Frank

Classes are large groups of people differing from each other by the place they occupy in a historically determined system of social production, by their relation (in most cases fixed and formulated by law) to the means of production, by their role in the social organization of labour, and, consequently, by the dimensions of the share of social wealth of which they dispose and the mode of acquiring it. Classes are groups of people one of which can appropriate the labour of another owing to the different places they occupy in a definite system of social economy.

Lenin

Any general theory of classes and class formation must explain the fact that classes coexisting at any given time bear the marks of different centuries on their brow, so to speak—that they stem from varying conditions. This is in the essential nature of the matter, an aspect of the nature of the class phenomenon. Classes, once they have come into being, harden in their mould and perpetuate themselves, even when the social conditions that created them have disappeared.

Joseph Schumpeter

The chances of classes in a struggle will depend upon their ability to win support from outside their own membership, which again will depend upon their fulfilment of tasks set by interests wider than their own. Thus, neither the birth nor the death of classes, neither their aims nor the degree to which they can attain them; neither their cooperation nor their antagonisms can be understood apart from the situation of society as a whole.

Karl Polanyi

The most important political struggles of this troubled century have not been peripheral conflicts in the nineteenth-century manner. They have been systemic, ideological conflicts among national states as actors in and constituents of wider than national political systems. Their struggles have not been simply about the interests and the power of the separate nations but about the political organization and the ideological tendency of the wider systems.

Harold Van Buren Cleveland

Table of Contents

Introduction	7
Acknowledgements, 1984 Edition	14
Revised Edition	15
1. Class Formation on an Atlantic Scale	16
1. Determinants of Class Formation	16
Capital Fractions in Marxist Theory	20
2. Hegemonic Concepts of Control	26
The Money-Capital Concept	28
The Pre-Capitalist Critique	32
The Productive-Capital Concept	35
3. Strategies of Internationalization	41
European Regionalism	44
The Concept of Atlantic Unity	50
Conclusions	56
2. The Atlantic Economy in the Liberal Era	60
1. The Pax Britannica	61
2. Wall Street in the Atlantic Circuit	66
3. Continental European Capital	71
3. The Wilson Offensive	80
1. Capitalist Universalism and Anglo-Saxon Chauvinism	81
The Crusade for Democracy	87
Gompers and European Reformism	93
2. The Resurrection of Atlantic Capitalism?	95
The Dawes Plan	98
The Paneuropa Union	104
3. Germany and the Crisis of Liberal Internationalism	107
4. The New Deal Synthesis	116
1. The Rise of the State-Monopoly Tendency	116

The Rockefeller Nexus	119
Hi-Tech Industries of the 1920s	127
2. The Corporate-Liberal Synthesis	135
Corporatism in Labour Relations	140
3. The New Deal Versus Rentier Control	149
The Subordination of Money Capital in Europe	153
5. The Atlantic Charter and the Roosevelt Offensive	158
1. Internationalization of the New Deal	159
Ideologues of Intervention	161
The British Predicament	168
The European Bourgeoisie in Exile	174
2. The Impact on Nazi Europe	176
America's 'Vichy Gamble'	176
The Agony of Axis Liberals	185
3. The Shift to Cold War Conservatism	190
Atlantic Unity Against the Soviet Threat	193
6. The Marshall Offensive and Capitalist Restoration in Europe	198
1. Corporatist Stalemate in Liberated Europe	198
Contraction of American Involvement	205
2. The 1947 Turning-Point	208
American Unions Versus European Labour	214
3. The Realignment of the European Bourgeoisies	222
Reorientation of European Liberalism	228
The Context of Decolonization	236
Liberalism within Christian Democracy	242
7. The Kennedy Offensive and the New Liberalism	251
1. Centrifugal Tendencies in the 1950s	251
Atlantic Unity Under Stress	257
State Monopolism Revived	264
2. Kennedy's Grand Design	274
The 'Atlantic Partnership' Concept	282
3. The Imperialist Imperative	290
Redistribution in the Periphery	291

The Role of the AFL-CIO	295
8. The Meridian of Atlanticism	298
1. The Consolidation of Corporate Liberalism	298
Social Democracy and the 'New Working Class'	299
European Liberals and the Perils of Partnership	308
The Christian Democratic Response	320
2. The Emergence of Atlantic Fordism	323
An Atlantic Format of Labour Relations	328
The Flow of Portfolio Capital	330
3. Vietnam and De Gaulle	334
9. The Crisis of Atlantic Integration	338
1. Europe Versus America	338
<i>Le défi américain</i>	340
2. Nixon's New Order	352
The Disintegration of Corporate Liberalism	358
3. The Resurgence of Money Capital	362
A New Empire of High Finance	366
Epilogue: From Trilateralism to Unilateralism	375
Appendix: The Profit-Distribution Process	381
1. Basic Capital Fractions	381`
2. Income Categories	388
Bibliography	395

Introduction

This study investigates the process of capitalist class formation in the North Atlantic area in the period between the launch of Woodrow Wilson's 'Crusade for Democracy' in 1917 and the world economic crisis of 1974-75. The crisis, from which capitalism so far has found no way out, and which in the absence of a clear revolutionary dynamic has only raised the level of violence in the international system to a point where the threat of nuclear annihilation seems all too real, terminated an era of American hegemony and Atlantic integration. In this era, the specific form and content of the internationalization of capital allowed the bourgeoisie in the North Atlantic area to regroup and develop a series of *comprehensive concepts of control* by which it could reinforce its hegemonic position both nationally and, in the confrontation with extra-Atlantic challenges, internationally. From either perspective, the dominant feature of the era of Atlantic integration was the supranational framework in which bourgeois class rule was organized and legitimized: Atlantic, European, or various combinations of the two.

Class formation in the North Atlantic area, understood as a continuous process of redefining the coordinates of bourgeois rule in response and anticipation to the dynamic of the internationalization of capital, passed through several stages, reaching well back into the nineteenth century. Beginning with the post-Civil War American railway boom, an Atlantic circuit of money capital developed, the epicentre of which at the time of World War One shifted from London to New York. Interrupted and

partially disorganized in the 1930s and 1940s, when national productive capital reasserted its pre-eminence at the expense of internationally circulating capital, the Atlantic circuit was restructured after the war in the context of the *Pax Americana*. As international finance capital, in which the circuits of money capital and productive capital were tendentially integrated at the Atlantic level, the spread of American multinational firms and banks opened a third, synthetic stage of the internationalization of capital.

In each stage, specific trans-Atlantic configurations of interests crystallized, which were acted upon by a segment of the ruling class formulating its concept of control in terms of the requirements of the capital fraction specifically engaged in the internationalization process. Thus, the *liberal-internationalist* bourgeoisie associated with the development of an Atlantic circuit of money capital at the turn of the century developed its specifically Atlantic cohesion around a concept of control reflecting the vantage-point of the money capitalist. On the other hand, the bourgeoisie protecting industry in a national (or, at most, regional) context in the interwar years carved out sphere-of-interest arrangements with its trans-Atlantic counterparts primarily from a productive-capital standpoint. At the outset of the actual era of Atlantic integration—coincident with Lend-Lease and Roosevelt’s Atlantic Charter—this fraction of the bourgeoisie, which I term the *state-monopoly tendency*, was counter-posed in most West European nations to the liberal-internationalist fraction as contending poles of bourgeois hegemony.

The synthetic ruling-class strategy which transcended and subsumed this antinomy was *corporate liberalism*. Shaped in the specific conditions of the New Deal, it became the hegemonic ideological expression of the US-led internationalization of finance capital in the Atlantic area. As a heuristic concept, ‘corporate liberalism’ was widely used by American New Left historians in the 1960s to characterize the dominant ideology both in the narrow sense of the structural bias towards corporate power, and, in the broader sense, of the co-prosperity alliance between big business and organized labour in the modern practice of American ‘liberalism’. In the present study, the term more particularly denotes the

synthesis between the original laissez-faire liberalism of the liberal-internationalist fraction (the definition of liberalism still current in Europe) and the state intervention elicited by the requirements of large-scale industry and organized labour, which in the period between the wars accompanied various forms of class conciliation generally referred to as corporatism. (The reader should therefore be forewarned that 'liberalism' is *not* used in the common North American sense as the opposite of conservative!)

The American bourgeoisie during the New Deal, and its subsequent Atlantic extrapolation through several US politico-economic offensives, was able to develop corporate liberalism into the guiding concept for shaping a specifically Atlantic cohesion of class relations. The class fraction leading the way in this process could draw on two major experiments in American social and political history which had hitherto remained disparate, although they had been recognized separately for their potential contribution to meet the challenge of socialism. The first of these was Fordism, a productivist class compromise based on the synchronization of relative surplus-value extraction with the expansion of effective demand, especially for consumer durables. Fordism, with its implications for the macro-economic determination of wage levels and the standardization and regimentation of working-class life, was resorted to by the Roosevelt forces when deflation, carried over from the Hoover administration and dictated by the orthodox money-capital concept, threatened to jeopardize the very structure of capitalist society in the United States.

The second heritage which the New Deal eventually mobilized was the democratic universalism pioneered by Woodrow Wilson. Wilson's universalism, which presumed an integration of domestic and foreign policy, had been shaped even more directly in response to the challenge of socialism. The Crusade for Democracy, by which Wilson led the United States into World War One at the side of the Allies, was meant to outflank the Bolshevik Revolution by co-opting those demands that could be digested by the capitalist system, such as national self-determination, and by aiming to moderate rather than suppress socialism. At the same time,

the American intervention was intended to shore up the regimes of bourgeois Europe in which American bankers had invested a large part of the savings entrusted to them by the propertied classes of their country.

When in the context of World War Two, a comparable conjuncture again presented itself to the American ruling class, the Roosevelt forces seized the opportunity to reorient the New Deal from its national-corporatist format to a more liberal-internationalist strategy of expansion, in which domestic working-class demands could be in part evaded, in part compromised, while American economic power was brought to bear on both the British Empire and the Soviet Union in order to force them into compliance with US preferences for an open world.

The Lend-Lease policy, then, inaugurated an era in which the two elements in combination—the generalization of Fordism and an offensive diplomacy of Wilsonian inspiration—materialized as a process of class formation on the North Atlantic level, guided by successive formulations of Atlantic unity. Through recurrent offensives of the United States, and concomitant accelerations of the internationalization of finance capital, a restructuration of Atlantic class relations was brought about which ultimately eliminated the lag hitherto separating the pattern of capital accumulation and internationalization in Europe from that of the United States.

In the era of Atlantic integration, three offensives of this type were launched: the Roosevelt offensive, in FDR's third term; the Marshall offensive, coincidental with the initial four years of the Marshall Plan; and the Kennedy offensive spanning the first half of the 1960s. As far as the global structure of imperialism was concerned, the offensives (alternating with periods of relative American defensiveness in international affairs) represented concerted efforts of the United States to break into the colonial empires or peripheral domains of the European powers while keeping the Soviet Union at bay. Atlantic unity, the American nuclear posture, and its militancy in the underdeveloped periphery itself, were all aimed to prevent socialist forces from interfering with the delicate process of transition from colonialism to neo-colonialism, and more particularly,

to prevent the linkage of Soviet power and local insurgency. Paradoxically, Atlantic integration therefore represented a process of redistribution of spheres-of-influence at the expense of Western Europe, facilitated by American control of the international monetary system and its virtual monopoly, on the capitalist side, of the means of nuclear destruction.

In this process of confrontation and redistribution, Atlantic unity was cemented by the support the American offensives could draw upon in Western Europe. As indicated above, the traditional trans-Atlantic ties of capital were augmented after 1917 by the attraction of European social democracy towards a Wilsonian universalism which seemed to crystallize Kautsky's projections of a peaceful, ultimate stage of capitalist development.

Along these two principal vectors—European liberalism and reformist socialism—the process of the transformation of Western European class relations into a corporate-liberal mould was accelerated in the periods of an offensive US foreign policy. However in the intermediate periods associated with Republican presidencies, the corporate-liberal synthesis, deprived of a dynamic American stimulus, tended to disintegrate back into the polarized ideologies of laissez-faire liberalism and state monopolism. Until the ultimate crisis of Atlantic integration in the 1970s, this alternation of offensive and defensive moments in the coherence of the corporate-liberal unification of capitalist class interests testified to the existence of an 'over-determining' Atlantic constraint, related in the last instance to the balance of power within the American ruling class itself as well as to the share of productive capital in the overall profit-distribution process.

From this perspective, the history of Atlanticism, as both ideology and an actual process of class formation, must be related to the three successive strategies of Atlantic unity which corresponded to the different offensive periods of American capitalism. The first was Roosevelt's concept of *Atlantic Universalism*, which derived its specific Atlantic dimension from the European focus of World War Two and the key

position of the British Empire in the world America wanted to expand into. The second version of Atlantic unity was the *Atlantic Union* idea which surfaced at the time of the Marshall Plan and combined a status-quo approach to control of the periphery with a high-pitched Cold War unity against the Soviet Union. The third Atlanticist strategy was the *Atlantic Partnership* scheme promulgated by President Kennedy in an attempt to restore unity of purpose to an Atlantic world in which the establishment of a restrictive EEC demonstrated the degree to which Western European capital had emancipated itself from American tutelage and was intent on carving out a sphere-of-interest of its own.

Liberalization and state intervention, the two pillars of corporate liberalism, developed hand-in-hand in the period of Atlantic integration, their relative emphasis deriving from the stubbornness of either the original liberalism (as manifested, for instance, in the pre-Suez political economy of Britain) or of state monopolism (as in the case of Gaullism). The American offensives were instrumental in setting free the forces for this transformation, and in activating the fractions of the bourgeoisie involved in its evolution. The short-term cyclical developments, notably in the profit-distribution process, which will allow us to explain the modalities of actual class formation and politics in the central period under review, however, should not obscure the fact that as a whole, the era of Atlantic integration was characterized by a (Fordist) class compromise between capital and labour on the basis of a 'Keynesian' subordination of petty money interests to overall levels of productive investment, and a profit-distribution structure skewed towards productive capital. The New Deal in this respect, too, marked the beginning of an era and set the standard for Europe.

In the course of the 1960s accumulation conditions in the Atlantic area were more or less equalized, blocking the trans-Atlantic escape routes for American productive capital by eliminating the gap between US and European production conditions. As part of the same development, the profit share of bank capital climbed drastically in all countries involved, and rentier incomes revived as well. By the time Richard Nixon cut the dollar from gold in August, 1971 and thus set free an exponential growth

of the mass of international liquidity, banks in practically all countries in the area had already been liberated from the Keynesian shackles imposed on them in the 1930s, or were soon to do so. The unimpeded international circulation of capital which had been the aim of the architects of Atlantic integration was finally realized - at the price of the system itself. Thrown into the rapidly widening channels of international credit, the mass of savings centralized by Atlantic bank capital served to facilitate the transfer of key segments of the productive apparatus of the North Atlantic heartland to new zones of implantation in the periphery.

This wave of internationalization, which widened the scope of the present crisis, also destroyed the very structure of Atlantic integration. By breaking the territorial coincidence of mass production and mass consumption, it undermined the capital-labour compromise and the complementarity of circulation relations; by allowing untrammelled competition in the search for new outlets for capital, and in the mobilization of peripheral elites, it destroyed the fundamental unity of purpose which had hitherto constituted the cornerstone of the hegemonic strategy of the Atlantic bourgeoisie.

Acknowledgements (1984 edition)

This book, largely based on a doctoral dissertation presented in 1983, is a product of a research programme entitled 'International Division of Labour and Integration', in progress at the Department of International Relations of the University of Amsterdam.

This programme, which is concerned with the social forces involved in the internationalization of economic life and the successive international constellations of the capitalist world, started some ten years ago with an investigation into the origins of the Marshall Plan and the European Coal and Steel Community. I owe a debt to colleagues and students participating the project, and more particularly to Ries Bode, whose ideas in several respects cleared the way for what is argued here. I also thank Meindert Fennema for his constant encouragement and critical support; Henk Overbeek, whose theoretical acumen and patient interest were of great help, notably concerning the British situation on which he is preparing a major study himself; and Gerd Junne, who supervised the writing of the dissertation. A special word of thanks should go to Joyce and Gabriel Kolko, whose *Limits of Power* was the source of so much insight and inspiration at the outset of our programme, and who during their stay in the Netherlands made many more stimulating suggestions with respect to the subject matter of this study.

Of the other people to whom I am indebted, Veit Baader, André Gunder Frank, Dany Jacobs, André Mommen, and Kurt Tudyka took the trouble of putting their remarks on paper, and always to my benefit.

Nobody, however, aided the writing of this book more than Mike Davis, my editor at Verso. His able suggestions for a reorganization and expansion of the original thesis, and his profound understanding of its contents and implications, were an invaluable stimulant during the odd-year in which additional research was carried out and the manuscript was finalized.

None of those mentioned can be blamed for the remaining deficiencies of this book, for which I alone am responsible.

Amsterdam, May 1984

(Revised edition)

This revised edition came about after Alex Anievas and Gonzalo Pozo-Martin proposed a re-publication of the 1984 original. This led Verso to offer a contract in 2010, after which I spent the summer of that year producing a reworked manuscript. I was able to use a rough electronic text Johnna Montgomerie had scanned for Martin Shaw's *Global Site* in 2004. For the new edition it was agreed I would not substantially alter the original version, but correct mistakes, make the references complete with publishers' names, and add a bibliography. In the Appendix, I presented the data of Figures A5 and A6 differently.

By a fortunate coincidence, Masao Watanabe of Hitotsubashi University in Tokyo and his team (Hisanao Takase and Ayumi Togashi) in the same period completed a Japanese translation for Sakurai Shoten in Tokyo and sent me a detailed list of queries and an extensive list of typos and wrong dates, partly overlapping with my own corrections. Since Verso decided in the end to publish a photocopy with the new preface added (and with acknowledgements referring to changes not included), I was happy that the Japanese edition at least used the reworked version.

I now found the time to format the second edition and post it on my Academia-edu site. The acknowledgements in the 2012 edition that were accurate, to Otto Holman for help with the new preface and to Andrea D'Cruz at Verso for the cover and related matters, need not be repeated here because they are not included here.

Amsterdam, August 2015

Kees van der Pijl

1

Class Formation on an Atlantic Scale

1. Determinants of Class Formation

The concrete process of class formation¹ in the North Atlantic area can be broken down into several separate dynamics of class conflict, each of which may be situated on a distinct level of analysis. In terms of the method offered by Marx in *Capital*, the industrial bourgeoisie primarily constitutes itself as a class in struggle with the working class and landed interests, but the actual process of its formation must be adduced at successive levels of decreasing abstraction.

(1) In the *labour process*, industrial capital faces the task of subordinating living labour-power to the requirements of the valorization of capital. Here, different modalities of the exploitation relation yield corresponding varieties of the capital-labour relationship in class terms: *Absolute* surplus-value production, in which the rate of exploitation varies with the length of the working day and the flat speed of work, tends to produce a rigid polarization of the employed and the employers. *Relative* surplus-value production, on the other hand, which is obtained by reducing the reproduction costs of labour-power in relation to aggregate capital outlay, fosters flexibility in the relations between capitalists and workers on

¹ See the quotations at the beginning of this book for the concept and connotations of class used in this study. For the complete references of titles referred to in the footnotes, see the Bibliography.

account of an apparently common interest in rising productivity. This illusion of an identity of interests is part of the shift from the *formal* to the *real* subordination of labour to capital.

The absolute (in the sense of general and abstract) unity of the bourgeoisie *vis-à-vis* the working class therefore dissolves into concrete differentiations as soon as the real relation with the workers is taken into consideration. Lenin referred to this differentiation in his 1910 pamphlet, *Differences in the European Labour Movement*.² On the side of the bourgeoisie, he distinguished between the method of 'liberalism' (in the sense of flexibility) and the method of force; on the side of the working class these are matched by reformism and anarcho-syndicalism, respectively.

These different modes of reproduction of the basic class antagonism, based on absolute or relative surplus-value production, were pertinent at various points in the overall process of Atlantic class formation. In continental Europe, the low living standards at the turn of the century helped to preordain the incapacity of the European bourgeoisie to maintain a flexible format of labour relations in the 1930s. Since in the Old World the prospect of mass consumption of durable manufactures did not exist, 'Fordism' in all its aspects (productivity, social wage, further subordination of labour) was not feasible and the rate of exploitation could only be sustained by gearing to absolute surplus-value production. Hence, whereas the crisis of the 1930s in the United States saw 'liberalism' (in Lenin's sense) survive through the generalization of Fordism in the New Deal and its insertion into a strategy of internationalization, in continental Europe authoritarianism and Fascism prevailed. The distinctions between absolute and relative surplus-value production, and between fractions of the bourgeoisie grouped around a concept of force and those advocating concessions, are crucial to understanding what happened in Europe at this juncture, and in fact have been chosen as a point of departure by several influential Marxist analyses of the nature of bourgeois class support for Hitler's rise to power in Germany.

² V. I. Lenin, 'Differences in the European Labour Movement' (1910), in *Collected Works* (Moscow, Progress) vol. 16, pp. 350-351.

These determinants of bourgeois class formation on the level of the labour process, however fundamental, are not sufficient to analyse the various ideological tendencies within the bourgeoisie. Although labour-process differentiations may help to elucidate the broad differences between, for example, the New Deal and German National Socialism, they fail to account for such trajectories as the French Popular Front, where a united working-class movement, partly of Fordist inspiration, was able to ward off the threat of Fascism but failed to realize a positive programme comparable to the New Deal.

(2) To arrive at a more complete picture, we have to proceed to the next level of abstraction: that of *circulation relations* between various categories of capitalists, or fractions of social capital. Such fractions are bank, commercial, or industrial capital. In France at the time of the Popular Front, the working class joined forces with the liberal wing of the bourgeoisie, but within the capitalist class, this 'productive' alliance did not succeed in subordinating the interests of the financial world. Since it could not move forward to full-fledged Fordism, which would have included the partial expropriation (or as Keynes called it, 'euthanasia') of the rentier segment in the capitalist class, Leon Blum's Lilliput New Deal was doomed to be rolled back as a consequence of the dynamics of circulation relations.

(3) A further dimension of the concrete fractionation of the bourgeoisie resides in the *profit-distribution process*, which, in the spirit of Volume Three of *Capital*, should be theorized as the third level of the determination of class formation. In the overall distribution of metamorphosed surplus-value between capitals, fractions of capital, landed interests and even a segment of the working class (those paid out of the mass of surplus-value without contributing to it directly), specific class fractions crystallize, enter into alliances, and press their particular strategic concepts. Moreover, the hegemony of particular fractions in this profit-distribution pattern may help to explain a specific political climate: e.g. the prevalence of laissez-faire concepts in the United States during the late 1950s when the profit-distribution process was temporarily skewed towards the financial and rentier sphere; or the Keynesian

activism of the Kennedy Administration during a subsequent period as the resurgence of industrial capital.

Of course the three levels of abstraction on which class formation may be theorized as taking place, i.e., the labour process, circulation relations, and the profit-distribution process, are in reality only moments of a dynamic totality.³ This totality also encompasses sedimented layers of older social relations, forms of ethnic and sexual oppression, as well as the survival of elements of pre-capitalist modes of production. And although it is the accumulation of capital which primarily articulates and incessantly revolutionizes it, the concrete social formation derives its external appearance in large part from these autochthonous characteristics. Thus the internationalization of capital, and concomitantly of class formation, in the North Atlantic area included the mobilization of the legacies of anti-Semitism, Anglo-Saxon chauvinism and national messianism. At the same time the actual structures of absolute and relative surplus-value production tended to be built upon pre-existing racial, sexual and national differentiations amongst the workers. In this fashion the modern world struggles between the imperialist states, and their subsequent alliances against socialism, have absorbed the 'dead weight' of the past.

Yet despite the multi-layered complexity of the political alliances involved, a characteristic inner logic can be observed in the class strategies evolved by the Atlantic bourgeoisies. Time and again, an *offensive*, 'liberal-flexible' way of dealing with the working class or other challenges has alternated with a *defensive* 'method of force'. These strategic options have loosely corresponded with, respectively, relative and absolute surplus-value extraction, and have been linked up internationally (in the sense of

³ As Marx writes, 'Capital as self-expanding value encompasses not just class relations, a determined social nature resting on the existence of labour as wage labour. It is a movement, a cyclical movement through different stages, which in turn encompasses three forms of the cyclical process. Hence, it can be understood only as movement and not as a thing in rest,' Karl Marx, *Das Kapital. Kritik der politischen Ökonomie*, vol. 2 (F. Engels, ed.), in *Marx-Engels Werke* (Berlin, Dietz) vol. 24, p. 109. The three volumes of *Capital* are published as vols. 23-25 of this edition, and are quoted hereafter as *MEW*, and volume number.

functioning as determinants of class formation) through specific patterns of circulation relations in which particular fractions of capital and their ideal-typical concepts were prominent. The *money-capital* and the *productive-capital* concepts constitute such functional ideal-types, and we shall therefore briefly review the distinctions from which they may be theoretically reconstructed.

Capital Fractions in Marxist Theory

The notion of fractions of total capital (i.e., units other than individual capitals related to particular functions in the reproduction of capital) provides an important clue to differentiations within the bourgeoisie which are ideologically pertinent. The concept was developed by Marx in Volumes Two and Three of *Capital*.

The basic functional differentiation of capital is presented in Volume Two. Discussing the forms that capital assumes in the course of its reproduction cycle, Marx distinguishes between *productive capital* and the two forms belonging to the stage of circulation, *money capital* and *commodity capital*, in the sense of capital in money and commodity form respectively.

Apart from the three functional forms, we therefore have the distinction between the stage of circulation and the stage of production, a distinction which is equally important for all further specification and concretization. The stage, or sphere, of circulation comprises capital in money and commodity form; the stage or sphere of production, productive capital. The criterion for this bifurcation is the fact that whereas all forms of capital represent modes of appropriation of surplus-value, only the productive form is engaged in its creation through the subsumption of living labour-power. As will be demonstrated below, this distinction is particularly important when it comes to reconstructing the ideological propensities of the functionaries of productive capital.

This also goes for another distinction Marx deploys in Volumes Two and Three—the one between capital engaged in the production of means of

production and capital engaged in the production of consumer goods: Departments I and II. Since Fordism in the era of Atlantic integration rested on the dynamic articulation of relative surplus-value production in the consumer-durables sector and a concomitant reorientation of key 'Department I' industries towards supplying this sector with semi-finished products (notably steel), the departmental division is relevant in this light as well. For the moment, however, we shall proceed from the money-commodity-productive triad.

In Volume Three, Marx again considers the basic differentiation into functional forms of capital. This time the level of abstraction has been reached where 'the embodiments of capital. . . stepwise approximate the form in which they operate at the surface of society, in the action of the different capitals upon each other, competition; and in everyday consciousness of the agents of production'.⁴ Accordingly, the three functions analysed in Volume Two are raised to a more concrete level. Beginning with the functional form of commodity capital, Marx writes that 'to the degree that this function of capital operative in the circulation process is autonomized into a special function of a special capital at all, and crystallizes as a function assigned by the division of labour to a particular kind of capitalist, commodity capital becomes commodity-dealing capital or commercial capital'.⁵

The commodities in which commercial capital deals are use-values or money, but money only to the degree it is used for the exchange of goods. Commercial capital therefore can be sub-divided again into commodity-dealing and money-dealing capital. The crucial element in the definition of both is the separation from the production process. In practical terms, because of its institutional form as bank capital, money-dealing capital may be difficult to isolate from its counterpart, interest-bearing capital (credit), which is also handled by banks. Although different national banking systems sometimes, and to various extents, reflect the functional differentiation (say, in commercial and investment banking), some forms of credit are by themselves hybrid in this respect, like commercial credit.

⁴ *MEW*, vol. 25, p. 33.

⁵ *Ibid.*, p. 278.

In the distinction between money markets and capital markets, the two functions are separated however.

The notion of *fictitious capital* transcends the distinction between money-dealing capital and interest-bearing capital. Fictitious capital is considered by Marx as the comprehensive counterpart of all real economic activity under capitalist conditions. As such, it brings a unity to these activities which turns it into the nearest equivalent of total social capital. 'To the degree that it appears on the market', Marx writes, 'money capital is not represented by single capitalists, by the owner of this or that particle of capital present in the market, but it appears as a concentrated, organized mass, which, entirely unlike real production, is subject to the control of bankers representing social capital'.⁶

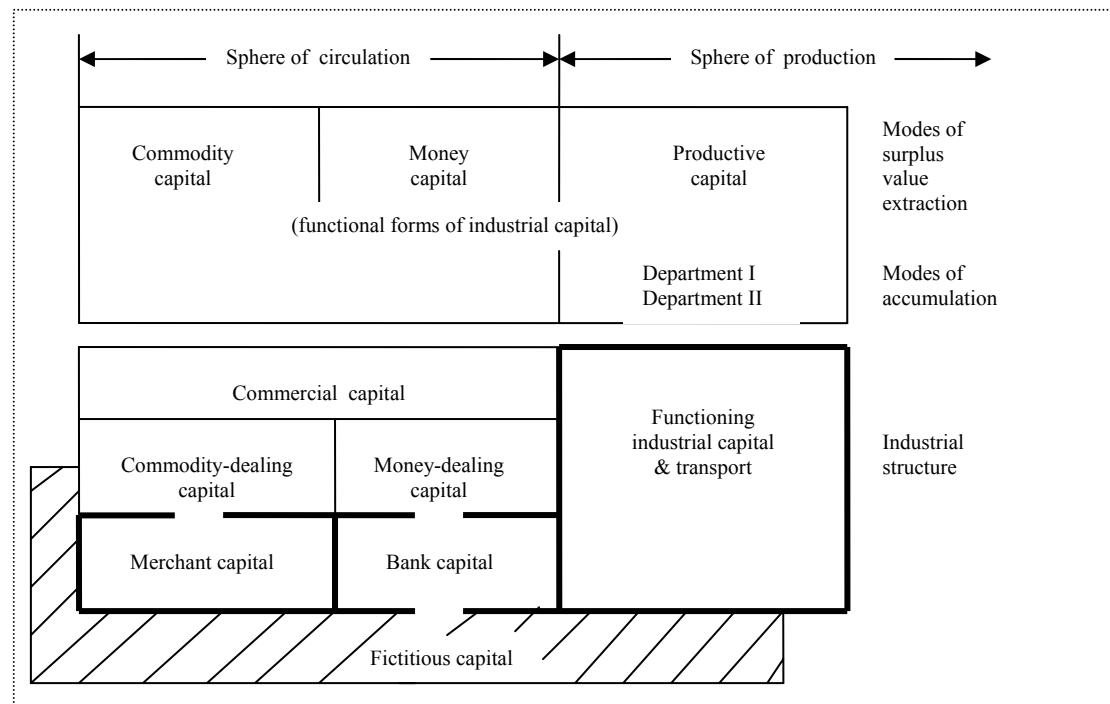
As an aggregate fraction, therefore, bankers, and their quasi-banker counterparts inside integrated companies, in a sense represent a single collective capitalist due to their joint control of fictitious capital. In capitalist reality, this social dimension remains a form, behind which the competition among private capitals proceeds unabated. Yet, the special position of bank capital in this respect is brought out by its twofold presence in the political economy: as a sector among others, and as part of the overarching economic state apparatus.

Apart from landed property, which represents a relation of distribution rather than one of production, these are the fractions of social capital analysed by Marx in *Capital*. Hilferding's concept of 'finance capital' was developed to capture the twin phenomena of the institutional interpenetration of bank and industrial capital, and of the relative separation of a distinct oligarchic fraction of finance capitalists from the 'simple' bankers and industrialists. Widely popularized by Lenin's adoption of the concept in *Imperialism, the Highest Stage of Capitalism*, the reality it conveys about the new empirical structure of capital does not obliterate the need for distinguishing the functional, 'original' fractions. For even in a situation where the financial oligarchy is no longer

⁶ Ibid., p. 381.

effectively challenged by a sub-ordinate, 'non-monopolistic' bourgeoisie, certain conflicts within the capitalist class remain traceable to the different fractions persisting in the context of an apparent fusion.⁷ Summarizing the main distinctions introduced so far (circulation/production, real and fictitious capital, as well as the three functional forms of capital and their concrete embodiments), we arrive at the following figure.

FIGURE 1.
**Functional Forms and Capital Fractions According to
Marx's *Capital***



NOTE Thick blocks denote internal fractionation; open blocks on the right denote further differentiation in the productive sphere related to the mode of labour subordination and technical aspects external to the functional structure

⁷ Rudolf Hickel, 'Kapitalfraktionen. Thesen zur Analyse der herrschenden Klasse', *Kursbuch*, no. 42 (December 1975), p. 150.

The conflicts of interest and allegiance which lead to class formation cannot be reduced to their functional determinants. In order to be effective, fractional interests have to be transcended by a formula of reconciliation or compromise on which a temporary truce may be built allowing the ruling classes to stay in power, or rather, allowing the basic social conditions of the mode of production to be preserved and, if possible, reinforced.

The economic interest associated with a dominant fraction of capital requires a complementary formula of reconciliation of that interest with that of other fractions in order to be an effective vector of class formation. By itself, the political impact of a single fraction remains within the confines of pressure-group politics, or what Domhoff calls the 'special-interest process'. In his study of the fractionation of the Dutch bourgeoisie in the inter-war years, Ries Bode introduces the category of *comprehensive concepts of control* to capture the transcendent formulation of class interest aggregating such special interests and subordinating others.⁸ A concept of control represents a bid for hegemony: a project for the conduct of public affairs and social control that aspires to be a legitimate approximation of the general interest in the eyes of the ruling class and, at the same time, the majority of the population, for at least a specific period. It evolves through a series of compromises in which the fractional, 'special' interests are arbitrated and synthesized.

The objectivity, and the potential 'general' relevance of a concept of control, reside in the timeliness of the main elements in its programme, combining momentarily feasible and desired—if hardly ever mutually compatible—strategies of labour relations, competition, and domestic and international politics. The compromises underlying the feasibility of these various strategies are reached (in the sense of a subjective elaboration of an objective process) by concrete compensations for the special interests

⁸ Ries Bode, 'De Nederlandse bourgeoisie tussen de twee wereldoorlogen', *Cahiers voor de Politieke en Sociale Wetenschappen*, vol. 2, no. 4 (December 1979) and Ries Bode, *Schets van de ontwikkeling van het Nederlandse kapitalisme en zijn burgerij* (unpublished MA thesis, University of Amsterdam, 1978); G. William Domhoff, *The Powers That Be: Processes of Ruling Class Domination in America* (New York, Vintage, 1979).

involved through the profit-distribution process, complemented by symbolic rewards.

Comprehensive concepts of control develop in the course of capital accumulation and class struggle as they evolve over the decades. They can be defined from certain ideal-types related to the functional perspective of specific capital fractions. As indicated above, the process of class formation develops as a concrete totality through pre-existing and simultaneously reproduced cultural and political patterns. Besides representing particular functions in the circuit of capital, concepts of control therefore are also reflections in social consciousness of the circumstances in which these functions passed through a mutation in terms of these contingent, extra-economic patterns.

The historical setting may help to explain why other capitalists, or other classes, subscribe to the concept of control developed from a 'special interest' vantage-point which strictly speaking is not their own. For instance, one need not develop a cosmopolitan outlook from being engaged, as an industrial entrepreneur, in producing textiles. Yet, the fact that this industry's original prominence coincided with the heyday of international free trade makes it plausible that the textile capitalists of the day developed a set of equations in their world outlook which by and large corresponded to the liberal-internationalist ideology espoused by hegemonic commercial capital.

At the same time, the stability of 'textile liberalism' could not be expected to be the same as that of the mainstream liberalism of the commercial capitalists. In the 1930s, for instance, the impact of the world economic crisis undermined the community of interests and outlook between the two fractions, as the textile industrialists adjusted or even led the way to protectionism. In the postwar situation, however, the readiness of the European natural textile producers to accept American tutelage because of the liberal- internationalist arrangements in the economic field which were part of the Pax Americana, showed that, as soon as circumstances allowed it, their original preference for free trade, which

had been reproduced through family, company, regional and political traditions, was promptly reactivated.

2. Hegemonic Concepts of Control

Prior to the actual era of Atlantic integration, the international articulation of bourgeois hegemony in the North Atlantic area in the twentieth century developed essentially in terms of two ideal-typical frames of reference: the *money-capital concept* and the *productive-capital concept*. These two concepts capture the common denominators in the antinomous positions from which capitalists, actively or passively, were engaged in the international circulation of capital: either as agents in the process of circulation itself, or as productive capitalists; either as functionaries of fictitious capital or as managers of real capital. As ideal-types, the money-capital and productive-capital concepts constituted the vantage-points from which historically specific, and increasingly synthetic, strategies for adjusting bourgeois rule and international relations to the ongoing process of internationalization were developed.

The money-capital concept underlay the *liberal internationalism* of the early twentieth century. It rose to prominence with the internationalization of the circuit of money capital, which generalized a rentier ideology among the bourgeoisie, both in Europe and in the United States. The productive-capital concept, on the other hand, provided the frame of reference for ruling-class hegemony when the Atlantic economy subsequently became compartmentalized into spheres-of-influence due to the pressures generated by the introduction of mass production (or large-scale industrial production generally), in a context of acute imperialist rivalry and nationalism.

The challenge to cosmopolitan liberalism posed by the new industrial nationalism was captured by Polanyi in *The Great Transformation*. In this book, conceived and written between 1940 and 1943 in the United States, Polanyi still saw the countermovement against liberalism in terms of a pervasive reaction of 'society' against the ravages wrought by the stubborn adherence to the liberal concept of a self-regulating market.

Against this liberalism, he posed the principle of social protection, 'aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market—primarily, but not exclusively, the working and landed classes—and using protective legislation, restrictive associations, and other instruments of intervention as its methods.'⁹

The vanguard leading this countermovement, which we shall call the *state-monopoly tendency* in the bourgeoisie, were, like the liberal-internationalists of the preceding era, also directly associated with the prime moving forces in the international reproduction of capital. But the impact of the concept of control they espoused likewise extended far beyond the confines of their actual social implantation. At this juncture (the interwar years and World War Two), these forces notably were to be found in new market-dominating industries like electrical engineering and chemicals, while crisis and war propelled the state into the foreground as organizer of the macro-economy.

Eventually, a synthetic concept, *corporate liberalism*, would crystallize in the United States in the context of American control of the Atlantic circuit of money capital and the generalization of Fordism as a productivist class compromise. This corporate-liberal synthesis between internationalism, a flexible format of labour relations, and state intervention was eventually extrapolated to Western Europe where it served as the vantage-point from which successive concepts of Atlantic unity were developed, and to which the entire Atlantic ruling class would in due course adhere.

Before considering the rise of corporate liberalism, however, let us look briefly at the ideal-typical money and productive capital concepts which guided the historical fractionation of the Atlantic bourgeoisie and which retain much of their original relevance in explaining bourgeois politics today.

⁹ Karl Polanyi, *The Great Transformation: Political and Economic Origins of Our Time* (Boston, Beacon, 1957), p. 132.

The Money-Capital Concept

The principle of economic liberalism, as Polanyi calls it, aims at 'the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods.'¹⁰ These 'trading classes'—i.e., capitalists related to surplus-value production only through circulation, like merchants, rentiers, colonial entrepreneurs, and others not directly engaged in exploiting the domestic working class in production—may be considered the natural supporters of a concept of control in which the free flow of their merchandise, dividends, or cash crops is guaranteed by a set of conditions including free trade, unhampered competition, and cosmopolitanism.

Historically, the concept of control subscribed to by capitalists engaged in circulation could not but have a strong international aspect, reflecting the birth-mark of commercial capitalism. The social passivity inherent in regular mercantile activity indeed sometimes seems to have produced a cosmopolitan aloofness from power politics. This was particularly noticeable in Dutch foreign policy traditions since the seventeenth century, highlighted by the international legal tradition established by Grotius. Dutch legalism and pacifism, fed by commercial considerations first of all, were dictated by the balance of power and did not extend to the Dutch colonies, where exploitation retained all the connotations of violence and oppression.

In some respects, British imperialism copied the political tradition of commercial capital established by the Dutch. World-wide commercial interests, a maritime outlook, as well as the physical separation from the continent and from continental power politics, all worked to reproduce this tendency. The absence of a standing army contributed to this complex, explaining the absence from the dominant concept of control of a distinct militarism with a social basis of its own.¹¹

¹⁰ Ibid.

¹¹ A.P. Thornton, *Doctrines of Imperialism* (New York, Wiley, 1965), p. 58. On the Netherlands see J.J.C. Voorhoeve, *Peace, Profits and Principles: A Study of Dutch Foreign*

Much more than the Dutch, however, the British had to defend industrial interests, which in turn tended to work against a truly passive stand. Accordingly, the elements of laissez faire and aloofness from power politics which British foreign policy inherited from Dutch experience by the end of the nineteenth century gave way to active diplomacy and balance-of-power politics, culminating in the jingoism and imperialist aggression of the Boer War. This shift of emphasis coincided with the new importance of foreign portfolio investment (notably railway construction in the New World), the returns on which by 1870 surpassed those on shipping and foreign trade.¹² From below the surface of the original commercial liberalism, the forces associated with foreign investment and the corollary railway expansion gradually emerged to match the standards of the crudest of chauvinist ideologies operative among the new contestants for imperialist supremacy. For all their free-trade ideology and contempt for the brutalities of German imperialists, E.C. Black concludes, 'the British liberals may have been just as crude, but masked their acquisitive self-interest with sanctimonious avowals of principles of freedom.'¹³

Still, the 'sanctimonious avowals' reflected a balance of forces in the struggle between different tendencies in the British imperialist bourgeoisie which allowed the liberal-internationalist tendency to block the way to a further emulation of the continental pattern of imperialism in 1906. Rejecting the protectionism demanded by the industrial interests supporting Joseph Chamberlain, and thus blocking the way to the further militarization of British foreign policy it implied, the Liberals at the time were able to restore the peaceful and conciliatory image they had traditionally cultivated—something which would turn out to be of

Policy The Hague, Nijhoff, 1979), pp. 48-50, who discreetly passes over colonial history, however.

¹² E. J. Hobsbawm, *Industry and Empire* (Harmondsworth, Penguin, 1969), p. 145, cf. p. 49.

¹³ E.C. Black, editor's introduction to J. Gallagher and R. Robinson, 'The Imperialism of Free Trade' [1953] in Black, ed., *European Political History 1815-1870. Aspects of Liberalism* (New York, Harper & Row, 1967).

momentous consequence for the further development of the class struggle in Britain.

In a more general sense, the transformation of the free-trade Pax Britannica into a system of rival imperialism in the last quarter of the nineteenth century did not terminate the basic internationalism of the previous era. The bankers (who in this period became the embodiment of cosmopolitanism) did, however, transform the previous liberalism into a comprehensive concept explicitly allowing for an industrial interest as well. As a prototypical concept capable of defining the social reign of finance capital, the money-capital concept rather than a primordial commercial concept exerted its relevance in the context of subsequent developments.

The idea of industry implicit in the money-capital concept reflected the prevailing mode of accumulation of the nineteenth century, when the organic composition of capital tended to be low and its concentration was still in its infancy. With respect to the labour market, liberalism rested on the assumption that labour-power is always available if the market is kept fully competitive. Subordinated by capital only formally, craft workers were able to retain their autonomy as producers to a considerable extent; often controlling the hiring of unskilled hands and effectively deciding the introduction of innovations in the labour process.

Although the rise of money capital at the close of the century contributed to the centralization of capital which eventually would allow the large-scale restructuration of the labour process by which the formal subordination of labour to capital was transformed into real subordination, the money-capital concept of industry retained its original liberal connotation: judging productive investment by essentially rentier criteria rather than viewing it as a social function. Industrial capitalists whose production is characterized by low organic composition and labour-intensity still today tend to reproduce the original liberalism in this sense: highly critical of trade unions and state intervention, and although in fact unable to protect themselves from its impact, staunch advocates of liberal dogma in international trade. In Europe, the small family firm, and

in the United States, the industries organized in the National Association of Manufacturers, may be considered the proponents of the money concept in industry.¹⁴

In functional terms, the money-capital concept of course first of all serves as a frame of reference for bank capital. 'In my travels', Anthony Sampson has recorded, 'I have found bankers the most international profession. . . No profession looks back to the gay old days before the First World War with more evident nostalgia than the bankers: and their style

¹⁴ F.X. Sutton et al., *The American Business Creed* (Cambridge, Mass., Harvard University Press, 1956), pp. 235-240; David B. Truman, *The Governmental Process. Political Interests and Public Opinion* (New York, Alfred Knopf, 1971). The mode of accumulation typical of the liberal era has been taken as a point of departure for several relevant analyses of historical regimes of accumulation and entrepreneurial profiles. Wladimir Andreff in *Profits et structures du capitalisme mondial* (Paris, Calmann-Lévy, 1976) distinguishes three modes of accumulation: the extensive, the intensive, and the progressive mode. In *extensive accumulation*, labour-intensive production in light consumer-goods industry is carried on in a liberal environment. *Intensive accumulation* is characteristic of heavy industry with a high organic composition of capital, prone to cartelization and state intervention. *Progressive accumulation*, finally, combines the previous modes of accumulation in an international context, and produces both consumer goods and capital goods. In his study, Andreff argues the persistence of these modes of accumulation in the sectoral distribution of world capital and shows the clear profit hierarchy existing between them.

The study of Michel Aglietta, *A Theory of Capitalist Regulation: the US Experience* (London, Verso, 1979) defines the extensive mode of accumulation as the one in which the 'classical' tendency of over-accumulation in heavy industry is at the root of serious cyclical crises; in the course of the New Deal, this mode of accumulation is superseded by the intensive mode, which denotes the 'Fordist' accumulation dynamic in which consumer demand and state countercyclical policy tend to even out the business cycle. Aglietta's concept of an extensive mode corresponds to Andreff's first two (extensive and intensive); his intensive mode by and large denotes the same as Andreff's progressive mode.

In an Italian study by A. Martinelli, A.M. Chiesi, and N. Dalla Chiesa, *I grandi imprenditori italiani. Profilo sociale della classe dirigente economica* (Milan, Feltrinelli, 1981), four historically defined but likewise surviving entrepreneurial types are distinguished: the traditional, the supported, the private financier, and the public entrepreneurs. The first belongs to Andreff's extensive mode of accumulation; the second and the fourth to the intensive one. The private financiers are the forerunners in Italy of the progressive mode, or Aglietta's intensive mode.

and cosmopolitanism still seem to belong to that age.’¹⁵ The study of Sutton and his associates of the *American Business Creed* confirms this assessment. Bankers do show a marked tendency to adhere to the classical liberal doctrine of how the capitalist economy should function. If for the small industrialists, the market still may bring disaster (which at times may convert them to economic heretics, as in the case of the textile capitalists during the Depression); to the owners of fictitious capital and holders of monetary assets, who want a sound currency undiluted by uneconomical social expenditure, its beneficial workings are truly dogma. Bank capital, combining these two functions, generally has been its firm defender.¹⁶

From their various vantage-points, the other fractions of capital engaged in circulation contribute ideological propensities which further ramify the overarching liberal concept. The ‘internationalism’ of commercial capital, the social passivity of landed property, and the aggressive laissez faire sometimes espoused by small shop-keepers and farmers, but notably by those entrepreneurs whose enrichment proceeds faster than their social ascendancy (the new rich)¹⁷ —all contribute specific accents and nuances to a liberal concept basically reflecting the frame of reference of money capital per se (banks, foreign investors, rentiers).

The Pre-Capitalist Critique

The limits to the legitimacy of a particular concept of control, and to the actual hegemony of its proponents, are not only posed by the competition of alternative universal concepts (as in the ‘productive’ versus ‘money’ capital cases), but also may partly arise from the intervention of minor class fractions and their ideologies. Moreover the most ‘modern’ forms of capitalist interest representation may draw their hegemonic power from

¹⁵ Anthony Sampson, *Anatomy of Europe* (New York, Harper & Row, 1970), pp. 135-136. In *The Money Lenders. Bankers in a Dangerous World* (London, Coronet, 1982), Sampson further documents this assessment.

¹⁶ Sutton et al., pp. 234-235.

¹⁷ Cf. the description of the world views of the Texas oil independents in Ferdinand Lundberg, *The Rich and the Super-Rich. A Study in the Power of Money Today* (New York, Bantam, 1969), pp. 53-70.

the incorporation of seemingly atavistic and retrograde elements. Such was the case in the rise of the productive-capital ideology which charged new-fangled notions of capitalist technocracy with the emotive associations of the pre-capitalist critique of money capital.

Below, we shall discuss the critique of money capital from the vantage-point of industrial capital, as articulated by such diverse tribunes of progress as Ford, Gramsci and Keynes. First, however, it is important to mention the older, agrarian critique of money capital that was such an important precursor of these modern positions, and whose ideological heritage was mobilized as a major factor in the processes of class formation in the industrial era. Indeed the malign popular revival of this pre-capitalist critique during the Depression is a dramatic instance of how apparently fossil forms of human consciousness can suddenly be revived. Thus for large segments of the German middle classes in 1933, the remote symbols of German antiquity, or folk mythology, were felt to correspond more closely to the dead end of their country's development than any of the modern symbols of Weimar democracy. The anti-Semitism of the Nazi movement portrayed the economic crisis as the result of 'German, creative' capital throttled by a rapacious international finance capital personified by the Jews (*schaffendes* versus *raffendes Kapital*¹⁸)—an imagery that combined ancient prejudices with a distorted sense of Germany's actual subordination in the liberal world economy.

This particular aspect of anti-Semitism, the hatred of money-lenders or *anti-chrematism*, was, in turn, an extreme variety of the primordial antagonism between sedentary producers and the roving, volatile element represented by usurers, robbers and traders. The Church in the Middle Ages had already encoded aspects of this antagonism in its strictures on usury and interest. At the same time, the heavy involvement of the Church's own magnates in money-lending and borrowing precluded a general prescription of the international system of banking houses which lubricated long- distance trade and dynastic ambitions. It was Luther, in

¹⁸ Reinhard Kühnl, 'Waren die deutschen Faschisten Sozialisten? Analyse einer Geschichtsfälschung', *Blätter für deutsche und internationale Politik*, vol. 24, no. 11 (November 1979), p. 1323.

criticizing the church's secular corruption, who revived and impassioned the old attack on usury. With the phase of Calvinist Reformation, however, elements of an emergent bourgeois mode of production acquired ideological representation, and interest for the first time gained an integral and legitimate place in a Christian theology. Calvinism 'set the profits of trade and finance. . . on the same level of respectability as the earnings of the landlord'.¹⁹ Still the critique of usury remained functional in subordinating interest-bearing capital to the conditions and requirements of the capitalist mode of production.²⁰

Hence, in Roman Catholic countries and regions, as well as those of Lutheran predominance, a critique of money capital from the standpoint of the rural economy, and tinged with parochialism and anti-Semitism, became part of the secular culture. In the early decades of the nineteenth century the Vatican allowed interest to be raised to the legal level, but still as late as 1950, the Pope felt it necessary to officially declare that bankers 'earn their livelihood honestly'.²¹ Meanwhile, the Calvinist position which allowed a functional role to money capital and was critical only of usury properly speaking, had emigrated to North America with the Puritans. The Church of England had also early on, in the mid-sixteenth century, adopted a 'Protestant' attitude in this matter when it let the government decide the maximum rate of interest.²²

In the Anglo-Saxon world, liberal interest doctrine merged with rationalism and utilitarian individualism, producing a concept of control highly appropriate to a social fabric from which commercial and small-scale industrial capitalism were removing the feudal shackles tying all men to the land, or to guilded trades. This doctrine, representing the emerging liberalism based on commercial capitalism, was criticized by

¹⁹ R. H. Tawney, *Religion and the Rise of Capitalism* (New York, Mentor, 1952), p. 93; cf. *MEW*, vol. 25, p. 407.

²⁰ *MEW*, vol. 25, p. 613.

²¹ Sydney Homer, *A History of Interest Rates* (New Brunswick, N.J., Rutgers University Press, 1963), p. 81.

²² Tawney, pp. 153, 179-180.

nineteenth-century German authors as selfish and grasping;²³ below, we shall see how in the German denunciations of the Atlantic creditor states responsible for the Versailles system, the same argument was extrapolated to the international level. Moreover, the same traditional critique of money capital retained a purchase even within the liberal heartlands. In the United States, the anti-Semitism and Anglophobia of the Western Border Populists reflected the farmers' resentment of the deflationary policies of their own East Coast money capitalists.²⁴

Passing into the twentieth century, the essentially pre-capitalist critique of money capital remained a potential ideological force to which latter-day productive capital could appeal and from which it could draw additional strength in forging class coalitions of anti-liberal inspiration. Fascism, and in some respects, Gaullism and Christian Democracy as well, for all their differences drew on this source and to the extent they did, deserve their qualification as reactionary. At the same time, these political tendencies included the productive-capital concept properly speaking, as productive capital was the dominant class fraction in the configuration opposing liberal internationalism. Whether industrial capital was able to assert its interests directly, or depended on the mobilization of pre-capitalist populism, hinged on the outcome of class struggles in each concrete situation, especially on the role of the pre-capitalist landed classes. But it is important to emphasize that in no case was the productive-capital concept of control ever completely divested of its pre-capitalist resonance. With this in mind, we now turn to the modern productive-capital concept.

The Productive-Capital Concept

The productive-capital concept of control can be easily derived from the viewpoint of the industrial capitalist. In his subjective perception, entrepreneurial profit appears as the exclusive result of the productive function. The reward accruing to the money capitalist, on the other hand,

²³ Kenneth R. Minogue, *The Liberal Mind* (New York, Vintage, 1968), p. 149.

²⁴ Richard Hofstadter, *The Age of Reform: From Bryan to F.D.R.* (New York, Vintage, 1955), pp. 78-79.

is seen as a consequence of a legal title only, external to production.²⁵ The volatility of money capital, its propensity to speculate and to shift assets from one form to another, therefore easily excites irritation on the part of the functionary of real capital, who is tied to existing investments of men and machines and accordingly has to develop his concept of control within these limits. From here, the modern critique of money capital has further shaped the concept of control typical of productive capital.

In one of the first comprehensive analyses of imperialism, J. A. Hobson formulated his critique of the phenomenon largely along the lines of the productive-capital concept. Arguing that foreign investment was detrimental to the British economy but yet seemed to completely dominate foreign policy, Hobson warned against 'the financier, the general dealer in investments'. 'In handling large masses of stocks and shares, in floating companies, in manipulating fluctuations of values, the magnates of the Bourse find their gain. These great businesses – banking, broking, bill discounting, loan floating, company promoting – form the central ganglion of international capitalism. United by the strongest bonds of organization, always in closest and quickest touch with one another, situated in the very heart of the business capital of every State, controlled, so far as Europe is concerned, chiefly by men of a single and peculiar race, who have behind them many centuries of financial experience, they are in a unique position to manipulate the policy of nations'.²⁶

As early as 1889, Hobson with A.F. Mummery had published a more general statement of an industry-oriented analysis of capitalism as prone to over-saving and underconsumption entitled *The Physiology of Industry*. Proto-Keynesian in its analysis and prescriptions, the book was praised by Keynes himself as epoch-making and recognized as an early statement of his own theses.²⁷

²⁵ MEW, vol. 25, pp. 387, 392.

²⁶ J. A. Hobson, *Imperialism, A Study* (London, Allen & Unwin, 1968, 3rd ed.), pp. 56-57. Note the anti-Semitic bias in this passage.

²⁷ J.M. Keynes, *The General Theory of Employment, Interest and Money* (Basingstoke, Macmillan, 1970), pp. 365-367.

Lacking the democratic impulse of Hobson, Keynes in the interwar years worked out a theoretical argument incorporating the same central tenet. Keynes's experience as an insurance director and investor, as well as a government economic adviser, made him keenly aware of the requirements of the specific capitalist form of production, his critique of pure ownership and the rentier class notwithstanding. 'The class war will find me on the side of the educated bourgeoisie', he declared in a 1925 address.²⁸

In his attempt to educate the bourgeoisie in turn, Keynes however was ready to discard with some of its cherished tenets, which contributed greatly to the penetration of his ideas into the Social Democratic movement. A few illustrations will serve to show how he criticized the classical money-capital concept by adopting viewpoints reflecting the requirements of the large industrial firm and, subsequently, of an economy organized around it.

In his book *The End of Laissez-Faire* (1926), Keynes did not yet focus on the state as the key agency for capitalist reform. Instead, he acknowledged the increased socialization of productive forces and capital by contrasting the large corporation with 'individualistic private enterprise'. Qualifying big firms as 'bodies whose criterion of action within their own field is solely the public good as they understand it', Keynes abandoned the 'micro-economic' identification of the owner and the enterprise that was so characteristic of the money-capital concept. Instead, he defined capitalist enterprise in terms of the economy as a whole. In this macro-economic frame of reference, owners and stockholders were to be seen as only one of several client groups, 'served' by the corporations as autonomous bodies.²⁹

From this vantage-point, Keynes next developed a definition of capital as a social relation, which although confined to circulation phenomena, lent his theory a cogency extending beyond the capitalist class. 'Capital', he wrote, 'is not a self-subsistent entity existing apart from consumption.

²⁸ Robert Lekachman, *The Age of Keynes* (New York, Vintage, 1968), p. 49.

²⁹ Ibid., p. 48; cf. Sutton et al., p. 58.

On the contrary, every weakening in the propensity to consume regarded as a permanent habit must weaken the demand for capital as well as the demand for consumption'.³⁰ The *General Theory* (1936) systematically developed the implications of this definition, leaving little room for petty capitalist interests if they ran counter to the 'public good'. Since the rate of profit depends on turnover in the real sphere, Keynes argued that the traditional financial conservatism dictated by the money-capital concept must be replaced by a strategy of capacity utilization. Prudence and a reliance on rapid depreciation only lead to over-saving and prejudice effective demand. Deficit financing (termed 'loan expenditure', but seen to include government borrowing on the capital market), on the other hand, 'may. . . enrich the community on balance'.³¹ In this respect, a new awareness of the level of socialization of the productive forces was combined with the more traditional desire of industrial capital to secure easy access to money capital.

Although this was a logically powerful elucidation of industrial capital's real interest, it was nonetheless prejudiced in bourgeois eyes by its explicit reliance on the national state, and, even more, by its implicit assumption of a class compromise with the national labour movement. In particular, it was feared that the logic of the socialization of the productive forces might spill over to the relations of production if, after the recommended 'euthanasia of the rentier', only the managerial element was left to maintain the rate of exploitation. As Kalecki argued in a well-known article of 1943, a democratic full-employment policy would always entail unacceptable consequences for the capitalist class. Keynes, too, was aware that the full realization of his programme risked endangering the capitalist form it intended to save and could only be attempted under emergency or wartime conditions. In a 1940 article, he conceded that 'it seems politically impossible for a capitalist democracy to organize

³⁰ Keynes, *General Theory*, p. 106.

³¹ *Ibid.*, pp. 128-129.

expenditure on the scale necessary to make" the grand experiment which would prove my case—except in war conditions'.³²

By this time, the class struggles underlying the ascendancy of the productive-capital concept over the previous liberalism had produced highly divergent outcomes in the United States and Europe. In Europe, Fascism, drawing more on the pre-capitalist critique of money capital than on actual Keynesianism, had triumphed. In the United States, on the other hand, the Roosevelt administration was engaged in extrapolating Keynesianism into a strategy of global liberal hegemony. The democratic compromise with the working class basic to the state-supported mass-consumption economy here was narrowed to a corporatist concordat with organized labour. At the same time it was inserted into an Atlantic economy in which American finance capital could shift between different national class configurations rather than becoming bogged down in one. In this sense, Keynesianism was first applied in war conditions and subsequently liberalized, thus sharing the fate of the productive-capital concept as such.

The capacity of the American bourgeoisie to forge a synthesis between the productive-capital concept and the money-capital concept, between state intervention and liberalism, owed much to the influence of that proto-typical ideologue from the real world of American industry: Henry Ford. Categorizing Hobson and Keynes as representatives of the productive-capital concept of control indeed seems justified if we take Ford's statements into account. In his attitude towards the cause of war and foreign involvement, Ford seems to echo Hobson in the denunciation of the role of the speculative financier. 'Sound thinking', he let it be known, 'insists that war will not be abolished until its roots are cut; and

³² Quoted in Hofstadter, p. 309. Cf. M. Kalecki, 'Political Aspects of Full Employment', in E.K. Hunt and J.G. Schwartz, eds. *A Critique of Economic Theory* (Harmondsworth, Penguin, 1972).

one of its main roots is a false money system and the high priests thereof'.³³

At a time when Keynes was still an adherent of domestic financial conservatism Ford spelled out the 'Keynesian' argument for inflationary financing by the state. Instead of raising a sum through government bonds and having to pay interest on them to a generation of rentiers, the state should advance the necessary additional investment funds by printing more currency. The sum thus advanced, he argued, could be recovered from the profits eventually made on the investment, and the extra liquidity could be withdrawn again.³⁴ Towards the rentiers the automaker was hardly more charitable than Keynes. Upon acquiring the remainder of outstanding Ford Motor Company shares in 1919, he declared that 'stockholders ought to be only those who are active in the business'.³⁵

But 'Fordism' involved far more than the industrialist's scorn for outside owners alone. Ford's contribution to the development of the productive-capital concept had a strong 'systemic' element from the start, as he showed a keen awareness not just of the requirements of automobile production, but of the implications of the socialization of the productive forces under mass-production conditions for class relations in general. (He believed, for instance, that household activities like cooking would in due course be socialized.)

Fordism as a comprehensive conception of advanced capitalism entailed three principal elements. *First*, it assumed the dominance within the technical labour-process of the assembly line and mass production. As compared to the original time-measurement doctrines of F.W. Taylor, Ford proposed the more radical step of eliminating the skilled worker who still was the object of scientific management and replacing him by a semi-skilled operative. The *second* aspect of Fordism was the recognition

³³ Henry Ford, *My Philosophy of Industry* (London, Harrap, 1929), p. 59; cf. Sutton et al., pp. 244-245.

³⁴ Ford, *Philosophy*, p. 83-84.

³⁵ Quoted in Clinton Woods, ed., *Ideas That Became Big Business* (Baltimore, Md., Founders, 1959), p. 43.

of wages not only as an incentive, but as a demand component as well. Ford anticipated Keynesian demand-side economic policy by approaching the standardization of the automobile as an example of the integral relationship of mass production and mass consumption.

Thirdly, Fordism extended industrial management to the sphere of reproduction. Ford's company welfare department intervened directly into the household budgets, savings patterns, drinking habits, even sexual mores of his workforce. As Gramsci pointed out, Ford was not content to merely standardize the labour-process, but to standardize the labourer as well. Eventually Ford embraced Prohibition, not just as moral revanchism, but partly as a global strategy for the reproduction of a reliable semi-skilled labour-power capable of withstanding the nervous and physical exhaustion of the assembly-line.

At the same time, Ford's visionary ideas were tinged with elements of considerably older parentage as well. From 1920 his newspaper, the *Dearborn Independent*, crusaded against the 'international Jewish conspiracy'. A compilation entitled *The International Jew* was translated into sixteen languages, with Ford's name on the title page. In Germany alone, between 1920 and 1933 twenty-nine editions were printed under the title *The Eternal Jew*, also with Ford's name on the title page.³⁶

3. Strategies of Internationalization

The importance of Ford's productive-capital concept for the subsequent development, not just of capitalist economy, but also of American relations with Europe, was first recognized by Gramsci in his essay 'Americanism and Fordism' in the *Prison Notebooks*. In these notes, Gramsci gives a vivid description of Ford's practices and their implications for capitalist relations. He also summarizes and comments upon the writings (dated 1928 and 1929) of the Italian Fascist theoretician, Fovel. Gramsci's conclusions, however, are not confined to presenting the latter's proto-Keynesian argument. Shifting the savings function to the 'productive bloc'

³⁶ J. Pool and S. Pool, *Who Financed Hitler. The Secret Funding of Hitler's Rise to Power 1919-1932* (New York, Dial Press, 1978), pp. 89-90.

of workers and managers, he writes, would result in 'a more rapid rhythm of capital accumulation within the enterprise rather than through the intermediary of the "producers of savings" who are really nothing other than predators of surplus-value.' Still reconstructing Fovel's argument, Gramsci continues that 'within the industrial-productive bloc, the technical element, management and workers, should be more important than the "capitalistic" element in the petty sense of the word. The alliance of the captains of industry and petit-bourgeois savers should be replaced by a bloc consisting of all the elements which are directly operative in producing and which are the only ones capable of combining in a union and thus constituting the productive corporation'. In Italy, 'the disappearance of the semi-feudal type of rentier is . . . one of the major conditions of an industrial revolution (and in part, the revolution itself)'.³⁷

From the notes, it would appear that Gramsci approved of such a course of development. Indeed, 'if the State were proposing to impose an economic direction by which the production ceased to be a "function" of a parasitic class and became a function of the productive organism itself, such a hypothetical development would be progressive, and could have its part in a vast design of integral rationalization. . . One could thus reduce all income to the status of technico-industrial functional necessities and no longer keep them as the juridical consequences of pure property rights'.³⁸

Although rejecting the Fascist exaltation of the state, Gramsci by his appreciative comments on progressive corporatism indicated the common ground shared by the productive-capital concept and contemporary working-class ideology, both arising out of the real subordination of labour to capital characteristic of the Fordist mode of accumulation. The increasing bureaucratic complexity of large-scale industrial production, as well as its scientific management according to the supposedly 'objective laws' of optimal productivity prescribed by Taylor, Ford, and others, tended to obscure or displace consciousness of exploitative relations on

³⁷ Antonio Gramsci, 'Americanism and Fordism' in *Selections from the Prison Notebooks* (New York, International Publishers, 1971), pp. 291, 293.

³⁸ *Ibid.*, p. 315.

the shop floor. Perceiving their situation in terms of a maldistribution of income blocking access to a consumer-durable standard of mass consumption, industrial workers became increasingly receptive to a strategy of supporting the growth of productivity in return for higher wages.³⁹ Subjectively, class struggle thus was transformed from a struggle between independent workers and 'integral' capitalists into a united front of the managers of functioning capital and the organized working class confronting the 'predators of surplus-value': the petty money interest represented by the rentier class. The need to intervene in the self-regulating market dictated by large-scale production,⁴⁰ reflected in the shift from 'micro' to 'macro' economics, further enhanced the apparently anti-capitalist, 'socialist' quality of the transformation.

The state in this process became the executor of the euthanasia of the rentier prescribed by Keynes. The subordination of the reformist working class to the state thus amounted to a subordination of the independent working-class interest to capital, since the positive programme of the state remained closely attuned to the requirements of accumulation. Unlike most reformist labour leaders, Gramsci certainly was not blinded by this. Rejecting any democratic pretensions of the Fascist or corporatist state, he wrote that 'the result of these phenomena is that in theory the State appears to have its socio-political base among the ordinary folk and the intellectuals, while in reality its structure remains plutocratic and it is impossible for it to break its links with big finance capital.'⁴¹ Therefore, we shall speak of a *state-monopoly tendency* to denote the class form of the hegemony of productive capital in its antinomy with money capital, in order to avoid the suggestion that capitalism actually has over come its

³⁹ Reinhard Bendix, *Work and Authority in Industry: Ideologies of Management in the Course of Industrialization* (New York, Harper & Row, 1963), pp. 278, 281; Harry Braverman, *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (New York, Monthly Review Press, 1974), p. 10.

⁴⁰ 'Production that for structural reasons cannot, without undue economic loss, obey the rules of the market must necessarily attempt to obtain control of the market', A. Sohn-Rethel, 'The Dual Economics of Transition', in R. Panzieri et al., *The Labour Process and Class Strategies* (London, CSE, 1978), p. 32

⁴¹ Gramsci, p. 315.

liberal basis: a full state monopoly would be equivalent to a planned economy of the Soviet type.

In the interwar years, the hegemony of the productive-capital concept over liberalism coincided with the rise of a state-monopoly tendency in the bourgeoisie and the subordination of the working class to a corporatist class compromise. However, the democratic potential of this convergence of interests (consummated only in the United States and, fleetingly, in France) represented a critical challenge to capitalist relations of production which could not be digested within the national framework. In Europe, this challenge was met by Fascism, in which the pre-capitalist critique of money capital was dominant over the modern productive-capital concept, bringing a political reaction which destroyed the organized working class, Social Democrat and Communist alike. In the United States, however, the stalemate between capital and labour which resulted from the course of class struggle in the early New Deal was overcome by inserting state monopolism into a new internationalism which transcended the national constraints. In the resulting *corporate-liberal synthesis*, the labour movement renewed its allegiance to the productive-capital concept and thus developed into a major agent of Atlantic class formation as Fordism, through the channels of American hegemony, spread to Western Europe in the context of Atlantic integration.

European Regionalism

The typical international outlook associated with the productive-capital concept as it developed in the interwar years was the *sphere-of-interest* concept. In its original phase of prominence, the state-monopoly tendency reflected the propensity to curb the excesses of the self-regulating market by carving out exclusive spheres-of-interest; hence the ideal-typical European regionalism of 1920-1940 vintage.

German conservative nationalists after Versailles and British proponents of the productive-capital concept after VE Day faced the similar problem of extricating themselves from the consequences of American hegemony in the international circuits of money and finance capital. By proposing

alternative arrangements of a political nature, these forces sought to construct barriers to American economic superiority and protect their national economies from the full impact of competition.

In Germany, a critique of the international circuit of money capital was developed which carried strong connotations of the pre-capitalist critique of money capital. The basis for the adoption of this specific strand in the productive-capital ideology was provided by the presence of a relatively large agricultural sector and landed class bloc in Germany, and .by the late entry of German industry into international competition. Indeed, concern for shielding German industry from foreign competition went back to the mid-nineteenth century, when Friedrich List expounded his ideas on a continental customs union from this vantage-point. Imperialist rivalry in the early twentieth century added new elements to the body of ideas developed by List. In a book published in 1910, Gerhard Hildebrand, for instance, argued the need for a continental European class truce allowing the adjustment of industrial development to the requirements of agrarian autarky. Ideas on European unity were widespread in German Social Democracy and, at this juncture, still were reciprocated by comparable projects put forward by French authors.⁴²

In their diatribes against cosmopolitan liberalism, the most aggressive elements in German imperialism increasingly mobilized traditional prejudice against trade and money-dealing, to which they opposed honest virtues like industriousness and military prowess. Militarism in a sense reflected the desire to bring German productive capacity into the field directly, as pure power, instead of having it grope its way through the intricate web of international commodity and money circulation, controlled by the perfidious British and, as the more heated fantasies had it, by Jewish financiers plotting secretly with Bolshevism. Here lay the meaning of World War One in the eyes of contemporary German ideologues. As the historian Werner Sombart put it in 1915, the war was

⁴² Cf. the excerpts in Lenin, *Hefte zum Imperialismus in Werke* (Berlin, Dietz), vol. 39, and Reinhard Opitz, ed., *Europastrategien des deutschen Kapitals 1900-1945* (Köln, Pahl-Rugenstein, 1977).

nothing less than 'the struggle between the commercial and the heroic world outlooks'.⁴³

Following the draconian terms imposed at Versailles, the consequences of Germany's indebtedness to the Anglo-Saxon empire of high finance could only enhance the contemporary relevance of the pre-capitalist critique of money capital in the eyes of the German population. Faced with the reality of the Bolshevik Revolution and shaped in the conditions of near civil war in Germany itself, German nationalism assumed a markedly reactionary quality. The typical anti-capitalism of German nationalism in this era, subsumed in National-Socialist ideology, was expressed forcefully by Ferdinand Fried in his influential book, *Das Ende des Kapitalismus* (1931).

In Fried's view the West was dominated by three notorious financial and commercial centres: New York, London and Paris. Decadent and weakened, this rentier/creditor cartel coldly insisted on debt service, despite the consequences. 'It can maintain itself only as long as it keeps the rest of the world chained in a complicated, subtle system, inextricable to the eye, called world economy; in reality, the world, by way of this "world economy", is chained to the interest-collecting West'. The indebted part of the world, including the Soviet Union, was in a state of revolt, however, and pushed the creditor states onto the defensive. 'Behind the tariff walls, national autarkies develop; enormous spaces completely extricate themselves from the world economy, possibly associate themselves with other spaces; state planning and state intervention turn into state capitalism or state socialism, to state economy as such.'⁴⁴

Lumping together Soviet Russia and capitalist Germany was not a slip of the pen. Soviet socialism was seen as the ultimate consequence of the emancipation of productive capital as a labour process from its capitalist form. Those who favoured a development in the same direction in capitalist countries were momentarily willing to play down the political

⁴³ Quoted in G. Bakker, *Duitse Geopolitiek 1919-1945. Een imperialistische ideologie* (Assen, van Gorcum, 1967) p. 25.

⁴⁴ Ferdinand Fried, *Das Ende des Kapitalismus* (Jena, Diderichs, 1931), p. 262.

differences. As G. Wirsing explained in another well-known tract of the period, Germany and the Soviet Union were both revolting against international capitalism. Moreover, since in his opinion the national-Russian tendency in Moscow already had triumphed over the 'red-Comintern' one, the idea of a crusade against the Soviet Union was naive, fostered only by the Vatican and the oil kings.⁴⁵

The notions developed by these authors were elaborated into a pseudoscience (and eventually, adopted by the Nazi leadership) by the Geopolitical School of ex-general Haushofer. Already in the 1920s, Haushofer and his editor, Vowinckel, had secured the support of the principal German employers' organization. Their *Zeitschrift für Geopolitik* carried articles on the need to expand Germany's 'living space', on economic autarky which German capitalists had come to value during the Allied blockade, and on European unity. Haushofer and his school welcomed the rise of Hitler and the Nazi movement with which they had established an intimate relationship through Haushofer's friendship with Rudolf Hess.⁴⁶

The central element linking all these various propositions was the productive-capital concept, the critique of money capital from the vantage-point of real production, whether agrarian or industrial. The pertinence of the productive-capital concept for international relations survived Nazism, however, since it also fitted the requirements of European state monopolism in the face of US financial supremacy. Concepts of regional European unity were discussed widely throughout the war, and Keynes even adopted some of the central concepts of the German Right to devise a plan of his own for international economic relations in the postwar period. Indeed, when asked by a relation in the British Ministry of Information to launch a counterattack against German propaganda about a postwar New Order, Keynes replied that he shared a great deal of the German critique of the gold standard and international financial practices. 'About three quarters of the German broadcasts would

⁴⁵ Selection in Opitz, *Europastrategien*, pp. 598-599.

⁴⁶ Cf. Bakker, *Duitse Geopolitiek*.

be quite excellent if the name of Great Britain were substituted for Germany or the Axis'.⁴⁷

Keynes's proposal for an International Clearing Union was advanced by Whitehall in their discussions with the Treasury Department, where Secretary Morgenthau's adviser, Harry Dexter White, developed a counterpart project in which the liberal element was considerably more pronounced. The British wanted the postwar international monetary order to allow domestic inflationary growth by shifting the burden of monetary adjustment to countries with chronic trade surpluses. The American plan, which eventually was adopted in essence, on the other hand proceeded from a more traditional application of the money-capital concept and required financial conservatism on the part of states applying for credits. It based voting power in the eventual International Monetary Fund on gold holdings, rather than on trade volume, as the Keynes plan had urged. Given the predominance and global aspirations of American capital, there was no need for the US negotiators to create an international structure which by its dispositions went beyond the requirements of American expansion, and these in turn neatly fell within the liberal rules of the game. Keynes, on the other hand, started from a 'strong desire to make world currency arrangements serve the purposes of high domestic demand and employment rather than the other way around'.⁴⁸

The war encouraged a proliferation of new schemes for European regional organization. De Gaulle, for instance, repeatedly voiced the idea that European unity might be a bulwark against both the Soviet Union and the United States, and comparable arguments were heard in various segments of the German, Italian and Dutch bourgeois Resistances. After the war, separate concepts of European unity emerged which, by and large, corresponded with the liberal-internationalist, state-monopolistic (sphere-of-interest) and corporate-liberal positions, as we have adumbrated them.

⁴⁷ Quoted in Sampson, *Money Lenders*, p. 73.

⁴⁸ Lekachman, p. 181.

Churchill's proposal for a Council of Europe provides probably the best example of the liberal-internationalist concept of European unity. Its inter-governmentalism, respectful of national sovereignty and coupled to Britain's desire to maintain its special links with the Commonwealth and the United States, reflects the original liberal inspiration. The state-monopolistic variety of European integration, on the other hand, was represented by Spinelli's and Bruggmans's European Federalism, as well as De Gaulle's confederal *Europe des patries*. Lerner and Gorden have suggested the comprehensive term 'Euronational' to denote this strategic outlook.⁴⁹ The Euronational concept combined a number of state-monopolistic attributes like a strong emphasis on a 'European' economic policy with a distinct rejection of Atlantic unity.

Only later, when European capitalism had sufficiently caught up with American patterns of capital accumulation and forms of bourgeois hegemony, did the restricted regionalism inherent in these concepts of European integration yield to a more far-reaching corporate-liberal vision. Thus in the early sixties, 'functionalists'⁵⁰ on both sides of the Atlantic embraced the concept of 'Atlantic Partnership' as a framework for the full-scale synchronization of American and European interests.

⁴⁹ D. Lerner and M. Gorden, *Euratlantica. Changing Perspectives of the European Elites* (Cambridge, Mass., MIT Press, 1967), p. 71.

⁵⁰ Functionalism refers to achieving supra-national integration through sectorwise internationalization, which would set in motion an autonomous logic ultimately turning national states obsolete. The concept originally was coined by David Mitrany in *A Working Peace System* (Chicago, Quadrangle, 1966) a book which earned him an adviser's job at Unilever's. American bourgeois political scientists, notably Ernst Haas in *The Uniting of Europe* (Stanford, Stanford University Press) 1968, after the war more explicitly sought to allow for the interaction between the underlying trend towards economic internationalization and the necessary political intervention to achieve a supra-national ideological community. The main architects of actual Western European sectoral integration thus were 'functionalists', although always with either intergovernmental (as with Spaak, cf. *The Continuing Battle. Memoirs of a European 1936-66*, London, Weidenfeld & Nicholson, 1971) or federalist overtones (as with Monnet, cf. his *Mémoires*, Paris, Fayard, 1976).

The Concept of Atlantic Unity

The historic antinomy between liberal internationalism and the state-monopoly tendency was first overcome within the wartime American administration, which increasingly adopted a 'synthetic' perspective that aligned elements of the domestic New Deal with a world-wide 'Open Door' for US exports and investment. In particular, through the re-liberalization of American state monopolism and the projection of 'progressive' economic reforms in Europe, US capital hoped to avoid the spectre of a postwar Depression. American economic statesmen aimed to reconstruct world trade around a more dynamic interdependency between the Atlantic centres; the goal, as Under-Secretary of State and magnate cotton exporter Will Clayton put it in 1947, was 'the continual creation of disequilibrium in comparative costs of production'.⁵¹

This 1940s offensive of American capitalism had, of course, been partly prefigured by Woodrow Wilson's earlier attempt to export the American model of bourgeois democracy, idealized in the famous 'Fourteen Points' of 1917. But Wilson's universalism, explicitly conceived as a bourgeois-reformist alternative to the call of the October Revolution, soon lost its relevance in the interwar years as US economic foreign policy was shaped, first, by Wall Street rentier interests, then, by the state-monopolist pursuit of an American sphere-of-interest. Even at the beginning of US involvement in World War Two, as Roosevelt began his epic wheeling-dealing to pry the economic assets of the British Empire from Churchill, US geopolitical goals continued to be framed within a basically sphere-of-interest concept that took the division of the world market for granted. Thus the Council on Foreign Relations commissioned research to determine the minimal size of the informal empire necessary for the survival of US private capitalism in terms of raw material supplies, domestic employment and export outlets. This informal empire, called the 'Grand Area', was accepted as the sphere-of-interest reserved for liberal capitalism in the event of necessary accommodation with German and Soviet power. The Grand Area was envisioned as including the Western

⁵¹ Quoted in William A. Williams, *The Tragedy of American Diplomacy* (New York, Delta, 1962, rev. ed.), p. 271.

Hemisphere, the British Isles, the Commonwealth and Empire, the Dutch East Indies, China and Japan.⁵² (As we shall see, this concept dovetailed neatly with the 'Atlantic Union' idea propagated in the same period by Clarence Streit on behalf of the British imperialists organized in the Round Table Society.)

After the invasion of the Soviet Union and the full mobilization of the American war economy, however, US ambitions soared to a hegemonic plane, as in 1917-18. The prospect of the unconditional defeat of the Axis was coupled with the fear of a postwar Depression arising from the doubling of the productive capacity of the US economy. Atlantic unity was now subordinated to Roosevelt's and Truman's version of a new American universalism as announced in the United Nations Declaration and the Bretton Woods Agreements (which at this time still included the plan for an International Trade Organization). The 'Atlantic' predicate of Roosevelt's global design, first articulated in the 1941 Atlantic Charter, foresaw the incorporation of both the British Empire and the Soviet Union in an overarching *Pax Americana*.

It was not until the Chinese Revolution that a more realistic awareness of the limits of American power led to a revision of this strategy. By default, the Grand Area once again became the dominant concept, with the Atlantic region, in particular, becoming the essential axis along which the internationalization of US capital, the generalization of its most advanced mode of accumulation, as well as the restructuration of class relations it presumed, took shape. The Marshall Plan gave the United States unprecedented credit and confidence among reformist elements in the bourgeoisie as well as in the working class in Europe. In the face of the Communist challenge, the Americans once again seemed to represent their last resort. Had the United States pushed for formal Atlantic unity, rather than settling for a relatively loose military bond in NATO, European liberals and socialists probably would have accepted it. As the American

⁵² Lawrence H. Shoup and William Minter, *Imperial Brain Trust. The Council on Foreign Relations and United States Foreign Policy* (New York, Monthly Review Press, 1977), pp. 125-140.

ambassador to the EEC remarked in retrospect in 1966, 'Whatever chance there was for Atlantic Union existed during the dark postwar years'.⁵³

Atlantic Union according to Clarence Streit's original 1938 blueprint, or the 'Euratlantic' scenario as Lerner and Gorden call it,⁵⁴ accordingly represents the most extensive variety of Atlantic integration in the sense of structural US hegemony over Europe. Covering all Atlantic states and open-ended with respect to the white or white-ruled British Commonwealth member states and Japan, and possibly the underdeveloped countries as well, Atlantic Union was essentially based on an Anglo-Saxon union. Moreover it assumed Britain's role as a broker between the old imperialism of Europe and the new imperialism of America, and hence, the continued world role of a (liberalized) British Commonwealth. Seen from the United States, however, the primary interest lay in the long-term prospects for the new capitalism held out by Atlantic Union: its sheer size as a market, *Fortune* estimated, would enable 'lower automobile prices than even Mr Ford has dreamed of'.⁵⁵

In continental Western Europe a finance capital of the degree of concentration and internationalization as in the United States did not exist. Yet, as the concrete equivalent of the previous Pax Britannica, Atlantic Union was a logical concept for European liberal internationalists to subscribe to as long as they were dependent both on American protection and on overseas international ventures, notably in the former colonies they had been forced to abandon as exclusive preserves at the insistence of the Americans. The representatives of the state-monopoly fraction in the European bourgeoisie, on the other hand, could not allow their delicate strategy of national corporatism and class compromise to be undermined by the uncontrolled influx of foreign finance capital nor did they want key vestiges of their legitimacy and national independence displaced by outright American supremacy. They believed Europe needed to develop a sphere-of-interest relation with the United States rather than

⁵³ J. R. Schaetzel, 'The Necessary Partnership', *Foreign Affairs*, vol. 44, no. 3 (April 1966), p. 425.

⁵⁴ Lerner and Gorden, *Euratlantica*, p. 71.

⁵⁵ *Fortune*, April 1949, p. 78.

subordinating its interests to a supposedly Atlantic one under effective American control. This applied both to European federalism and to the Euronational concept already referred to.

Through alternate phases of Atlantic unity, mobilizing the liberals in Europe, and Atlantic rivalry, leaving the terrain to the state monopolists, the growth of Atlantic integration worked both to enhance American expansion and break down classical European imperialism. As Lerner and Gorden emphasize, Atlantic integration for the United States had a universalist aspect from the outset, whereas for Europe, on the contrary, it meant a liquidation of earlier global aspirations. 'On the American side, the regionalist trend coexists with partial and incomplete trends toward globalism in the sense of World Commonwealth. On the European side, globalism in the sense of national empires around the world has diminished to the vanishing point—symbolized . . . by Britain's abandonment of their traditional role "East of Suez"'.⁵⁶

Unavoidably, the Anglo-Saxon 'special relationship' underlying the Atlantic Union concept was the eventual victim of this development. The Suez affair in 1956 and the establishment of the EEC a year later may be seen as the watersheds in the tendential shift in economic power from the traditional colonialist configuration of the European imperialism under Franco-British leadership to the Fordist, corporate-liberal configuration centering on West Germany and the Common Market. As a result, Atlantic unity lost its pseudo- racial' Anglo-Saxon' connotation and was defined predominantly in terms of economic growth and anti-communism.

The concept of *Atlantic Partnership* proposed by Kennedy in 1961, and anticipated by Jean Monnet (the 'Euramerican' scenario in Lerner and Gorden's terms), registered the adjustment of the ideology of Atlantic unity to the growing economic power of the EEC. This vision of supposedly harmonious partnership between potentially equal regional power-centres was supported by the reaction in the European bourgeoisie

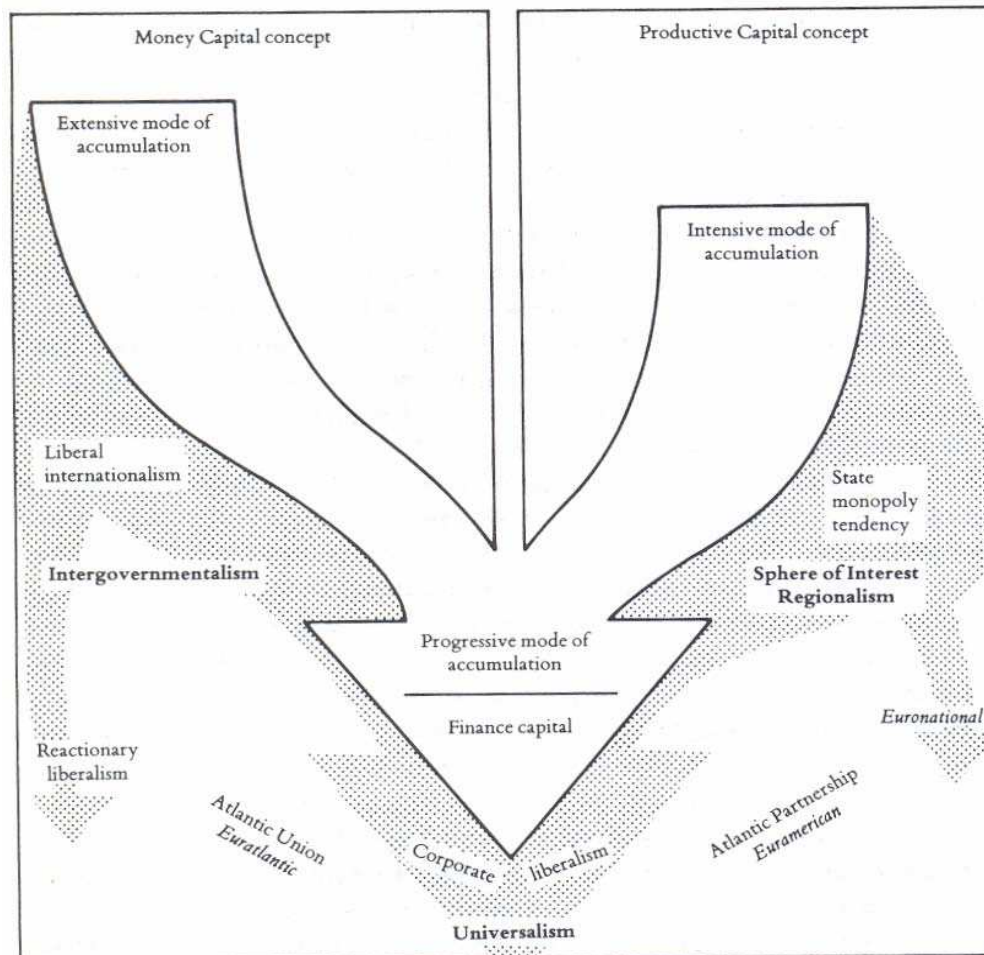
⁵⁶ Lerner and Gorden, pp. 67-68.

that from an early date had identified the future of European capitalism with the kind of corporate-liberal synthesis exemplified by the internationalized New Deal.

In Figure 2, the Atlantic concepts are located in a flow chart depicting the main concepts of control operative in class formation in the Atlantic bourgeoisie. In this chart, the ideal-typical money-capital and productive-capital concepts are presented as a permanent framework for a tendential synthesis between the extensive mode of accumulation, typified by the early textile industry and metal-workshop production, and subject to the liberal internationalism engendered by the hegemony of cosmopolitan money capital; and the intensive mode, in which a state-monopoly tendency in the bourgeoisie crystallized parallel to the rise of large-scale industry (steel and the new industries of the 1920s). The outcome of this synthesis, which also coincided with the rise of finance capital (without obliterating the money/productive bifurcation as an ideological frame of reference), is the progressive mode of accumulation, typified by the American automobile industry and combining relative surplus-value production with an intra-company international division of labour. The corresponding concept of control is corporate liberalism: essentially a synthesis between internationalism and state intervention.

In the shaded area, the international concepts corresponding with liberal internationalism, the state-monopoly tendency, and corporate liberalism are printed in bold type. The Atlantic unity concepts are located such as to indicate their nature as Free World alternatives to the One World envisaged in universalism: (1) the Atlantic Union (Euratlantic) concept striking a compromise with the unreconstructed liberal internationalism, now reactionary liberalism, persisting in the context of backward modes of accumulation and/or specific commercial and financial activities and indicated by the shaded arrow on the left; (2) the Atlantic Partnership (Euramerican) concept representing the compromise with the persisting state-monopoly tendency expressing itself in postwar Europe in the Euronational scenario espoused by the Gaullists.

FIGURE 2
Concepts of Atlantic Unity as Synthetic Constructs



NOTE Modes of accumulation from W. Andreff, *Profits et structures du capitalisme mondial* (Paris, Calmann-Lévy, 1976); concepts (in italics) from D. Lerner and M. Gordon, *Euratlantica. Changing Perspectives of the European Elites* (Cambridge, Mass., MIT Press, 1967).

Conclusions

In terms of our ladder of abstraction, class strategies on the part of the bourgeoisie are determined, first, by the relation to the working class in the labour process, and secondly, by functional positions in the process of circulation of capital. A concept of control, serving as the rallying point for a fraction of the ruling class and capable of attracting a mass following, is potentially hegemonic if it combines mutually compatible blueprints for both the conduct of labour relations and for the handling of relations between the various fractions of capital. These blueprints in turn are reflections of trends in the development of real relations in either sphere, which may be reconstructed in terms of primordial ideal-types. Of these, the liberal money-capital concept and the productive-capital concept are the major alternatives, from which more concrete concepts are derived.

Historically, the predominance of a particular outlook emanating from a particular capital fraction also tended to imbue the other fractions, without obliterating the inter-fraction lines of division. Hence, a concept of control, as far as the intra-bourgeois divisions are concerned, may be related to the predominance of a money-capital or a productive-capital class configuration in two ways: *functionally*, because it is held by a banker or an industrialist, and reflects an objective position in the reproduction of capital; or, *historically*, because it was held by capitalists in the context of a stage of internationalization in which, irrespective of their own activity, either a money-capital or a productive-capital concept was dominant.⁵⁷

At the same time, the adoption of either concept entailed a recognition of the basic tenets of the other. The money-capital concept cannot restrict itself to applying deflation; the productive-capital concept cannot neglect the rate of profit. The fact that the totality of the capitalist production

⁵⁷ Cf. 'A definition of finance capital simply in terms of the integration of the circuits of money capital and productive capital is a platitude. The crucial question is the particular historic form of this integration', H. W. Overbeek, 'Finance Capital and Crisis in Britain', *Capital & Class*, no. 11 (Summer 1980), p. 101.

process, comprising both the labour process and the valorization of capital, remains the frame of reference from which neither concept can escape 'guarantees' that the inherent contradictoriness and instability of capital accumulation is reflected in the application of either the money-capital or the productive-capital concept.

Given their contradictory combination in reality, no sustained, exclusive application of the recipes inherent in the money-capital or productive-capital concepts of control is possible, even disregarding the fact that interests of subordinate fractions in each concrete case dilute the ideal-type already. In reality, there is a typical 'political business cycle' implying a recurrent process of short-term mobilization and countermobilization of interests from either vantage-point (and within the limits posed by the long-term exhaustion of the reserve army of labour under a given mode of accumulation). Accordingly, the success of a particular class strategy depends on the degree to which it succeeds in realigning the existing configuration of forces on the basis of a keen assessment of the objective trends in the sphere of capital accumulation. Of course, a thorough realignment of forces will involve the disorganization of some classes or class-fractions. This may be temporary, as with the rentier class following the Keynesian 'revolution', or definitively, as with the bourgeoisie in the wake of a socialist revolution, although Mao Tse-tung was not so sure of that.

The two ideal-typical concepts of control analysed in this chapter each represent an ideological synthesis grasping social capital from the vantage-point of one of its basic aspects. As organized expressions of class consciousness, the ideal-types analysed here, like all other forms of social consciousness, necessarily relate to current practical activity and derive their degree of apparently neutral, technical 'realism' from that connection. This in fact is the crux of Marxist theory of class consciousness. The Althusserian image of ideology being reproduced by way of its own 'apparatuses'—an approach which has stimulated the investigation of the self-organization of distinct social spheres (the juridical, the psychological, the educational, etc.)—in its search for essences other than that of concrete totality obscures the actual process of

class formation. Class relations crystallize because the contradiction between the development of the productive forces and the relations of production makes itself felt, and is responded to, in specific 'local' forms, which again become part of a whole in a sequence and a pattern dictated by the concrete configuration of these 'local' contexts. Some of these, for all their apparent particularity, are closer to the overall, 'systemic' requirements of the mode of production, and thus are propelled into the foreground as microcosmic prototypes of the configuration towards which the entire mode of production should move.

Taking the money-capital concept as an example, we would argue that this concept, reflecting and in turn cementing the objective money-capital configuration already making itself felt in the crisis of its opposite number, 'presents itself' as the obvious, rational solution. Directly congruent with their immediate interests, it would be most eagerly responded to by bankers and the owners of the non-bank mass of fictitious capital. Subsequently, they are supported in their enthusiasm by increasingly diverse elements from other corners of society. Not because all capitalists and other classes are that impressed by the arguments from the financial world – although they very well may be, since these now are propounded with particular conviction and with new pride in their 'orthodoxy' – but because of a more or less general awareness that society is in a particular condition, and that it is in need of a 'bankers' solution', because the situation elicits 'bankers' arguments'.

It is this correspondence between the objective state of capitalist society and the particular solution proposed by a single class-fraction (in this case, the bankers and owners), which allows the rest of capitalist society a view of the whole which under other circumstances only bankers have; hence, which makes for bankers' class consciousness to crystallize and gain the upper hand.

In this sense, social consciousness in the North Atlantic area in the course of the early twentieth century was transformed from the set of concepts centring on the money-capital concept to a complex revolving around the productive-capital concept. In the United States, the successive

stages of the New Deal produced a synthesis between the two, which in important respect was pioneered already by Woodrow Wilson in 1917-19.

2

The Atlantic Economy in the Liberal Era

The era of classical imperialism, characterized by the internationalization of the circuit of money capital from rival centres, was also the high age of the North Atlantic rentier bourgeoisie. Whereas hitherto, the internationalization of capital had developed mainly through the extension of the circuit of commodity capital (and transport) into the colonial and semi-colonial periphery, the internationalization of money capital in the 1870-1929 era more nearly developed along an Atlantic and trans-European axis. This reorientation of international capital was reflected in the shift from *laissez faire* to a more activist liberalism revolving around the money-capital concept of control.

When the century-long Pax Britannica finally exploded into inter-imperial war in 1914, the control panel of this Atlantic circuit of money capital was transferred from London to New York. Three years later Woodrow Wilson attempted to integrate democratic reform at home and expansion abroad into a consistent foreign policy offensive, intended to galvanize the Atlantic world behind a reformist internationalism capable of withstanding the challenge of revolutionary socialism. Of this attempt to establish imperialist unity, only the financial aspect survived the emergency created by the October Revolution, and it fell to international bankers to attempt the restoration of the pre-war Atlantic circuit of money capital in the 1920s. Yet the Wilson offensive towards Europe prefigured the Atlantic unity initiatives launched in the 1941-1966 era by the

Roosevelt, Truman, and Kennedy administrations. Likewise Wilsonism shaped the receptivity of European liberalism and Social Democracy to later American assertions of hegemony. Roosevelt's Atlantic universalism, as well as the Atlantic Union concept dominant during the Marshall Plan period, were directly traceable to Wilson's liberal ultra-imperialism-against-socialism and drew particular support from the fractions of the bourgeoisie whose original ascendancy coincided with the growth of the Atlantic circuit of money capital.

1. The Pax Britannica and the Atlantic Economy

After several centuries of mercantile and colonial prelude, the modern world market emerged in the mid nineteenth century (1848 to 1870) as a result of a mighty surge of British investment and trade. Although the cotton industry may have been the paradigm of Victorian manufacturing, it was, in fact, shipping which proved to be the most profitable and politically powerful sector of free-trade imperialism.⁵⁸ Swelling the fortunes and shaping the world-views of the fraction of the bourgeoisie associated or otherwise identifying with it, 'the British merchant marine of the steam age was a product, not merely spiritually but physically, of the British "Free Trade" era and has always borne some relationship to the volume of our own overseas trade and that of our Empire'.⁵⁹

Britain's virtual world monopoly of the nineteenth-century carrying trade (controlling from one-third to one-half of total international tonnage) was the result of the privatization of the Royal Navy's hegemony. The great private maritime companies developed as direct ancillaries of the Navy, whose mail services from the 1830s on were awarded to private bidders. Along these original mail routes, new monopolies were quickly attached: the P & O line added extensive tea, coal, and jute interests in India to its route monopoly taken over from the East

⁵⁸ Hobsbawm, *Industry and Empire*, p. 139.

⁵⁹ R.H. Thornton, *British Shipping* (Cambridge, Cambridge University Press, 1945), p. 76. On the destination of British textiles, cf. David S. Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present* (Cambridge, Cambridge University Press, 1972) p. 239.

India Company in 1840; Cunard, operating the North Atlantic circuit, formed a base of the financial group to which the eventually foremost British insurance group in the United States, Royal Insurance, also belonged.⁶⁰ British supremacy in shipping was absolute until the First World War, when the Wilson Administration embarked upon a crash shipbuilding programme that gave it approximate equality with the British merchant marine by 1921.

The historical interconnection between British shipping, trade routes, and naval strategy, explains the paradoxical presence of both militant laissez-faire liberalism and intransigent colonialism (especially in regard to India) in the outlook of what we may accordingly call the *maritime-colonial* fraction of the liberal-internationalist bourgeoisie. With India, British capital possessed an invaluable market for textile manufactures, in part also for steel; a source of cash crop supplies like tea and jute; and a profitable bridgehead for the China trade, most of which consisted of opium. The addiction of millions of Chinese was the profitable foundation for important new fortunes in commerce and banking, notably the Jardine Matheson group with the Hong Kong and Shanghai Banking Corporation (still the second most important British financial group in the late 1950s).⁶¹ When World War One ended the Pax Britannica, India became even more crucial to British capital, as the metropolis's artificial surplus with the sub-continent was used to balance the trade deficit with the rest of the world. Moreover, the stability of the British Raj became the pivot for highly interconnected colonial interests. Malayan tin, rubber and oil ventures, Anglo-Persian (today's British Petroleum), and Burmah Oil, formed an integral spectrum of interest tied to the colonial and India lobbies.⁶²

Winston Churchill, the Liberal First Sea Lord of 1914, and in 1925 the Conservative Chancellor who brought Britain back on to the gold standard, was the single most important standard bearer, if not

⁶⁰ Thornton, *British Shipping*, pp. 23, 26-27; S. Aaronovitch, *The Ruling Class: A Study of British Finance Capital* (London, Lawrence & Wishart, 1961), pp. 97-100.

⁶¹ Aaronovitch, *Ruling Class*, p. 82; Hobsbawm, pp. 148-149.

⁶² Hobsbawm, p. 150; M. Zinkin and T. Zinkin, *Britain and India: Requiem for Empire* (London, Chatto & Windus, 1964), pp. 34-35.

incarnation, of this maritime-liberal fraction in politics. Clashing with Tory protectionists in 1904 (whereupon he left the Conservative Party in protest); defending the integrity of British rule in India as a dissident Conservative again in 1931; and reserving Britain's right to fulfil 'existing obligations' with respect to its empire in confrontation with Roosevelt over the Atlantic Charter in 1941 – Churchill favoured Atlantic unity but rejected American hegemony and the surrender of the Empire. Others prominent in this most prestigious fraction included the press magnate, himself of colonial background, Max Beaverbrook, and W. Runciman, of the P & O group, who was President of the Board of Trade in 1914-16 and again during most of the 1930s.

The second most important fraction of pre-war British capital had the powerful merchant banks as its core. By the 1870s, dividends and interests on investments abroad surpassed international commerce as the second source of British foreign income after shipping profits. Moreover, as already mentioned, international money capital exhibited a distinct Atlantic orientation. Of new British portfolio foreign investment between 1865 and 1914, 51% went to the Western Hemisphere, and two-thirds of that sum to North America. 21% of the total went to the United States alone, mostly invested in the burgeoning railway system: the largest department of the London Stock Exchange was American Railroads.⁶³ Financing the American railways also created a vast market for the British iron and steel industry: in 1882, with a total UK steel production of 2,110,000 tons, British exports of rails to the United States amounted to 1,200,000 tons.⁶⁴

Of the British merchant banks active in the Atlantic circuit of money capital, Barings was originally the most important. In the 1840s, their experience with state loans and bank credit allowed them to become the

⁶³ M. Simon, 'The Pattern of British Portfolio Foreign Investment, 1865-1914', in A.R. Hall, ed., *The Export of Capital from Britain 1879-1914* (London, Methuen, 1968), pp. 24-25.

⁶⁴ M. Robbins, *The Railway Age* (London, Routledge & Kegan Paul, 1962), p. 161; E. Hexner, *The International Steel Cartel* (Chapel Hill, N.C., University of North Carolina Press, 1943), Appendix VI, p. 324.

prime foreign financier of the fast-growing US railroad network.⁶⁵ Later, Barings's control of the Atlantic circuit of money capital was taken over by J.P. Morgan, the American investment bank which we will discuss below. The single most important force in American railroad finance, Morgan's London subsidiary not unexpectedly had a major interest in the British steel company, Vickers, as well as participating in Indian and East Asian ventures run by the maritime-liberal fraction. However, its audacious attempt to buy the Cunard Line and form a Morgan-controlled Atlantic shipping monopoly was defeated by competitors.⁶⁶

The financiers and related steel magnates, as well as their political kinsmen like Edward Grey, differed from the maritime colonialists by their greater readiness to seek an understanding with the United States. Their 'Atlanticism' crystallized when British imperialism, pushing beyond its original colonial empire in competition with France and Germany, became bogged down in the Boer War and was forced to seek American loans. Recognizing that Britain could not simultaneously contend with continental rivals and the United States, they were led by concrete economic interests to seek an alliance with the latter. The vanguard of this quest for 'Anglo-Saxon' unity was a secret society, The Round Table. It had been founded in 1891 by Cecil Rhodes, the conquistador of the mineral riches of Southern Africa, and the journalist, William T. Stead. Both had been pupils of the Oxford professor John Ruskin and shared the latter's fantasies about the 'English-speaking idea'. Prominent in this body were Alfred Milner, High Commissioner in South Africa during the Boer War; Lord Rothschild, who had acquired the majority of the Suez Canal Company's shares for Britain in 1875 and was Rhodes's backer in Africa; and other financiers of African and American ventures like Harry Johnston and Abe Bailey. At Rhodes's death in 1902, this group acquired access to his legacy, the Rhodes Trust. The Rhodes-Milner group (the influence of which on British imperial policies according to Quigley 'can

⁶⁵ Sampson, *Money Lenders*, p. 38.

⁶⁶ Thornton, *British Shipping*, p. 92.

hardly be exaggerated')⁶⁷ through the Rhodes Trust and the Round Table continued to work for association with the United States from a vantage-point of safeguarding their foreign interests against non-English speaking imperialist rivals.

At an early stage, this 'liberal-Atlantic' fraction came to recognize the fact that the British world position no longer primarily derived from the Empire, but from its capacity to create a broader world order of which the English-speaking nations, notably North America and Britain, were to form the core. This recognition reflected a basic uncertainty about the future prospects of British capitalism, which in the mid-1890s had led to a split in the Liberal Party. At that time, the aristocrats and the financiers of the City seceded to the Conservatives, thus signalling their option for imperial retrenchment rather than sustained *laissez faire*.⁶⁸ Upon this basis an alliance emerged with protectionist segments of national industry. In fact, it was the Birmingham arms manufacturer and Colonial Secretary during the Boer War, Joseph Chamberlain, who in 1899 made the famous proposal for an alliance between the Anglo-Saxon and the Teutonic races. Although rejected by the Germans, it evoked a favourable response in America, and in the same year an Anglo-American League was set up simultaneously in London and New York.⁶⁹ (The tendentially anti-French and pro-German element in this Atlantic-liberal fraction in the interwar years would be eventually transformed into a state-monopoly tendency and would assume an increasingly reactionary quality in the appeasement policy conducted by Chamberlain's son, Neville.)

Still in the liberal era, J. P. Morgan also was involved with the Rhodes-Milner group. Morgan, who backed the South African ventures of Harry Oppenheimer, actually offered Milner the partnership in his London branch in 1901. When Milner turned it down, the position was then taken

⁶⁷ Carroll Quigley, *Tragedy and Hope: A History of the World in Our Time* (New York, Macmillan, 1966), pp. 131, 132. On Rothschild, Frederic Morton, *The Rothschilds. A Family Portrait* (Greenwich, Conn., Fawcett-Crest, 1963), pp. 129-130.

⁶⁸ Hobsbawm, pp. 132, 168.

⁶⁹ Thomas F. Gossett, *Race. The History of an Idea in America* (Dallas, Southern Methodist University Press, 1963), pp. 324-333.

up by E.C. Grenfell.⁷⁰ In international affairs, however, Morgan, like the Jewish financiers and their mineral ventures (Shell and Rio Tinto), did not betray the liberal-internationalist outlook and generally remained wary of German imperialist ambitions. On this basis, Morgan and the Rothschild/Samuel/Oppenheimer group at several critical junctures acted as a single fraction with the maritime liberals, opposing the pro-German policies of the Chamberlain tendency backed by industrial capital.

At the end of World War One, the Anglo-American connection was symbolically reinforced by the creation of the Institute of International Affairs by American and British delegates at Versailles. The driving force behind this scheme was Lionel Curtis, a colonial official in South Africa who previously had been engaged in setting up a network of Round Table groups in the British dominions and the United States. The Royal Institute of International Affairs, the British branch, was financed by Abe Bailey and the Astor family, immigrants from the United States and owners of *The Times*. Their country estate, Cliveden, became the famous meeting-place of the Round Table notables. Curtis was made secretary.⁷¹

2. Wall Street in the Atlantic Circuit

The Atlantic circuit of money capital linking the United States and Britain served to channel investment funds across the Atlantic whenever the real expansion of the American economy exceeded the performance of the domestic British one. Actually, the notion of an 'Atlantic economy' was developed to denote the existence of an integrated economy 'dividing a common fund of incremental energies between its regions in varying proportions from time to time'.⁷² As indicated, foreign portfolio investment in the United States was directed particularly to railway construction. The doubling of American railway mileage in the 1866-1873

⁷⁰ Quigley, pp. 950-951.

⁷¹ Shoup and Minter, *Imperial Brain Trust*, pp. 12, 14; Quigley, p. 132.

⁷² H. Phelps-Brown, quoted in H.J. Habakkuk, 'Fluctuations in House-building in Britain and the United States in the Nineteenth Century', in A.R. Hall, ed., *The Export of Capital from Britain 1879-1914* (London, Methuen, 1968), p. 104.

period was largely financed by foreign funds, mainly from Britain, the Netherlands, and Germany.⁷³

The Boer War, which forced British imperialists to rely for a short period on American finance and sharpened their awareness of its potential power, only briefly reversed the direction of the flow of investment capital. No sooner had the British relieved Kitchener, than the export of capital to America was resumed with new vigour. Taken together, foreign investment in the United States doubled between 1899 and 1908 from \$3,145,000,000 to \$6,000,000,000. In 1906 alone, more than half a billion dollars poured in from Europe, fuelling the rampant speculation that contributed to the stock market crisis of 1907. On the eve of World War One, British investors, owning \$4,250,000,000 in assets, were still the leading foreign investors (and creditors) in the United States. Germans came second, with \$950 million, followed by the Dutch (\$635 million) and the French (\$410 million). Foreign investment in the United States accordingly came almost entirely from Europe (the fifth main investor was Canada), with about half of the total in railroads.⁷⁴

At the time, this flow of funds from Europe was not reciprocated by American capital in Europe. In 1914, US investments (direct and portfolio) amounted to \$691.8 million, only one-fifth of total American investment abroad. In fact, American capital exports were still mainly concentrated in the Western Hemisphere: Canada, Mexico, and the West Indies. Although World War One brought a substantial rise of American capital exports to Europe, it did not fundamentally change the overall European predominance.⁷⁵

American investment bankers, led by J.P. Morgan, from an early date developed an awareness of the value of the Atlantic economy reciprocating, and soon transcending, the 'Atlanticism' of the Rhodes-Milner

⁷³ B. Thomas, 'Migration and International Investment', in A.R. Hall, ed., *The Export of Capital from Britain 1879-1914* (London, Methuen, 1968), p. 53-54.

⁷⁴ H. U. Faulkner, *The Decline of Laissez-Faire 1897-1917* (New York, Harper & Row, 1968), pp. 23; 86-87.

⁷⁵ *Ibid.*, p. 74.

group in Britain. As one observer has written, 'It was Wall Street ...which first discerned the potential of a widening Atlantic Community'.⁷⁶

Supported by his father, who was a partner in a London-based American investment firm, and the Drexel family of Philadelphia, J.P. Morgan in 1871 engaged in the sales of US government bonds in Europe. The bankruptcy of Jay Cooke, who along with German- Jewish bond dealers in Frankfurt had hitherto monopolized this circuit, allowed Drexel & Morgan to capture a substantial share of the market and to restore the confidence of foreign investors, shaken by Cooke's default. After his initial successes in the international bond market, Morgan turned to the fraud-ridden railroad investment scene. The reorganization of Vanderbilt's New York Central Railroad brought him a directorship of that important line 'as the holder of proxies for English purchasers who trusted his judgment'.⁷⁷ A lasting connection with France was established as early as 1871, when Morgan successfully floated a French loan of 250 million francs, meant to prop up bourgeois class rule against the Paris Commune. Since the opening of the Suez Canal a few years before, Morgan had also been the US agent of the Canal Company.⁷⁸

During World War One, the accumulated interests and resources of the Morgan Bank made it the critical element in the constellation of interests supporting Wilson's policy of intervention on the side of the Allies. In a sense, the period of Morgan hegemony was terminated by the creation of the Federal Reserve System in 1913, the year also when J.P. Morgan died and was succeeded by J.P. Morgan Jr. and Thomas Lamont. American international money capital, however, was bolstered dramatically when at the outbreak of the war Wall Street bankers were successful in maintaining American gold convertibility notwithstanding the belligerents' suspension of debt payments and the alarming outflow of gold from the United States. Fully aware of the importance of

⁷⁶ John Chamberlain, *The Enterprising Americans. A Business History of the United States* (New York, Harper & Row, 1963), pp. 166-167.

⁷⁷ *Ibid.*, p. 171.

⁷⁸ Olivier Pastré, *La stratégie internationale des groupes financiers américains* (Paris, Economica, 1979), p. 248.

convertibility if their ambition to capture the commanding heights of the Atlantic economy was to be realized, their determination decisively contributed to making New York the world's banking centre.⁷⁹ The impoverishment of the belligerent European countries in the course of the war further consolidated this development. The liquidation of about \$3 billion worth of investments in the United States, as well as the American loans made by Morgan and others to the Allies, turned the United States from the world's leading debtor to the world's leading creditor state. Although its function as a quasi-central bank had been taken away, and even its pre-eminence on Wall Street challenged by newcomers, the Morgan Bank remained the bulwark of activist involvement in European affairs and, until 1929, the lender of last resort to Atlantic capitalism.

Morgan had led wartime lending to the Allies: \$1.4 billion out of a total of \$1.7 billion of US loans to Britain and France. It also handled the liquidation of European holdings of American securities to a combined value of \$3 billion for Britain and \$51 million for France. Postwar reconstruction loans to France and Britain again involved \$450 million dollars, also floated by Morgan. All these loans were solidly guaranteed and repaid with preference, so that *Fortune* in 1933 could write that of all Morgan deals with Europe, 'none were in default'.⁸⁰

Following its assumption of control over the inflow of foreign investment funds in the 1890s, the House of Morgan used its international financial resources to organize an unprecedented empire of industrial and utility trusts. Each of the major trusts formed by Morgan attracted substantial European capital and became important vectors of a liberal Atlantic capitalism. Thus, in 1892, the General Electric Company was formed in order to oust Henry Villard, the agent of the Deutsche Bank and Siemens, from one of the constituent companies, the Edison (in 1907, this development was complemented by a trans-Atlantic cartel between

⁷⁹ Faulkner, *Decline*, p. 34; E. V. Morgan, *A History of Money* (Harmondsworth, Penguin, 1969), p. 165.

⁸⁰ *Fortune*, August 1933, p. 81. Figures from Faulkner, p. 88.

General Electric and its German counterpart, AEG).⁸¹ In 1901, United States Steel was formed, which almost alone absorbed the Dutch portfolio capital liquidated as a consequence of the Boer War. Between 1900 and 1906, Morgan saved the ailing Bell System from the narrow profit-greed of its original Boston financiers and sold massive numbers of new American Telephone and Telegraph shares to European investors.⁸² Until the breakthrough of a state-monopoly tendency in the American bourgeoisie in the 1930s, the House of Morgan's hold on the American economy remained paramount.

Kuhn, Loeb & Co. has generally been seen as Morgan's principal rival amongst the pre-war American investment banks, backing Morgan's great opponent in the railway field, E.H. Harriman. The bank, as well as the principal owners, the Schiff and Warburg families, belonged to a common generation in the American capitalist class, and, as Brooks notes in his study on the subject, gradually arrived at 'an armed truce (with Morgan) that amounted at times to an alliance to repel new invaders'.⁸³

In the Atlantic context, however, an important difference remained, traceable to the Jewish-German origins of Kuhn, Loeb. The Warburgs, in particular, were an Atlantic rather than an American banking family, and their investment bank in Hamburg made for a lasting interest in German affairs setting them apart from Morgan. Significantly, European loans during the period around the turn of the century, when the United States already briefly served as Europe's banker, were handled by Morgan in the case of Britain (to an amount of \$223 million, one-fifth of the total cost of the Boer War), and by Kuhn, Loeb in the case of the 1899 German loan of \$20 million.⁸⁴

⁸¹ R. Liefmann, *Beteiligungs- und Finanzierungsgesellschaften* (Jena, Fischer, 1923, 4th ed.), pp. 77-87; Chamberlain, *Enterprising Americans*, pp. 194-195.

⁸² K.D. Bosch, *De Nederlandse Beleggingen in de Verenigde Staten* (Amsterdam, Elsevier, 1948), pp. 342-343. J.C. Goulden, *Monopoly: The Real Story of the American Telephone and Telegraph Company* (New York, Pocket Books, 1970, rev. ed.), pp. 53, 60-61.

⁸³ John Brooks, *Once in Golconda: A True Drama of Wall Street, 1920-1938* (New York, Harper & Row, 1969), p. 50.

⁸⁴ Faulkner, p. 87.

In a subsequent context, this German connection acquired additional relevance when it became part of the emerging Rockefeller group, crystallizing around the Chase National Bank, which in 1912 was still controlled by Kuhn, Loeb, and Standard Oil of New Jersey. The Bank of Manhattan, with which the Chase National bank was to merge in 1955, also had a strong Kuhn, Loeb influence; J.P. Warburg for a time served as its chairman of the board.⁸⁵

As long as Atlantic unity was primarily conceived as union with the British Commonwealth, Morgan men were prominent among its American supporters. However as the centre of economic power in Europe shifted to the continent and the Atlantic Union concept lost weight, the Atlantic Partnership concept subscribed to by the Rockefeller group, and expressive of the state-monopolistic tendency, came to the fore instead. Below, we shall see that Morgan allegiance to liberal Atlanticism derived not only from its economic interests but also from the Anglo-Saxon chauvinism the group had espoused during the Progressive Era. First, however, we shall briefly review the role in the Atlantic economy of the remaining, continental European countries.

3. Continental European Capital

On the European continent, industrial capitalism lagged behind the Anglo-Saxon countries in escaping the tutelage of landed aristocracy, and where this was not the case, as in the Netherlands, capitalism was an appendage of the British Empire and tended to be confined to the sphere of circulation. International bankers were part of the class configurations of all countries involved, but not only were the classes on which they were primarily dependent for their operations different (ranging from the mass of small farmers and entrepreneurs in France to large-scale industry in Germany), but the orientation of their internationalization also varied. For most international bankers in continental Europe, the Eastern European orbit of international money capital was more important than the Atlantic circuit. Therefore, if there was a definite segment of the bourgeoisie in

⁸⁵ Liefmann, *Beteiligungsgesellschaften*, p. 77; G. Baumann, *Atlantikpakt der Konzerne* (Berlin, Die Wirtschaft, 1952), p. 36.

these countries which was the typical product of the era of the internationalization of money capital, its liberal internationalism was neither hegemonic at the time, nor did it necessarily imply a maritime, Atlantic orientation. In fact, the Atlantic orientation of most of the continental Western European bourgeoisies would only arise in the actual period of Atlantic integration, when relations with Eastern Europe were severed by socialist expropriations and the subsequent economic blockade imposed by the United States. Yet to the extent that a segment of the bourgeoisie proved receptive to this change of orientation, as well as to the liberalization policies which accompanied it, its antecedents reached back to the liberal era.

With this in mind, let us look at the capitals engaged in the Atlantic economy. First, Germany. German money capital was much less engaged than its counterparts in the older colonial empires in the international circuit of money capital as a separate fraction. To the extent it did, the Jewish brokers in Frankfurt dealing in American government bonds represented the oldest financial ties between the United States and Germany. Prominent among the Frankfurt money merchants were Speyer (which in 1839 also was established in New York and in the first decade of the twentieth century even developed into the temporary centre of a group of Chicago banks and Western railroad lines), Stern, and Sulzbach, Hallgarten & Co.⁸⁶ The trade in precious metals, originally part of banking, gradually developed into a branch in its own right, incorporating trade in non-ferrous metals in the process. Its main centre was also the liberal Jewish merchant community of Frankfurt, and the Metalgesellschaft of the Merton family, which, with its sister firm DEGUSSA, before the First World War commanded a network of interests covering the entire North Atlantic area. On several occasions, notably following the German defeats in the two world wars, the Mertons would testify to their liberal antecedents. So, too, would (after 1945) Hermann J. Abs, a banker of Delbrück, Schickler, one of the private banks in the orbit of the Metalgesellschaft. In 1937, on account of his expertise in

⁸⁶ Liefmann, pp. 68-87.

international money transactions, Abs was co-opted into the board of directors of the Deutsche Bank.⁸⁷

A second investment bank centre with important Atlantic connections was Hamburg. Apart from the Warburg bank, mentioned already as a partner of Kuhn, Loeb, J.H. Schröder & Co. (like Warburg, owning an important London branch) was prominent in this respect.⁸⁸ The characteristic form of German internationalization, however, was the interlocking expansion of bank capital and technologically advanced industry. The great electricity holdings—AEG, Bosch, and Siemens—together with the Deutsche, and Dresdner Banks formed the core of this faction, which also loosely included the light chemical industry (BASF and the once-famous Scheidemandel concern). As far as the banks were concerned, the Dresdner Bank in 1905 concluded a business agreement with Morgan. The Atlantic bond here was embodied by the Zinsser family, directors in both banks and eventually commanding, through the marriages of Zinsser daughters with Konrad Adenauer, Lewis Douglas, and John McCloy, a formidable Atlantic kin-system of its own. On the whole, however, 'German capitalist relations with Morgan, who as before remained the proven trustee of British capital in the United States..., remained limited and transitory'.⁸⁹

The Deutsche Bank, which from an early date was involved in oil, notably in Rumania, developed its Atlantic links mainly from a sphere-of-interest point of view. In 1913 it concluded an oil market agreement with Rockefeller. Relations with Rockefeller, if not always very successful, dated back before the turn of the century to Henry Villard, Deutsche Bank's US agent, who challenged Morgan on several occasions.⁹⁰ The

⁸⁷ Kurt Pritzkolet, *Männer, Mächte, Monopole. Hinter den Türen der westdeutschen Wirtschaft* (Düsseldorf, Rauch, 1960, 2nd ed.), pp. 489-490.

⁸⁸ Kurt Pritzkolet, *Das kommandierte Wunder. Deutschlands Weg im zwanzigsten Jahrhundert* (Vienna, Desch., 1959), pp. 199-203.

⁸⁹ Alfred Vagts, *Deutschland und die Vereinigten Staaten in der Weltpolitik*, 2 vols. (New York, Macmillan, 1935), vol. 1, pp. 429-430.

⁹⁰ Ibid., pp. 445-446; Kurt Gossweiler, *Grossbanken, Industriemonopole, Staat. Ökonomie und Politik des staatsmonopolistischen Kapitalismus in Deutschland 1914-1932* (Berlin, DEB, 1975), p. 40.

sphere-of-interest relation with Rockefeller would acquire new pertinence in the state-monopoly era, when the chemical and oil trusts in their respective orbits entered into extensive cartel agreements lasting well into World War Two. Again, the thrust of German bank capital in this era was not primarily to the other side of the Atlantic; on the contrary, the biggest German private bank of the era, Mendelssohn & Co. was the chief foreign banker of the Russian Czar, while Bleichröder, another key Berlin bank, was strong in Austria and Italy. The Cologne banks, meanwhile, were intertwined with French interests.⁹¹

It was from the vantage-point of a general ideological liberalism and an awareness that confrontation with the United States and Britain would irreparably damage the global opportunities for expansion of German capital, rather than on account of any 'special relationship', that the German-American Economic Board formed in 1914. Represented in this body were the shipping Hamburg-Amerika and Norddeutsche Lloyd, the Deutsche and Dresdner Banks, DEGUSSA, Bosch, one steelmaker (Becker), mining representative.⁹² By this time, the liberal-international fraction of the bourgeoisie, led by Walter Rathenau of AEG and the head of the liberal employers' organization, Gustav Stresemann, already been defeated by the conservative alliance between heavy industry and the big landed interests.⁹³

After Britain and Germany, the Netherlands was the third major investor in the United States on the eve of World War One. Dutch capital exports on balance were made possible by capital income from the Dutch East Indies, particularly after 1900.⁹⁴ Investors in America, therefore, often had a colonial background, which at a later stage would make for a relatively easy adjustment to the neo-colonialism championed by the

⁹¹ Liefmann, p. 402; Stephen A. Schuker, *The End of French Predominance in Europe. The Financial Crisis of 1924 and the Adoption of the Dawes Plan* (Chapel Hill, NC, University of North Carolina Press, 1976), p. 92 note. 2nd

⁹² Gossweiler, *Grossbanken*, pp. 240-241.

⁹³ *Ibid.*, pp. 19-21; G.W.F. Hallgarten and J. Radkau, *Deutsche Industrie und Politik von Bismarck bis heute* (Frankfurt, Europäische Verlagsanstalt, 1974), p. 73.

⁹⁴ Bosch, *Nederlandse Beleggingen*, pp. 326-327.

Americans. The fact that the position in Indonesia had been dependent on British goodwill since Napoleonic times (reinforced in 1871 by the Sumatra Treaty allowing an Open Door policy for British capital in the East Indies) further facilitated the post-1945 transition from the colonial Pax Britannica to the wider American empire.⁹⁵

Amsterdam was the pivot of the capital circuits between the Indies, Britain, and, subsequently, the United States. Between 1864 and 1912, the import from Indonesia of tin, petroleum, tea and tobacco developed spectacularly under the auspices of Nederlandsche Handel-maatschappij (NHM), the government-sponsored merchant company. Colonial shipping likewise expanded, but the Atlantic route was left to the Rotterdam-based Holland-Amerika Line. Money capital in the Netherlands kept aloof from domestic industrial investment, concentrating on foreign securities instead. In 1900, there were 366 money and bond-dealing firms in Amsterdam alone. One of the oldest was Hope & Co., a major dealer in American securities. When in 1902, a group of financiers formed the Hollandse Beleggingscompagnie to develop investment in the United States, its directors included the top men of Hope, NHM, and the Amsterdam Chamber of Commerce.⁹⁶ The biggest Dutch bank at the time, the Twentse Bank, associated with the textile and machinery industries, operated a London subsidiary together with the NHM (the latter in the twentieth century became a bank and in 1964 merged with the Twentse Bank into the present ABN).

Royal Dutch Shell developed as a colonial venture with close ties to the NHM before linking with the British Samuels and assuming its double name and nationality. In 1908-09, the Kessler family, one of the founders of Shell, ventured into American oil exploration. They were soon followed by Shell itself, which in 1911 acquired the Roxana Petroleum Corp, then in 1915 established Shell Oil of California.⁹⁷ H. Colijn, the most prominent spokesman of the liberal-internationalist fraction in Dutch politics, was

⁹⁵ Bode, 'De Nederlandse bourgeoisie', p. 32; Voorhoeve, *Peace, Profits and Principles*, p. 108.

⁹⁶ Bosch, p. 352.

⁹⁷ *Ibid.*, pp. 409-413.

linked to Royal Dutch in Indonesia. In the Protestant Anti-Revolutionary Party, Colijn represented the upper-class, pro-British orientation against the petty-bourgeois membership led by Abraham Kuyper. In 1911 Colijn as Secretary of War reversed the pro-German policy Kuyper had introduced at the time of the Boer War, and in the 1930s, as Prime Minister, Colijn would come to embody the determination of Dutch money capital to maintain the gold parity of the guilder up to the last.

The other major West European powers—France, Belgium and Italy—were oriented mainly to Middle and Eastern Europe, the Mediterranean area, as well as Africa and East Asia. Participation in the Atlantic circuit of money capital was almost negligible as a factor in the crystallization of a liberal-internationalist fraction.

For France, a country in which even industrial firms injected their savings into the international circulation of money capital and where bank capital reigned supreme until after World War Two, capital exports were primarily directed from the late 1880s towards the Russian Empire. The acceleration of French capital exports at the close of the century was only marginally related to the new profit opportunities in North America. The Rothschilds, it is true, had been operating in New York since 1837, but 'Frenchmen were either too cautious or insufficiently informed about their opportunities in the American capital market'.⁹⁸ Of the two international investment banks formed at this juncture, one sponsored by Rothschild (the Banque de Paris et des Pays-Bas, or Paribas), the other, (the Banque de l'Union parisienne or BUP), established in 1904 by Protestant high finance and the steel barons, Schneider and De Wendel—only the latter, notably through one of the constituent bank houses, Hottinguer, was active in the Atlantic circuit of money capital. In 1905, a special Société financière franco-américaine was formed to centralize Atlantic investment.⁹⁹ Yet when after World War One this group made itself the

⁹⁸ H. Blumenthal, *France and the United States. Their Diplomatic Relations, 1789-1914* (Chapel Hill N.C., University of North Carolina Press, 1970), p. 162.

⁹⁹ E. Beau de Loménie, 'La Haute Banque', *Le Crapouillot*, no. 16 (1952), pp. 22-25; Henri Claude, *Histoire, réalité et destin d'un monopole: la Banque de Paris et des Pays-Bas et son groupe (1872-1968)* (Paris, Éditions Sociales, 1968), p. 21.

spokesman of the expectation that French imperialism might be allowed a free hand in the formerly German sphere-of-influence, it met with unexpected Anglo-American resistance. At the International Trade Conference of 1919, Eugène Schneider, speaking as head of the French delegation and president of the French steel association, declared that 'France does not want to compete with her allies in the foreign markets, but she wants to supersede Germany in the countries where German industry had the lead before the war.'¹⁰⁰

As we shall see below, the American and British bankers controlling the Atlantic circuit of money capital, and intent on its post-war restoration, considered the annexationist designs of the French (and Belgian) liberal bourgeoisie as an obstacle to their strategy of bolstering Germany as a bulwark of counterrevolution. To the extent that contemporary French politics allowed an Atlantic-liberal orientation, it was represented by the Protestant banking aristocracy and by Schneider and De Wendel, as well as colonial capital in their orbit (the Banque de l'Indochine from which the Giscard family later emerged) and the Suez Canal Company (which eventually, as a bank would engulf them all in the 1960s).

The majority of Belgian capital exports, like the French, went to Russia, but Belgian high finance developed a more cosmopolitan outlook based on extensive investments in international tramway construction and electrification. Especially prominent was the Empain group, whose head, Baron Empain, was described by Liefmann as 'the most significant financier of Belgium',¹⁰¹ and was closely linked to the Schneider group, after World War Two taking over its heavy industry interests.

In 1908, a Belgian holding of electricity interests was established with ties to AEG and General Electric, SOFINA. Its president, Dannie Heineman, an American of German origin, was vice-president of Hoover's Relief Commission for Belgium, and also was a close friend of Wilson's adviser,

¹⁰⁰ Quoted in G.L. Ridgeway, *Merchants of Peace. Twenty Years of Business Diplomacy through the International Chamber of Commerce 1919-1938* (New York, Columbia University Press, 1938), p. 32.

¹⁰¹ Liefmann, p. 181.

Colonel House. Heineman's role in propagating Wilson's universalism was paralleled in the context of Atlantic integration by the activities of Paul van Zeeland, Belgian Prime Minister and one of the architects of Atlantic unity, who joined the SOFINA board while in Washington during World War Two.¹⁰²

In Italy, a Schneider connection was again a tell-tale sign of a common liberal-internationalist perspective. It developed when the Credito Italiano of Genoa, linked to Pirelli and Agnelli (FIAT), made an attempt to challenge the powerful Banca Commerciale of Milan and sought Schneider's support. The Commerciale, backed by Rothschild and Bleichröder, had built a heavy industry group with state support. The rival interests combining against it tended to rely more heavily on international capital markets, and thus became orientated to the Allied side in World War One. 'The steel trust depended on legislative and executive favour to stay in business', Webster writes, 'but Pirelli and Agnelli did not. They built up Italian industrial systems linked to foreign markets and collaborators without any state favour at all. Only later did these systems come to have political weight as part of a set of national interests pulling Italy towards the Entente.'¹⁰³

A prominent liberal-internationalist critic of the entanglement of state and private interests in the steel and armaments trusts (exemplified by the profit-bloated Ansaldo and Ilva groups) was L. Einaudi, the eventual Minister of Finance at the time of the Marshall Plan.¹⁰⁴

On the eve of World War One, 'Atlanticism' provided a basic frame of reference for the bourgeoisie engaged in the operation of the international circuit of money headquartered in the City of London, Wall Street and

¹⁰² *Biographie Nationale* (Brussels), vol. XL, suppl. 12, 'Heineman, Dannie-N.'; André Mommen, *De teloorgang van de Belgische bourgeoisie* (Leuven, Kritak, 1982), p.62.

¹⁰³ R. A. Webster, *Industrial Imperialism in Italy 1908-1915* (Berkeley, Cal., University of California Press, 1975), pp. 123-124, cf. 64-66. The distinction made by Martinelli and his associates between 'supported entrepreneurs' and 'private financiers' is particularly relevant here, cf. Martinelli, Chiesi, and Dalla Chiesa, *I Grandi imprenditori*, p. 53.

¹⁰⁴ J. Peterson, 'Faschismus und Industrie in Italien 1919-1929', in G. Dill et al., eds., *Gesellschaft. Beiträge zur Marxschen Theorie*, vol. 7 (Frankfurt, Suhrkamp, 1976), p. 150.

Amsterdam. Despite its epic scale, however, this Atlantic rentier economy was only one of several primary capital- circuits. For example, the continental European countries were first of all oriented toward trade and investment in Eastern Europe and colonial spheres.

It was, above all, the Bolshevik Revolution, by taking Russia out of the imperialist system and ruining the Czar's Western investors, that ensured that the Atlantic circuit of money capital, and the superstructure which had grown up with it, would become the privileged pivot of international capitalism. The loss of Eastern Europe and the crisis of colonialism after World War Two, further consolidating the systemic confrontation along the American-Soviet axis, only reinforced this process.

Wilson's response to the Russian Revolution mobilized the liberal-internationalist fraction, above all the 'Atlanticist' segment discussed in this section. The revival and extension of Wilson's policies by his successors, in the context of Atlantic integration, continued to bear the marks of liberal antecedents in both content and class support. Therefore we now turn to the specific concept of control developed by the Anglo-American protagonists of Atlantic unity and to Woodrow Wilson's foreign policy through which it was first applied to actual Atlantic relations.

3

The Wilson Offensive

For the bourgeoisie of the liberal age, the circulation sphere still largely served as the context in which they defined and legitimized their hegemony, but the money-capital concept differed from a merely mercantile perspective by its comprehensiveness in regard to the totality of capitalist production. This implied the incorporation (albeit on a still subordinate level) of an industrial point of view, as well as a concern over working-class and popular support for expansion abroad. Indeed, the internationalization of the circuit of money capital depended on the conscious construction of a mass political consensus to support it. This was the contribution of the great architects of social imperialism like Cecil Rhodes and Chamberlain in Britain or Rathenau in Germany.¹⁰⁵

In Europe, intense national rivalries tended to subsume the 'social' dimension of imperialism into traditional national chauvinism, climaxing in the rallying of the Social Democrat majorities to their respective

¹⁰⁵ Cf. Lenin on Rhodes's concern in this respect, in *Imperialism, the Highest Stage of Capitalism* (1917) in *Collected Works*, 39 vols. (Moscow, Progress), vol. 22, p. 257. For Germany, H.-U. Wehler has taken the notion of 'social imperialism' as his point of departure. Cf. H.-U. Wehler, 'Industrial Growth and Early German Imperialism' in R. Owen and B. Sutcliffe, eds., *Studies in the Theory of Imperialism* (London, Longman, 1972), and *Bismarck und der Imperialismus* (Cologne, Kiepenheuer & Witsch, 1970).

bourgeoisies in 1914. In the context of the Atlantic economy, however, a social imperialism crystallized which tended to assume a more universalist, 'ultra-imperialist' quality (as Kautsky typed it in a famous 1914 article).¹⁰⁶ Eventually, through the Wilson intervention and with the shift of the centre of gravity of capitalism to the North Atlantic basin, this brand of social imperialism laid the foundations for working-class support for Atlantic integration at a later stage and made it swallow the 'passive revolution' Atlantic capitalism had in store for it.

1. Capitalist Universalism and Anglo-Saxon Chauvinism

The dream of the Rhodes trustees and Joseph Chamberlain to make British imperialism part of a wider Anglo-Saxon union was reciprocated from the other side of the Atlantic. Here, Anglo-Saxon chauvinism developed in the context of Progressivism, a disparate social and ideological movement through which the American bourgeoisie and middle classes responded to the rise of the trusts and mass immigration after the turn of the century. Idealizing the past for its gentlemanly democracy and individualism, the descendants of the first generations of colonists, mostly of British descent, felt particularly threatened by the hordes of immigrants from Southern and Eastern Europe crowding the rapidly expanding cities and subscribing to alien ideologies like Anarchism and Marxism. Progressivism, for all its exaltation of good government and municipal reform, scarcely concealed its quest for ethnic purity.¹⁰⁷

The anti-trust and petty-bourgeois orientation of the Progressive Movement did not prevent important segments of the American ruling class from subscribing to its goals. The foreign expansion of US capital, then coming of age, and the threat posed by urban mass politics to WASP civic hegemony, provided a framework for working out a new concept of control along the lines of social imperialism. The task was taken up notably by the National Civic Federation, constituted in 1900. In the NCF,

¹⁰⁶ K. Kautsky, 'Der Imperialismus', *Die Neue Zeit*, 1913-1914, vol. 2 (1914).

¹⁰⁷ Cf. Roger E. Wyman, 'Middle-Class Voters and Progressive Reform: The Conflict of Class and Culture', *The American Political Science Review*, vol. 68, no. 2 (June 1974), p. 503.

forward-looking elements in the American bourgeoisie with an interest in the internationalization of capital worked out a new flexible attitude towards the working class.

In politics, Theodore Roosevelt and Woodrow Wilson were the most prominent representatives, not of the original Progressivism, but of the synthesis resulting from its adoption by the ruling class. As Woodrow Wilson put it, circumstances forced him to become a Progressive 'because we have not kept up with our changes of conditions, either in the economic field or in the political field'.¹⁰⁸ Reform and regulation, demanded by Populists and Progressives, and undertaken by 'responsible' government, therefore adjusted social aspirations to the new forms of capitalism rather than the other way around.¹⁰⁹

Anglo-Saxon chauvinism as it developed in Progressive America had many affinities with European social imperialism. In Bukharin's opinion, Anglo-Saxon 'love of liberty' was only 'a less vulgar but no less untenable attempt to advance a territorial-psychological theory. The place of "race" is here taken by its substitute, the "middle European", "American" or some other humanity.'¹¹⁰ In the American working class, it fostered various forms of ethnic and racial prejudice—the latter exemplified by the segregation practices of the American Federation of Labor (AFL). The AFL, organizing skilled craftsmen of Anglo-Saxon or old-immigrant descent, became under the leadership of Samuel Gompers a crucial support of American expansion abroad. As the American black leader, W.E.B. DuBois wrote in 1915, 'It is no longer simply the merchant prince, or the aristocratic monopoly, or even the employing class, that is exploiting the

¹⁰⁸ Quoted in K.R. Spillmann, 'Wilsonian Ideas and European Politics: A Comparative Analysis of Peace Aspirations' in A.N.J. den Hollander, ed., *Contagious Conflict. The Impact of American Dissent on European Life* (Leiden, Brill, 1973), p. 131.

¹⁰⁹ Gabriel Kolko, *The Triumph of Conservatism. A Reinterpretation of American History 1900-1916* (New York, Free Press, 1963), p. 2.

¹¹⁰ N. Bukharin, *Imperialism and World Economy* (London, Merlin, 1972), p. 112.

world. It is the nation, a new democratic nation composed of united capital and labour'.¹¹¹

However, the position from which the United States embarked upon a course of foreign expansion differed fundamentally from the trajectory of British imperialism. Whereas in Britain, social imperialism had to be subordinated to the defence of existing imperial interests and hence acquired the narrowly national, and even reactionary quality referred to already; in the United States, Anglo-Saxon chauvinism could be inserted in a much more positive doctrine, since American capitalism expanded abroad by establishing an informal empire cutting across the existing division of the world into formal colonial empires. Democracy at home, made visible by reforms, thus was complemented by international democracy, proclaiming national self-determination and the 'Open Door'. The combination, giving expansion abroad the aura of a civilizing mission, is captured by the notion of *universalism*, defined by Schlesinger as a view of the world by which 'all nations share a common interest in all the affairs of the world' and as such distinguished from the sphere-of-interest view by which 'each great power would be assured by the other great powers of an acknowledged predominance in its own area of special interest'.¹¹²

Significantly, the 'Open Door Notes' in which the principles of American expansion abroad were laid down, and the already mentioned Chamberlain proposal for an Anglo-American union, were products of the same episode. In 1898, the British, who because of their preponderant position in the China trade had traditionally defended a policy of free access in that country, solicited American support against interlopers seeking exclusive railway and mining concessions from the Chinese government. The Americans at first did not respond at all, much to the

¹¹¹ W.E.B. DuBois, 'The African Roots of War' (1915), *Monthly Review*, vol. 24, no. 11 (April 1973), p. 32. On the AFL and the IWW, Mike Davis, 'Why the US Working Class is Different', *New Left Review*, no. 123 (September-October 1980), p. 36; Gossett, *Race*, pp. 287, 291.

¹¹² A.M. Schlesinger, Jr., 'Origins of the Cold War', *Foreign Affairs*, vol. 46 no. 1 (October 1967), p. 26.

dismay of the US ambassador in London, John Hay. Hay, according to a Rhodes Trust propagandist writing in the 1930s, was the 'chief advocate of English-speaking solidarity (among American statesmen)',¹¹³ and when he later in 1898 became Secretary of State, he elevated the idea of the Open Door to a general principle. The British in the meantime had taken a major step towards securing a sphere-of-influence of their own by the lease of Kowloon in June, which exposed the opportunist quality of their appeal to free trade and of Anglo-Saxon solidarity. On the other hand, the Open Door henceforward remained associated with Anglo-American understanding, reinforcing the democratic connotation of Anglo-Saxon chauvinism as it functioned in the context of American expansion.¹¹⁴

At this juncture, the looming conflict between British imperial interests and American universalism could still be reconciled on account of specific complementarities suggesting common interests. This applied notably to both countries' dependence on naval power. The United States has certainty after a very high order', the advocate of American sea-power, Captain Mahan, wrote to Theodore Roosevelt in 1904, 'that the British Empire will stand substantially on the same lines of world privileges as ourselves; that its strength will be our strength, and its weakening an injury to us'.¹¹⁵ The Washington Naval Conference of 1921-22 in this respect was the last episode of mutual agreement; in World War Two, Churchill's attempt to formulate Atlantic unity in these traditional terms was overruled by Roosevelt's universalism.

The famous journalist, Walter Lippmann, eventually became, as a result of his role in World War One, the most prominent spokesman both for universalism and for the Atlantic dimension which it would assume later in the Roosevelt offensive. Lippmann's writings drew heavily on Anglo-Saxon chauvinism, and like Morgan partner Thomas Lamont and scholar Whitney Shepardson, Lippmann was a member of the American Round

¹¹³ L. Gelber, *The Rise of Anglo-American Friendship. A Study in World Politics* (Hamden, Conn., Archon, 1966), p. 21.

¹¹⁴ Cf. George F. Kennan, *American Diplomacy 1904-1950* (New York, Mentor, 1952), pp. 25-41 on the Open Door episode.

¹¹⁵ Quoted in Gelber, *Anglo-American Friendship*, p. 134.

Table group, a branch of the British Round Table. In the *New Republic*, a liberal publication sponsored by the Whitney family (utility magnates) and Morgan partner Willard Straight, Lippmann on 9 December 1916 wrote that the American feeling for France 'is the free friendship men give to those whom they meet only in their leisure', whereas with the British, 'we have to-day the discordant intimacy of business partners and family ties'.¹¹⁶

As American entry into the war became a more urgent requirement to the British and to the US (especially Morgan) interests supporting them, Lippmann's arguments became more explicit in pointing out their community of interests and he coined the notion of a wider Atlantic community. Discussing the threat to the routes posed by German submarine warfare, Lippmann in a February 1917 article entitled 'The Defence of the Atlantic World' wrote that 'the safety of the Atlantic highway is something for which America should fight. On the shores of the Atlantic Ocean there has grown up a profound web of interests which joins together the Western World. Britain, France, Italy, even Spain, Belgium, Holland, the Scandinavian nations, and Pan-America are in the main one community in their deepest needs and their deepest purposes. They have a common interest in the ocean which unites them, they are today more inextricably bound together than most even as yet realize.'¹¹⁷

Lippmann's objective, in line with the general thrust of American universalism, was not to preserve the existing state of imperialism, but, rather, to restructure it into a more dynamic configuration capable of dealing with new challenges like nationalism and socialism. He saw German imperialism in particular as the embodiment of a reactionary system of international relations, incapable of withstanding the impact of socialism. US involvement was necessary to imbue European capitalism with new confidence (as well as to shore up the Western Front). American association with an Atlantic community, according to Lippmann in another *New Republic* article, 'would weight it immeasurably in favour of liberalism, and make the organization of a league for the peace an

¹¹⁶ W. Lippmann, *Early Writings* (New York, Liveright, 1970), p. 53.

¹¹⁷ *Ibid.*, p. 73.

immediate practical object of statesmanship. By showing that we are ready now, as well as in the theoretical future, to defend the western world, the cornerstone of federation would be laid.' In such a federation, a democratic Germany eventually could be included as well.¹¹⁸

At the same time, Lippmann took care to emphasize the Open Door tenets central to Wilsonian universalism, which put him apart from the British imperialists he was associated with in the Round Table group. Arguing that national sovereignty as a concept no longer 'governed the facts', he put his pleas for internationalism in the perspective of 'cooperative control of those vital supplies on which human life depends'.¹¹⁹ Obviously, this was a position that conservative imperialism could not possibly subscribe to, although bank capital represented a cosmopolitan interest in Europe as well.¹²⁰ Only where the industrial point of view had been integrally incorporated into liberal internationalism, could a position like Lippmann's acquire a resonance. In this respect it is significant that Walter Rathenau of AEG in 1913 argued the objective necessity of arriving at a global system of shared control of raw materials in almost identical terms. 'No territory of the earth should be definitively and autonomously sequestered by a power incapable of making the riches of its soil and surface useful to the general welfare. The earth is not big and rich enough to allow the luxury of autonomous semi-civilizations to exist to the detriment of world production.'¹²¹ This apparently disinterested universalism, which Rathenau attempted to insert into a social-imperialist consensus in order to stave off socialist revolution after World War One, was, however, unacceptable to the conservative German bourgeoisie and cost him his life in 1922 at the hands of an ultra-nationalist assassin. At this juncture only American capitalist ideologues were in a position where they could afford to propose transcendent schemes of bourgeois universalism.

¹¹⁸ *New Republic*, February 17, 1917, in *Ibid.*, p. 75.

¹¹⁹ *New Republic*, April 28, 1917, in *Ibid.*, p. 84.

¹²⁰ Cf. R. Girault, 'Ein neues Bild des Französischen Unternehmers um 1914', in G. Zieburg (with H.-G. Haupt), ed., *Wirtschaft und Gesellschaft in Frankreich seit 1789* (Cologne, Kiepenheuer & Witsch, 1975), for French bank capital in the imperialist era.

¹²¹ Selection in Opitz, *Europastrategien*, p. 206.

Lippmann on account of his excellent credentials with the Atlanticist fraction in both countries was selected to explain Wilson's Fourteen Points to the British government in 1918. From Europe, he continued to urge Wilson to intervene in European affairs and thus save European capitalism from collapse. 'Utterances from the United States...will show the way to the Liberals in Great Britain and in France, and therefore will restore national unity in purpose', Lippmann wrote in a co-authored memorandum to the President dated January, 1918. 'These liberals will rapidly accept the leadership of the President if he undertakes a liberal diplomatic offensive, because they will find in that offensive an invaluable support for their internal domestic troubles'.¹²² Hitherto, the European liberal bourgeoisie had been able both to contain domestic working-class pressures and to maintain a degree of autonomy *vis-à-vis* the United States,¹²³ but the Russian Revolution threw them into the arms of Wilson and the universalist policy he had been cultivating for several years.

The Crusade for Democracy

The revolution would not have been confined to Russia had it not been for the entry of the United States in the crucial final stage of the war and the tremendous power thus thrown into battle on the side of liberal capitalism by the internationalist fraction of the American bourgeoisie led by Wilson. By his handling of the crisis of European imperialism and the revolutionary challenge that arose from it, Wilson set a historical example of how to bring unity of purpose to the liberal capitalist world and isolate its opponents.

The World War had been largely ignited by rivalries arising from intersecting circuits of money capital and related railway and armaments programmes in Eastern Europe. These rivalries drew France to the side of

¹²² Quoted in Arno J. Mayer, *Political Origins of the New Diplomacy 1917-1918* (New York, Vintage, 1970), p. 340.

¹²³ Cf. Lloyd George's argument against new military offensives in June 1917 in order not to weaken bourgeois Britain on these two dimensions, K. Middlemas, *Politics in Industrial Society. The Experience of the British System Since 1911* (London, Deutsch, 1979), p. 106.

Russian expansion towards the Mediterranean, while allying Germany with the Austrian-Hungarian attempt to block it or deflect it upon the disintegrating Turkish Empire.¹²⁴ Britain sided with the enemies of Germany for a host of reasons and commitments, but its rivalry with Germany centred on the challenge posed to British supremacy in world commerce and finance.¹²⁵ However, as we have seen, the thrust of British capital exports into the Atlantic circuit was increasingly bringing about a geopolitical rapprochement between the United States and Britain. When the defeat of the Central Powers cut down German imperialism to size, and the Russian Revolution struck two decades of capital investment from the books of French and Belgian capitalists, the Atlantic circuit, with Britain now a debtor of America,¹²⁶ could serve as a viable launching ground for an experiment in ultra-imperialism.

Universalism combined the Open Door and national self-determination with reformism at home. 'If you want to oust socialism you have to propose something better', Wilson told a New York audience in 1912.¹²⁷ Faced with the real revolution, Wilson by his League of Nations project and his bold encouragement of national self-determination succeeded to a considerable extent in recapturing the historical initiative from socialism. 'Instead of allowing the gigantic scale and complexity of recent developments to frighten him into status-quo thinking', Mayer writes,

¹²⁴ For an excellent summary analysis of the causes of the World War in these terms, see G.W.F. Hallgarten, 'Der Zusammenprall der Imperialismen im Jahre 1914' in *Das Schicksal des Imperialismus im 20. Jahrhundert. Drei Abhandlungen über Kriegsursachen in Vergangenheit und Gegenwart*, (Frankfurt, Europäische Verlagsanstalt, 1969).

¹²⁵ Cf. the particularly relevant selection of quotations in H. Magdoff and P.M. Sweezy, 'International Finance and National Power', *Monthly Review*, vol. 35, no. 5 (October 1983), p. 5.

¹²⁶ Cf. the table in J. M. Keynes, *The Economic Consequences of the Peace* (London, Macmillan, 1920), p. 254.

¹²⁷ Quoted in M.J. Sklar, 'Woodrow Wilson and the Political Economy of Modern United States Liberalism' (1960) in J. Weinstein and D.W. Eakins, eds., *For a New America* (New York, Vintage, 1970), p. 92.

Wilson 'courageously formulated both his thought and action with a view to steering the onrushing historical forces into orderly channels'.¹²⁸

The Wilson policy was a perceptive anticipation of the underlying social capacities of capitalism which would take the New Deal and World War Two to fully materialize in the corporate-liberal synthesis. The universalist concept of world order went beyond the deflationary liberalism of the financiers and already represented an attempt to combine a growing domestic industrial economy with commercial and financial expansion abroad. Lacking a firm basis in the contemporary class structure, Wilson's strategy of progressive counter-revolution was supported by a bourgeoisie frightened by the spectre of Bolshevism—and was discarded as soon as that threat had subsided.

By the time of the First World War, American public opinion had become considerably more cautious in its attitude towards military adventures, especially when compared to the jingoism which had applauded the exploits of Theodore Roosevelt's 'Rough Riders' during the Spanish-American War. Widespread pacifism and isolationism were accompanied by demands for reforms at home. This time, Roosevelt and other East Coast internationalists found no audience among the population for their appeals that America enter the war at the side of the Allies. This task was left to Wilson.¹²⁹

Participation on the side of the Entente was, in one sense, a predetermined fact. As Britain and the United States grew considerably closer in the decades before 1914, American relations with Germany were deteriorating in the face of commercial rivalry in Latin America, and as a result of popular US revulsion to German militarism. Morgan's and other bankers' loans had been overwhelmingly to the Allies, and American war industries were in dire need of a replacement market when the US administration in late 1916 refused to accept British and French treasury notes as payment for arms purchases after gold and dollar stocks had

¹²⁸ Mayer, *Political Origins*, p. 330.

¹²⁹ Arthur S. Link, *Woodrow Wilson and the Progressive Era 1910-1917* (New York, Harper & Row, 1963), p. 180.

been exhausted. Wilson's policy capitalized on the new primacy of Wall Street in the Atlantic circuit, but the democratic label which Wilson wanted to attach to his interventionist policy required that he first succeed in adjusting and redirecting popular aspirations for social reform to the international aspirations of American capital.¹³⁰

Wilson's universalist application of American political and economic traditions, and the comprehensive peace design which he proposed, transcended the narrow, warlike sphere-of-interest policies of the European powers. Meanwhile popular indignation was aroused by German submarine warfare, and the pro-British Secretary of State Lansing pressed for a break with the Germans. But during the summer and autumn of 1916, there was a backlash of anti-British sentiment after the ruthless suppression of the Irish uprising. The Administration, therefore, was forced to reserve the election year 1916 for the long overdue enactment of key Progressive reform projects. In Link's words, Wilson in this year 'became almost a new political creature, and under his leadership a Democratic Congress enacted the most sweeping and significant progressive legislation in the history of the country up to that time'.¹³¹ Before the actual election campaign started, rural credits regulation and labour protection were enacted, and the Presidential support for an eight-hour day was secured. Business interests were compensated by a degree of protectionism, modifying the earlier trade liberalism.

Having manoeuvred himself into a strong position by asking for a popular mandate for peace and cementing approval with progressive legislation, Wilson proceeded to translate the results into freedom of

¹³⁰ Although he questions the familiar picture of Morgan's one-man rule in Wall Street, Gabriel Kolko writes that 'Wilson was in large measure the foil of Eastern conservative Democrats against the threat of William Jennings Bryan and he was quite deliberately groomed for this role by George Harvey, a millionaire with important connections with Morgan as well as by other capitalists', Kolko, *Triumph of Conservatism*, p. 205, cf. p. 153. The influence of the East Coast internationalists and financiers was enhanced when Bryan, the Populist leader, was replaced at the State Department by the pro-British international lawyer, Robert Lansing, in June 1915.

¹³¹ Link, *Woodrow Wilson*, pp. 224-225.

manoeuvre in foreign affairs by publicly stressing the 'popular' nature of his international proposals. In December, 1916, the President asked the belligerents to define the objectives for which they were fighting. In January, he repeated this request before the Senate. The President justified this gesture by reference to the need for clarity about the details and the nature of the peace guarantee which the American people were about to underwrite. Since the Germans at about the same time announced unrestricted submarine warfare, the die was cast, although Wilson was still concerned about the future of 'white civilization' if the United States intervened. Final Congressional approval for American entry into the war still required a brief episode of outright manipulation of public opinion, for which a fake German diplomatic note (the 'Zimmermann telegram'), made public when Congress refused to grant war powers to the President, served as the instrument.¹³²

As Sumner Welles would write, between 1914 and 1917 the American people were gradually prepared 'to heed the inspired phrases of Woodrow Wilson when in 1917 he summoned them to assume their obligations as citizens of the world and to recognize their own responsibility for preserving the free institutions which had made this country great.' In this process, the Americans 'also seemed to see clearly that the triumph of the policies Wilson urged on them was indispensable if they were to safeguard their own future welfare'.¹³³ Facilitating the integration of popular aspirations and expansionist designs, Anglo-American chauvinism came strongly to the surface once the war was on. This was expressed by outright feelings of self-righteousness putting the Americans and British on a moral plane superior to that of the Germans, but also more subtly in the assumptions underlying the League of Nations project. It also developed in dialectical interplay with the new prominence of the South in the Wilson offensive.¹³⁴

¹³² Ibid., pp. 265-274; Claude Julien, *L'empire américain* (Paris, Grasset, 1968), pp. 180 etc.

¹³³ Sumner Welles, *The Time for Decision* (Cleveland, World, 1945), pp. 393-394.

¹³⁴ W.J. Cash, *The Mind of the South* (New York, Vintage, 1954), p. 199.

Like the East Coast financiers, the big Southern cotton and tobacco merchants imbued their home regions with their pervasive internationalism. With cotton prices rising until World War One, the basic rationale of Southern internationalism—the region's dependence on the world market for the sale of its cotton and tobacco—acquired a fresh relevance and a specific Atlantic dimension at that. 'The South had an immediate and continuing need for access to overseas markets', Lerche writes. 'Exporting cotton and tobacco to Europe and importing European manufactures freed Southerners to some extent from the dominance of Northern industry and gave them a sense of being participants in a broader economic system'.¹³⁵ In addition to the economic determinants, there was also a strong ethno-cultural aspect fostering identification with Britain. In the American South, a contemporary British advocate of Atlantic unity could observe, 'racial integrity is held inviolate and the torch of Anglo-Saxon ideals high aloft'.¹³⁶ Still it was the experience of the world war which mobilized Southern internationalism into a major support for at least the first two of the US offensives in the context of Atlantic integration.

Wilson was the first Southern President since the Civil War. 'Influenced as he was by such sons of the South as Colonel Edward House and Ambassador to Great Britain Walter Hines Page, Wilson approached his major crises completely in harmony with Southern predispositions. When the showdown finally came in the aftermath of the war, the South was prepared to go all the way with Wilson'.¹³⁷ When the Northern financiers and industrialists were still divided over the value of Wilson's League of Nations project, the South provided domestic support almost irrespective of the precise implications of the project. On the other hand, the social-imperialist element was lacking in Southern support for Wilson. The structural connection with Atlantic liberalism resided mainly in the free-trade aspect.

¹³⁵ Ch. O. Lerche, Jr., *The Uncertain South. Its changing pattern of politics in foreign policy* (Chicago, Quadrangle, 1964), p. 42.

¹³⁶ C. A. Brooke-Cunningham, *Anglo-Saxon Unity and other essays* (London, Selwyn & Blount, 1925), p. 89.

¹³⁷ Lerche, *Uncertain South*, p. 44.

Gompers and European Reformism

The role of the AFL in the Wilson offensive also prefigured its future participation in American offensives in the period of Atlantic integration. The AFL had associated itself closely with the pro-war drive of the Wilson administration, and the reforms of 1916 included a lumber of gestures to organized labour. In October, the AFL leader, Samuel Gompers, was appointed to the Advisory Commission of the Council of National Defence, and in 1917, Wilson addressed the national convention of the AFL, inviting its leaders to serve on the National Labor Conference and later on the National War Labor Board. The war, with its stimulus to full employment,¹³⁸ reinforced the hold of imperialist ideology not just over the trade-union bureaucracy, but also over much of the native skilled working class.¹³⁹ Their contribution to the war effort notwithstanding, however, workers' standards of living declined; only after Armistice did wages begin to catch up with prices that by 1919 had doubled over their 1915 level. By that time, a wave of strikes, involving one out of five American workers, broke the truce with the labour leaders.¹⁴⁰

Although Gompers failed to consolidate an effective Atlantic trade-union alliance (despite a mission to England), Wilson's crusade against the Bolshevik Revolution contributed much to the split in the European labour movement. Discredited by their complicity in the imperialist war, the leaders of European Social Democracy found inspiration in the radical democratic formulas of the American president and by adopting them, sought to renew and invigorate their own constituencies among the workers.

At the International Labour and Socialist Conference in Berne, February 1919, reformist socialists from 26 countries, several of them openly

¹³⁸ Unemployment started falling in 1916, reaching a record low of 1.4% in 1918. See R. B. DuBoff, 'Unemployment in the United States. An Historical Summary', *Monthly Review*, vol. 29 no. 6 (November 1977), p. 11, table 1.

¹³⁹ D.H. Kelly, *Labor relations in the steel industry: management's ideas, proposals, and programs, 1920 to 1950* (Ann Arbor, University Microfilms, 1979), pp. 47-48.

¹⁴⁰ D.Q. Mills, *Government, Labor, and Inflation, Wage Stabilization in the United States* (Chicago, University of Chicago Press, 1975), p. 18.

attacking the Bolsheviks, concurred in the opinion that the United States would be instrumental in establishing a stable world order. In a memorandum to Wilson's confidant, Colonel House, an American observer wrote that 'the entire conference showed an almost pathetic confidence in President Wilson. Speaker after speaker praised the President and insisted that the masses of Europe must stand behind him in his fight for the League of Nations'.¹⁴¹ The positive attitude of European socialists towards an enlightened capitalism holding out the promise of developing the productive forces would prove to be a recurrent phenomenon of the era of Atlantic integration as well.

Meanwhile, as wartime national unity in the United States began to crack up, the American ruling class again sought to maintain its hold over society by making use of ethnic divisions, reserving the carrot for the Anglo-Saxon, and the stick for the immigrant, working class. While many leading native socialists, like William English Walling, left the Socialist Party to support Wilson and the war (through the short-lived Social Democratic Federation), militant immigrant workers flocked to the Party's anti-war platform. At the same time, government repression, invoking an 'alien-subversive' scare, mounted implacably. Persecution radicalized the socialist foreign language federations towards Bolshevism and broke up the Socialist Party—a split 'almost entirely along the lines of national origin'.¹⁴²

In the climate of sharp class conflict and 'interiorized' Anglo-Saxon chauvinism, capitalists purposely stimulated racism by using black strike-breakers against organized white workers. Race riots erupted in St. Louis, Chicago and Tulsa, while attempts by class-conscious blacks to appeal to the AFL were rebuffed by the segregationist leadership. At a meeting of the AFL Executive Council in 1917, Gompers reprimanded a Negro

¹⁴¹ Quoted in R. Radosh, *American Labor and United States Foreign Policy* (New York, Random House, 1969), p. 291.

¹⁴² J. Weinstein, 'Socialism's Hidden Heritage: Scholarship Reinforces Political Mythology', in J. Weinstein & D. W. Eakins, eds., *For a New America* (New York, Vintage, 1970), p. 246; on the Socialist Party, in the same volume, G. Kolko, 'The Decline of American Radicalism in the Twentieth Century', p. 206.

delegation for 'somehow conveying the idea that they are to be petted or coddled and given special consideration and special privilege. Of course that can't be done'.¹⁴³

Confronted by an upsurge of class struggle and reaction at home, the AFL's new-found internationalism collapsed with even greater speed than Wilson's attempt to create a new world order. Yet the Wilson offensive, absorbing social pressures generated by near-full employment and redirecting them (partly through an appeal to Anglo-Saxon chauvinism and partly through reform) towards support for expansion into the European sphere-of-influence, served as the paradigmatic precedent for the later Roosevelt, Marshall and Kennedy offensives. Atlantic unity, whether positive (for democracy) or negative (against socialism) in its explicit programme, derived its basic structural characteristics from this episode.

2. The Resurrection of Atlantic Capitalism?

Within the American ruling class no unanimity existed as to the appropriateness of American involvement along the lines of the Wilson policy. Republican internationalists like Stimson thought the League of Nations a too legalistic construction and disapproved of the binding clauses of the project.¹⁴⁴ For many of the investment bankers, to whom Stimson was closely related, private reconstruction of the war-torn Atlantic circuit of money capital was preferable to the burdens associated with subscribing to collective security arrangements, which moreover were part of a costly social- imperialist consensus at home. The financial stake in Europe in the meantime had become crucial for American bank capital. Hence, when the United States rejected membership in the League

¹⁴³ Quoted in Ray Marshall, *The Negro Worker* (New York, Random House, 1967), p. 19.

¹⁴⁴ E.E. Morison, *Turmoil and Tradition. A Study of the Life and Times of Henry L. Stimson* (New York, Atheneum, 1966), p. 206.

of Nations in the context of an apparent retreat into hemispheric isolation, 'it fell to private bankers on Wall Street to exert financial leadership'.¹⁴⁵

Intent on rehabilitating an Atlantic circuit of money capital in which American capital this time occupied the commanding heights, Wall Street bankers were able to gear American policy to a short-sighted rentier concept calculating on counter-revolution at the lowest possible cost and on whatever short-term profits the international financial circuit might yield—both of which implied a revival of German imperialism. Having discarded the policy of compromise inherent in social imperialism as well as the emphasis on the productive aspects of international capitalism, the liberal-internationalist fraction associated with Atlantic money capital unwittingly fostered the rise of a constellation of interests which between 1929 and 1933 replaced the liberal order of Atlantic capitalism by a system of protectionism and autarky, cartels and reactionary nationalism.

The most eloquent voice calling for the restoration of a liberal international order was the International Chamber of Commerce (ICC) in Paris. The ICC, reconstructed after the war to provide a forum of business opinion commensurate with the newly established League of Nations, single-mindedly worked towards the dismantling of wartime state intervention supported by national industry, agriculture, and labour rather than accommodating these forces in the context of a new compromise. Their opponents, notably the industrial capitalists dependent on state support, on the contrary wanted political arrangements and cartels rather than a return to the unfettered workings of the market mechanism in international economic relations. In the crucial case of Germany reparations, the two positions were sharply juxtaposed. Either German capital would be an integral part of a liberal

¹⁴⁵ Schuker, *The End of French Predominance*, p. 10. Significantly, the American branch of the Institute of International Affairs, headed by Round Table member Whitney Shepardson, at first did not fare well and it took until the 1921 merger with an informal dinner club of Wall Street bankers and lawyers before it could rise, as the Council on Foreign Relations, to prominence. Rather than sponsoring an exclusive concept of American hegemony, the new Council was 'an attempt to reestablish unity among the internationalist forces that were split by the League ratification controversy', Shoup and Minter, *Imperial Brain Trust*, pp. 12-19; Quigley, *Tragedy*, p. 132.

international economy, which supposed some form of commercialization of the reparations burden (or even its cancellation); or it would remain locked in a political custody imposed by the victorious powers and serve as a reservoir of cheap raw materials and cash subsidies for the latter's expansion.

'In this sense', Ridgeway writes, 'the entire reparations controversy became merged in the great post-war struggle in the economic field between the industrialists and the international bankers: The one demanded economic nationalism, tariffs, and so forth, the other international cooperation and the maintenance of the gold standard. The one represented powerful interlocking groups within states, the other more nearly represented an international interest'.¹⁴⁶ As we shall see, however, the opponents in this controversy cannot be defined in strictly functional terms alone, as the bankers' position was supported by liberal industrialists just as, at a later stage, industrial capital was joined by a segment of bank capital subscribing to international strategies developed from the productive-capital point of view.

Since the different capital fractions were represented unevenly in each state, the antagonism assumed the form of a struggle along national lines as well. In France and Belgium, which had both lost enormous portfolios because of the Russian Revolution, money capital perforce moved closer to the positions of industry. We have already mentioned Schneider's comprehensive strategy for replacing Germany's industrial primacy in Europe. Moreover, as French and Belgian finances ran into rampant inflation, German reparations became the hoped-for miracle solution to their problems. But no sooner had the final sum of reparations been fixed, and the rights and privileges of the claimants been secured (a French share of 52%, preference of reparation payments over other debts, the right to occupy the Ruhr in case of German default), than the German mark, too, exploded.¹⁴⁷

¹⁴⁶ Ridgeway, *Merchants of Peace*, p. 74.

¹⁴⁷ Cf. Gossweiler, *Grossbanken*, pp. 187-188.

By late 1919, bankers from the United States, Britain, the Netherlands, and Sweden had started a petition movement to convene an international financial conference with the aim of reducing the reparation-burdens of Germany and Austria to the limits of practicable taxation. The organizers of the petition came from the front row of pre-war liberal internationalism, including, on the American side, J.P. Morgan II, Paul Warburg and Herbert Hoover.¹⁴⁸ Similar initiatives, for which the ICC provided organizational backing, were the organization of trade conferences, as well as the formation of an International Finance Committee to work out proposals to make Europe once again 'a paying concern'. The Committee, which included Owen Young of GE as well as Pirelli and Olivetti from Italy, favoured close cooperation between the United States and Europe, but it was clear that such a goal would not by itself excite much enthusiasm in Belgium and France, which had been outsiders in the pre-war Atlantic circuit and were single-mindedly concentrated on German reparations. Yet in the period until 1922, liberal-internationalist capitalists from these countries tried to exert a moderating influence on the reparations issue, championing European cooperation rather than revenge pure and simple.¹⁴⁹

The Dawes Plan

The massive flow of American credit to Europe during the war had been accompanied by a diversification of power-centres on Wall Street: of the thirteen most prominent investment banks operating in the late 1920s, eight had been started during World War One. They formed a cartel of their own, with Morgan at their head, albeit no longer as the undisputed leader.¹⁵⁰ In the Coolidge administration which succeeded the brief interregnum of Harding, the interests of this cartel were taken care of by Vice-President Charles Dawes, a banker himself, Secretary of State Hughes, and Herbert Hoover, the Secretary of Commerce who championed a concept of capital exports as a means to subsidize

¹⁴⁸ Ridgeway, pp. 39-45.

¹⁴⁹ Ibid., pp. 145-148.

¹⁵⁰ S. Menshikov, *Millionaires and Managers. Structure of U.S. Financial Oligarchy* (Moscow, Progress, 1973), pp. 232-233.

American farm exports. In line with the prevailing rentier outlook sponsored by the bankers, all three of them agreed on the need to refrain from active political involvement along Wilsonian lines. In a speech on 19 December 1922, Hughes had proposed that the reparations matter be delegated to 'men of the highest authority in finance' rather than be left to the politicians. In such a body, Hughes estimated, 'distinguished Americans would be willing to serve'.¹⁵¹

One month before, a German government of marked Atlantic outlook, with Cuno as Prime Minister and another member of the German-American Economic Board, Becker, as Minister of Economic Affairs, had taken power. Switching to a collision course with France following the abortive attempt by Wirth and Rathenau to work out a conciliatory, democratic arrangement, they expected that the United States and Britain would help them to throw off the French yoke. However, as Gossweiler has noted, the German liberals, who so far had resisted penetration of American capital, did not realize that the Anglo-Saxon powers would try to extract economic concessions before allowing Germany to get on its feet. Accordingly, when the French rejected the Hughes proposal and (joined by a few Belgian troops and a handful of Italian engineers sent by Mussolini) marched into the Ruhr, neither the Americans nor the British came to the aid of the Cuno government.¹⁵²

This did not mean, however, that American bankers had in general forsaken Germany. Hoover, in particular, criticized the support Morgan and the State Department gave to France and Belgium. By 1924, he openly declared that 'the time had come ... to take a "very strong stand" not only against France but against Belgium and Italy as well', since the 'financing operations of these governments were merely covert schemes of finding money for unproductive purposes'.¹⁵³ For bankers in the Morgan orbit, too, it became increasingly clear that economic criteria should be decisive. At the second congress of the ICC in Rome in 1923, F. Kent, of the Bankers' Trust, candidly observed that 'the American interest (in European

¹⁵¹ Quoted in Ridgeway, pp. 166-167; cf. Williams, *Tragedy*, pp. 130-131.

¹⁵² Gossweiler, p. 209.

¹⁵³ Quoted in Schuker, p. 166.

economic reconstruction) was that of an investor'.¹⁵⁴ From the investors' perspective, cash returns in this situation had to have preference over long-term stability.

The work of the Rome ICC Conference bankers' committee was a major factor in paving the way for the adoption of the eventual Dawes Plan. The immediate cause, however, was the collapse of European finances and the position of strength from which American investment bankers could intervene to their benefit. One after another, the countries occupying the Ruhr were put under the tutelage of the American bankers. When the crisis of the French franc entered a stage of outright financial panic, the government turned to Morgan for help. The deflationary policy, applied at Morgan's prescription and backed by the bank's prestige, contributed to a recovery of the French currency in the spring of 1924.¹⁵⁵ On the French side, Lazard Frères was entrusted by the Bank of France to handle the ensuing international payments. Lazard rose to prominence in this period and would remain close to the state-monopoly tendency discussed in the next chapter (as well as, incidentally, remaining a rival of Morgan).¹⁵⁶

With their indiscriminate appetite for profits, American investment banks participated in the expansion of the French sphere-of-influence in Eastern Europe. In one of these ventures, the French subsidiary of the Chicago investment bank, Blair & Co., headed by Jean Monnet, undertook to rehabilitate Polish finances in 1927. From New York, legal counsel to the operation was given by J.F. Dulles. Accompanied by a young assistant named René Pleven, Monnet went to Warsaw to inspect the books. The Polish loan floated by Blair eventually reinforced French and American influence in Poland at the expense of Great Britain.¹⁵⁷

¹⁵⁴ Quoted in Ridgeway, pp. 68-69.

¹⁵⁵ A. Sauvy, *Histoire économique de la France entre les deux guerres (1918-1931). De l'armistice à la dévaluation de la Livre* (Paris, Fayard, 1965), p. 54.

¹⁵⁶ *Fortune*, August 1968, pp. 158, 160; F.J. A.M. Mallens, *De structuur van het France bankwezen* (Doct. dissertation, KEH Tilburg, 1958), p. 103.

¹⁵⁷ Monnet, *Mémoires*, pp. 121-124.

Belgium, too, in 1924 sought American financial support. Prime Minister Theunis, a banker of the Empain group and prominent member of the ICC, in that year appealed to the Guaranty Trust, the established agent of Belgian finances in the United States, and to Morgan.¹⁵⁸ With France and Belgium thus made dependent upon the goodwill of American bankers, they moved to settle the German reparations question in a liberal sense. The German bourgeoisie, still smarting from the humiliation of the Ruhr occupation, likewise was at the mercy of the American banks and could not but accept the recommendations of the experts' committee headed by General Dawes, which did away with the right to enforce reparation and debt claims by Allied coercion. Instead, the Dawes Report stressed the need to rebuild German industrial capacity, placing it in the wider context of the reconstruction of Europe.

The Dawes Plan, endorsed by the London Conference of June 1924, cleared the way for a massive flow of American money capital into Germany. Although the amount of reparations was not changed, the original priority of reparations payments over service on other debt was reversed. Combined with the termination of penalties and coercive means to enforce payment of reparations, this in fact replaced the international antagonisms carried over from the war by the liberal internationalism championed by the bankers. At a dinner with American bankers and members of the German government, Hjalmar Schacht, who had been appointed a director of the Dresdner Bank briefly after the agreement with Morgan and who now as President of the Reichsbank was in charge of the policy of deflation dictated by the Americans, characterized the Dawes Plan as the replacement of the old methods of diplomacy and war by a new method of international and social justice¹⁵⁹—in brief, by universalism. This judgement, however, mistook the speculative inflow of American (as well as British and Dutch) money capital for the direct investment capable of supporting a real transformation of the European economy after the American mass-production model, something that would have to wait for the period of Atlantic integration.

¹⁵⁸ Schuker, *End of French Predominance*, p. 147; Mommen, *Belgische bourgeoisie*, p. 175.

¹⁵⁹ Quoted in Pritzkolet, *Das kommandierte Wunder*, p. 596. On the Dawes Plan cf. also Ridgeway, p. 186.

The huge flow of capital involved in the American financial offensive, not unlike the earlier waves of European investment in the US bond and railway markets, was primarily speculative in character. Between 1924 and 1930, \$1.239 billion worth of German bonds were sold to American investors; German industry in the same period floated bonds to an amount of \$214.4 million on the American capital market.¹⁶⁰ The amount of capital sunk in German ventures in the first few months of 1925 alone made the American commercial attaché wonder how long American bankers would keep fighting over 'the privilege of floating doubtful municipal loans'.¹⁶¹ In German heavy industry, financial injections were given irrespective of technical level or market prospects 'until', to quote a contemporary British observer, 'it towered over Europe like a volcano which must one day erupt and fling far and wide its rivers of molten metal'.¹⁶²

Although the drafting of the Dawes Report had been the work of Owen Young of GE, this company's affiliations with the Morgan group did not imply direct involvement of the Morgan bank. Young had avoided direct consultation with Morgan specifically because he did not want the report to be branded a Morgan report. As late as the autumn of 1924, Morgan was still hesitant about extending loans to Germany. 'As wartime bankers

¹⁶⁰ Gabriel Kolko, 'American Business and Germany, 1930-1941', *The Western Political Quarterly*, vol. 15 (December 1962), p. 718.

¹⁶¹ Weekly Report, March 9 1925, appendix to R. Gottwald, *Die deutsch-amerikanischen Beziehungen in der Ära Stresemann* (Berlin, Colloquium, 1965). Robert Murphy, then a junior diplomat stationed in Munich, wrote in retrospect that 'the only real American interest in Germany at that time was concerned with money; a few Americans made fortunes out of German inflation; American promoters high-pressured unrealistic loans upon German communities and corporations, loans which were defaulted later at the expense of the American bondholders.' Robert Murphy, *Diplomat Among Warriors* (New York, Pyramid, 1965), p. 27.

¹⁶² H.N. Brailsford, quoted in 'Marcus Aurelius', *Am I My Brother's Keeper?* (London, November 1945), p. 7. This pamphlet by a self-proclaimed 'international socialist' advocated European unity to prevent Brailsford's scenario from happening again. Cf. also Alfred Sohn-Rethel, *Grootkapitaal en fascisme. De Duitse industrie achter Hitler* (Amsterdam, Van Gennep, 1975).

for the Allies, the partners did not relish the notion of raising money for Germany'.¹⁶³

Eventually, the single most important broker in the flow of American money capital to German was Dillon, Read & Co., one the new Wall Street investment banks challenging Morgan in the 1920s.¹⁶⁴ In Germany, the two banks were rivals as well, fighting over who would become the American agent for reparations payments created under the Dawes Plan. In his own approach, the candidate for Dillon, Read, J.A. Logan, on this occasion showed that the newer investment banks were far less scrupulous when the risk of financing German right-wing nationalism became apparent, something that the Morgan men was still concerned about.¹⁶⁵ After World War Two, Dillon, Read men again would play a role in American policy towards Germany which accommodated German ambitions beyond the point considered acceptable by the liberal bankers.

Morgan's qualms in regard to German revanchism hardly owed much to a democratic conscience, but, rather, reflected long-standing geopolitical and Atlantic ties, as brought out by the bank's willingness to finance Fascist Italy. In 1925, following the meeting of Morgan partner Thomas Lamont with Mussolini, the bank floated an Italian loan of \$100,000,000, extending stabilization credits to an amount of another \$50 million. As in Germany, the stabilization loan paved the way for a new influx of American money capital. In 1926, Morgan sold \$10 million FIAT debentures to American investors; a year later, a consortium organized by the Guaranty Trust floated a like amount in Montecatini bonds in New York.¹⁶⁶

¹⁶³ Schuker, *End of French Predominance*, pp. 148-149.

¹⁶⁴ Kolko, 'American Business', p. 718. Menshikov, *Millionaires*, p. 290.

¹⁶⁵ Schuker, p. 290.

¹⁶⁶ Lewis Corey, *The House of Morgan. A Social Biography of the Masters of Money* (New York, Grosset & Dunlap, 1930), p. 430; *Fortune*, July 1934, pp. 82, 84.

The Paneuropa Union

If the resurgence of liberal internationalism in the 1924-28 period promoted hopes of a new prosperity in Europe, it was only because of the artificial injection of American capital. Trotsky, writing in 1926, attributed 'the hope of consolidation, of a relative economic equilibrium and in particular, the hope of the stabilization of money and wages' entirely to the role of 'the master of capitalist humanity, the United States'.¹⁶⁷

Yet as American involvement remained overwhelmingly concentrated in the financial sphere, the political aloofness inherent in the money-capital concept, combined with the absence of domestic labour and industrial export pressures, worked against a formalization of American hegemony. In these circumstances, the liberal- internationalist bourgeoisie in Europe attempted to create a regionally defined ultra-imperialist order. The modalities of this attempt again are relevant for the era of Atlantic integration, when European unity likewise tended to progress notably during the stages of relative US aloofness between Atlantic offensives.

The Dawes Plan was soon followed by the Locarno Treaties of 1925, which included a mutual guarantee of Germany's Western borders by Britain, France, Belgium and Italy. (In regard to Germany's Eastern borders, the arrangements were considerably less solid, consisting of arbitration agreements and a French pact with Poland and Czechoslovakia meant to deter German aggression.) By any standard Germany had again achieved a position of power, mainly at the expense of France, and thanks to the benevolence of the Anglo-Saxon creditor states.

French policy, heralding the strategy of European integration it would follow in the 1950s, consisted of enveloping German ambitions as much as possible in a legal framework requiring constant consultation between the European powers, and securing American support for it. Following the Locarno agreements, French foreign minister Briand tried to draw the United States into the European settlement through the Kellogg-Briand

¹⁶⁷ Léon Trotski, *Europe et Amérique / Où va l'Angleterre?* (Paris, Éd. Anthropos, 1970), p. 19.

pact, a 'gesture of moral and psychological solidarity' as his chef de cabinet called it, and not more.¹⁶⁸ A year before, Briand had become Honorary President of the Paneuropa Union, the organization of Count Coudenhove-Kalergi, and in 1929, he would make a belated proposal to start discussions on the realization of a United States of Europe.

Coudenhove-Kalergi was an exemplary case of a pre-war liberal converted with religious fervour to Wilsonian Universalism. In his memoirs, Coudenhove recalled how the American intervention in the war had made him aware of the fact that 'two prophets' were engaged in a struggle over the 'soul of Europe': the American President and Lenin.¹⁶⁹ After the publication of his book *Paneuropa* in 1923, in which he proposed European unity as a means to prevent war and raise the standard of living in Europe by introducing American mass production and consumption, Coudenhove was approached by Louis Rothschild and Max Warburg. Warburg offered him 60,000 gold marks to start a movement, of which the Dresdner Bank and Rothschild's Kreditanstalt of Vienna became the trustees.¹⁷⁰

The organization's prominent supporters and officials were, for the greater part, bankers and their friends except for France, where liberal leaders like Herriot and cartel protagonists like Loucheur were both prominent. In the Belgian national committee of the Paneuropa Union, Heineman of SOFINA was the treasurer; in Germany, von Gwinner, of the Deutsche Bank, and subsequently, H. Fürstenberg of the Berliner Handelsgesellschaft, a bank linked to AEG; Colijn was the leading figure in the Netherlands; and in Luxemburg, A. Mayrisch, of the ARBED steel trust, was prominent. In Britain, finally, it was the Colonial Secretary, L.S. Amery, linked to the Vickers group, who promoted Coudenhove and eventually secured Churchill's support as well.

¹⁶⁸ Quoted in E.R. Cameron, 'Alexis Saint-Léger Léger' in C.A. Craig & F. Gilbert, eds., *The Diplomats 1919-1939* (New York, Atheneum, 1972), vol. 2, p. 381.

¹⁶⁹ R. Coudenhove-Kalergi, *Eine Idee erobert Europa. Meine Lebenserinnerungen* (Wien, Desch, 1958), pp. 84-85, 88.

¹⁷⁰ *Ibid.*, p. 118.

One of Coudenhove's main concerns (shared by his banker supporters), however, was American support. In 1925, Max Warburg arranged for his brothers in the United States, Felix and Paul, to invite Coudenhove for an American tour. In America, the count discussed European unity with Hoover, Kellogg, Young and Lippmann, but also found out that American support for the unity of Europe rested on mutually incompatible foundations: isolationists were in favour because it would diminish the chances for American involvement in an eventual European war; internationalists saw in European unity a favourable condition for US participation in the League of Nations.¹⁷¹

Massive American loans and war debts involved the United States more closely than ever before in European affairs, but its essential rentier position *vis-à-vis* Europe put clear limits to this involvement. As Under-Secretary of State Grew noted at the time, 'our policy is less and less of isolation and we are going as far as we can in every matter without entering into European entanglements'.¹⁷²

Inevitably, the liberal vision of European unity, despite American patronage, was to prove a chimera. The free-trade offensive of 1927, which had opened with the Franco-German commercial treaty, subsided within a year, while Briand's belated 1929 proposal came to nothing (and according to Coudenhove, amounted to nothing in the first place). As Schacht told Coudenhove, it was Hitler who would bring unity to Europe; soon after his taking power, the Paneuropa Union was outlawed in Germany and the Atlanticist industrialist, Robert Bosch, who had taken over its finances (and deposited them in Zürich), was forced to step down.¹⁷³

¹⁷¹ Ibid., pp. 134-150.

¹⁷² Joseph C. Grew, *Turbulent Era. A Diplomatic Record of Forty Years 1904-1945*. (London, Hammond, Hammond & Co., 1953), vol. 1, pp. 627-628.

¹⁷³ Coudenhove-Kalergi, p. 194.

3. Germany and the Crisis of Liberal Internationalism

The weakness of German capital in the international economy and the domestic strength of the working class prevented a resolution of intra-bourgeois conflict until the crisis of 1931-33 destroyed the basis of parliamentary politics altogether and replaced it by Fascist dictatorship. The failure of the bourgeoisie in the West to adopt a long-term approach of the Wilsonian type, highlighted by the annexationist actions of the French and Belgian ruling classes and the resurgence of a rentier concept in the United States, destroyed whatever potential existed in Germany for the hegemony of an enlightened, forward-looking configuration of the bourgeoisie.

As indicated already, Walter Rathenau was the foremost representative of a social-imperialist, universalist tendency in the German bourgeoisie, anticipating the corporate-liberal synthesis between internationalism and state intervention. His strategy aimed at simultaneously conciliating the working class, the French, and, in order to recapture the initiative from socialism, the Soviet Union too. In 1921-22, Rathenau, with the backing of AEG and the German banks, had sponsored the idea of an international consortium of banks and industry – the ‘Europa Consortium’ – to develop Russian resources and satisfy Western claimants’ demands for compensation.

As with the Franco-German discussions of the same juncture, however, the Rathenau option was rejected by the nationalist industrialists led by Hugo Stinnes. The latter, supported by Krupp and Otto Wolff, instead favoured direct negotiations with the Russians – a position shared at this point by Gustav Stresemann in the German Reichstag. As support from the Western creditor states for Rathenau, or the Europa Consortium for that matter, failed to materialize at the 1922 Genoa conference on European economic reconstruction, the Rapallo treaty between Germany and the USSR, drafted by pro-Russian elements in the Ministry of Foreign

Affairs, was concluded over the hesitations of Rathenau and President Ebert and his majority socialists.¹⁷⁴

Rathenau's assassination in effect decapitated the corporate-liberal fraction and marked the defeat of the attempt to work out a progressive synthesis between the liberals and the nationalist industrialists. The 'unreconstructed' liberals and sphere-of-interest industrialists henceforward were reproduced as separate fractions (cf. Figure 2 in Chapter 1), taking turns as the temporary dominant group without being able to consolidate stable power-bases in the face of working-class strength and the weight of landed interests.

In the 1922-24 period, industrial capital achieved a fragile superiority based on acquisitions made possible by rampant inflation. Giant industrial combines were built, and Stinnes gained his reputation in this period by combining his heavy-industry Rhein-Elbe trust with Siemens into a super-trust. Stinnes rejected Rathenau's joint Franco-German reconstruction proposals because of their projected trade-union dimension and instead secretly conferred with Marquis de Lubersac, the president of the French reconstruction companies. In 1922, they concluded an agreement to form a Franco-German heavy-industry trust that would have brought together the Ruhr's coal and the iron ore of Lorraine, and allow the Germans to take part again in the exploitation of territories lost in the war.¹⁷⁵

Although the Stinnes/Lubersac agreement came to nothing, the episode was a crucial formative experience for the state-monopoly tendency in the German bourgeoisie, and the resemblance with the Schuman Plan, almost thirty years later, was significant in the sense that the assumptions underlying both projects were typical of the 'Euronational' sphere-of-interest concept discussed in Chapter 1. Stinnes's desire for an agreement with France was motivated by fear of the revolutionary working class; and as long as the fate of capitalist Germany still hung in the balance, he

¹⁷⁴ Louis Fischer, *The Soviets in World Affairs. A History of Relations between the Soviet Union and the Rest of the World, 1917-1929* (New York, Vintage, 1960, abridged ed.), pp. 236-250.

¹⁷⁵ Gossweiler, *Grossbanken*, p. 175; Ridgeway, *Merchants of Peace*, pp. 186-187.

supported the idea of a secession of the Catholic parts of Germany (Rhineland and Bavaria) in case of a socialist revolution. The main political protagonist of Rhineland separatism, whose background would predispose him to his eventual role in a separate Federal Germany, was Konrad Adenauer. The separatist plans, of which Louis Hagen of the Cologne Oppenheim Bank was a key architect, at one point even envisaged the creation of a separate Rhineland republic, for which Hagen secured a private American loan and of which Adenauer was) have been the president.¹⁷⁶

The rehabilitation of German finances and the defeat of the Left in 1924 diminished the relevance of the separatist designs and reinforced the liberal-internationalist fraction at the expense of the reactionary sphere-of-interest bloc disintegrating under the impact of deflation. The liberal leaders, Schacht and Stresemann, had attacked the plans for separatism (while Britain had put pressure on France to stop supporting them),¹⁷⁷ but the conditions of the restoration of German financial order prevented the liberal fraction from regaining German economic sovereignty. The breakdown of the financially self-supporting industrial combines, of which the Stinnes empire had been the most spectacular example, instead cleared the way for the influx of foreign money-capital, degrading a segment of the liberal fraction to an ancillary of foreign interests.

The economic orbit of the liberal fraction regrouping under the impact of the influx of American capital centred on the DANAT Bank, the result of the 1922 merger between the Darmstädter Bank and the Nationalbank. The DANAT Bank according to Gossweiler served as the German trust for American creditors. Its chairman, Fritz Thyssen, was the owner of the biggest steel firm in the Vereinigte Stahlwerke, a giant heavy-industry combine into which, upon its formation in 1926, the Stinnes heritage, too, was reintegrated, but in which bank capital and foreign interests (the

¹⁷⁶ Gossweiler, pp. 274-277.

¹⁷⁷ B. Weisbrod, *Schwerindustrie in der Weimarer Republik. Interessenpolitik zwischen Stabilisierung und Krise* (Wuppertal, Hammer, 1978), p. 149; Gossweiler, p. 280.

latter owning 21.3% in 1930) now held the reins.¹⁷⁸ Stock in the German and Luxemburg mining companies formerly in the Stinnes group had been sold to J. Henry Schröder bank in London and to Dillon, Read by Albert Vögler, the trustee after Stinnes's bankruptcy. Vögler now was made the general manager of the Vereinigte Stahlwerke. Thyssen himself had obtained a big loan from Dillon, Read, and his role reinforced the substantial American influence in the Vereinigte Stahlwerke. (The DANAT Bank had headed the bank consortium for the new steel combine.) In the Dresdner Bank, meanwhile, several tendencies were present, with Zinsser, related to Morgan, representing the 'American' fraction of Schacht and Thyssen.¹⁷⁹ To the extent that this fraction merely performed the function of a commercial intermediary for foreign capital, incapable of developing a hegemonic concept beyond social reaction in the service of foreign owners, it fitted Mao's concept of a comprador bourgeoisie.¹⁸⁰ Its protagonists were Schacht, Thyssen, and the DANAT Bank.

As capital accumulation in Germany resumed on the basis of the Dawes Plan, the industrial bourgeoisie which was associated with the strongest German capitals and had retained its independence reasserted itself. This fraction, regrouping the remnant of Rathenau's backers in industry and some of the better-off Stinnes allies, included Otto Wolff, Gutehoffnungshütte, Blohm & Voss shipyards, the DEMAG and MAN heavy equipment firms, AEG and Siemens. Their strategy, of which the Stresemann policy of the second half of the 1920s became the political expression, sought to re-establish a German sphere-of-interest first by economically subscribing to the Locarno strategy of compromise in the West and expansion into the East and, eventually, by a 'Middle-European' policy of pre-war vintage. After 1925, this group aimed to gain control of the natural resources of the Soviet Union by developing trade in the context of the New Economic Policy; from 1927-28, this strategy was

¹⁷⁸ Foreign participation (as a percentage of assets) in 1930 was 15.8% in the case of another heavy-industry combine, Gutehoffnungshütte, and 3.5% in the case of Krupp. Weisbrod, *Schwerindustrie*, p. 83.

¹⁷⁹ Gossweiler, *Grossbanken*, pp. 301, 304-306.

¹⁸⁰ Mao Tse-tung, 'Analysis of the Classes in Chinese Society' (1926) in *Selected Readings* (Peking, Foreign Languages Publishing House, 1971), pp. 11-12.

redirected towards South-Eastern Europe.¹⁸¹ Although at the level of banks and industry many overlaps existed, the different thrusts of the strategies pursued by the comprador financiers, the reactionary nationalists associated with the backward part of heavy industry like Emil Kirdorf, and the dynamic industrial interest backing Stresemann's 'Ostpolitik', were unmistakable. Politically, however, they were only varieties of a pervasive movement to the Right.

The Balkan thrust was inserted into a positive program of Middle European unity when in 1929, the Middle European Economic Conference (MWT) was organized anew. Rejecting the conciliatory implications of liberal European unity, the MWT, headed by Krupp director Wilmowsky, struck a balance with German nationalism and the geopolitical concept developed from the viewpoint of the pre-capitalist critique of money capital. Projecting a union with Austria, to be followed by extensions along the South-Eastern axis, the MWT was able to enlist the support of the powerful IG Farben chemical trust and eventually came to regroup the entire range of German industry, trade, and agriculture, embittered after the Young Plan of 1929 reaffirmed the German obligation to pay reparations.¹⁸²

The Balkan strategy of the MWT inevitably brought it into conflict with French imperialism, which at the close of World War One had explicitly selected Eastern Europe and the Eastern Mediterranean as its privileged sphere-of-influence. Hence, when in March 1931 Germany announced the establishment of a German-Austrian customs union, 'the old chasm of Franco-German industrial hate opened wide'.¹⁸³

The French retaliated by withdrawing credit from Rothschild's Kreditanstalt in Vienna, which promptly collapsed. Mocking the Briand

¹⁸¹ Dirk Stegmann, 'Kapitalismus und Faschismus in Deutschland 1929-1934. Thesen und Materialien zur Restituierung des Primats der Grossindustrie zwischen Weltwirtschaftskrise und beginnende Rüstungskonjunktur', in G. Dill et al., eds., *Gesellschaft. Beiträge zur Marxschen Theorie*, vol. 6 (Frankfurt, Suhrkamp, 1976), p. 26.

¹⁸² Sohn-Rethel, *Grootkapitaal en fascisme*; Opitz, *Europastrategien*, pp. 34-35.

¹⁸³ Ridgeway, *Merchants of Peace*, p. 347.

proposal in retrospect, Max Hahn, the general manager of the MWT, in October 1931 declared that France in fact had stuck to a policy of parcellization and atomization of Europe all along.¹⁸⁴ The United States, however, did not want to subscribe to the French position. In order to save the Austro-German bank system and the Atlantic circuit of money capital from collapse, President Hoover in June made public his proposal to ask for a moratorium on all intergovernmental debt service. Within a month, the moratorium was accepted by the creditor states, and Hoover's Secretary of State, Stimson, declared that if France was unwilling to cooperate in solving the reparations problem, the problem would be solved without it.¹⁸⁵

In the prevailing circumstances, it was still left to bankers to execute this threat, since French short-term credits abroad gave it a power to strike anywhere as it had done in the case of the Kreditanstalt. Indeed after the failure of the DANAT Bank on 13 July, the entire German bank system seemed on the brink of collapse. Following the London Conference which opened a week later, and which because of French veto power did not get beyond verbal attacks like Stimson's, a consortium composed of bankers from the two countries most involved in loans to Germany, the United States (represented by Wiggin, of the Chase National Bank), and the Netherlands (represented by Ter Meulen, of Hope & Co.), worked out an agreement to keep Germany afloat financially for the months ahead.¹⁸⁶

Atlantic bank capital thus had become the saviour of German capitalism, a system spiralling hopelessly toward the right. The leaders of this movement did not fail to appreciate the momentous importance of the Hoover moratorium. Alfred Hugenberg at a rally of his National People's Party (DNVP) complimented the American bankers on their new-found realism, from which he singled out, significantly, the House of Morgan ,

¹⁸⁴ Selection in Opitz, *Europastrategien*, p. 583.

¹⁸⁵ Morison, *Turmoil*, pp. 296, 295; G. M. Gathorne-Hardy, *A Short History of International Affairs 1920-1939*, 3rd ed. (London, Oxford University Press, 1944), pp. 262-263.

¹⁸⁶ A. V. F. van der Gouw, . . . *alias Teixeira*, 2 vols. (Utrecht, van Amelrooy, 1969), vol. 2a, p. 233.

which was held responsible for the contents of the Young Plan.¹⁸⁷ Thus reinforced, the reactionary nationalists and the comprador liberals stepped up their campaign against the attempts by the Brüning government to combat the crisis by parliamentary means. In the autumn of the year, assembled at Harzburg, they organized a common front to deal the death blow to this policy. The interests supporting Brüning were essentially composed of the Middle European fraction grouped around Siemens, AEG and the new chemical combine, IG Farben; as well as from among heavy industry, the relative outsiders—Otto Wolff, Silverberg and Krupp. In particular, they supported Brüning's timid combination of liberalism and state intervention. However half-hearted, it was this 'socialist' policy-mix which in the prevailing climate fostered the rapprochement between the comprador financiers and nationalist heavy industry, who each from their own vantage-point felt threatened by it. The nationalist industrialists, supporting Hugenberg and Hitler, were harmed by the deflationary policy of Brüning and feared his anti-cartel measures; the comprador liberals who were dependent upon Atlantic money-capital were allergic to the state-monopolistic measures, like the quasi-nationalization of the banks, and the state participation in the Vereinigte Stahlwerke.¹⁸⁸

The severity of the crisis, and the failure of German capital to unify around a common solution, increasingly pushed Hitler forward as the *deus ex machina*. The dynamics of Nazi mobilization, and the class fractions involved, fall outside the scope of our study, but the heavy industry/comprador bloc explicitly decided to subordinate the Hitler movement to their objectives. The Keppler Circle, a group of capitalists assembled by Schacht in order to influence Hitler's economic programme, included such figures as Reusch of Gutehoffnungshütte; Thyssen and Vögler of the Vereinigte Stahlwerke; Springorum of Hoesch, and Krupp, too; Stauss of the Deutsche Bank; and banker Kurt von Schröder; as well

¹⁸⁷ Pritzkolet, *Das kommandierte Wunder*, pp. 658-659. Cf. on Morgan's pre-eminence in the Young Plan negotiations, Corey, *House of Morgan*, p. 432.

¹⁸⁸ M. Nussbaum, *Wirtschaft und Staat in Deutschland während der Weimarer Republik* (vol. 2 of H. Nussbaum & L. Zumpe, eds., *Wirtschaft und Staat in Deutschland*) (Vaduz, Topos, 1978), pp. 325-331.

as representatives of merchant capital and landed interests. The electrical and chemical industries, but also small capital, were notably absent and threw in their weight only when other options had been foreclosed.¹⁸⁹

The dynamics of the anti-Semitic and 'anti-capitalist' campaign of the Nazi Party, in fact, tended to correspond much more closely to the state-monopolistic structures which emerged in the interwar years than to the requirements of the reactionary liberals who expected Hitler to turn back the clock of history. The cost of the termination of debt and interest payments to foreigners, which were stopped by Schacht as soon as Hitler had taken power, could still be passed on to small savers abroad; the big Atlantic banks were not hurt. Winthrop Aldrich, of the Chase National Bank, and a representative of the National City Bank visited Hitler in Berchtesgaden, expressing their confidence upon their return.¹⁹⁰

To German liberals, on the other hand, the policy of the Nazi regime became increasingly intolerable. In November, 1935, Carl Goerdeler, a doctrinaire liberal and Mayor of Leipzig, a principal centre of international commerce, protested against the inflationary, state-monopolistic course of the economy.¹⁹¹ In November 1937, Schacht resigned as Minister of Economic Affairs, and Goering took over as head of the Four Year Plan. Although he remained President of the Reichsbank and a minister to Hitler, this was a serious loss of competence nonetheless.¹⁹² Since Goering's Four Year Plan proceeded on the assumption of a confrontation with Britain and France, the reactionary liberals' support for Nazi foreign policy likewise declined. When the non-

¹⁸⁹ Stegmann, 'Kapitalismus und Faschismus', pp. 45-48; cf. David Abraham, *The Collapse of the Weimar Republic. Political Economy and Crisis* (Princeton, N.J., Princeton University Press, 1981), p. 320.

¹⁹⁰ G. Hass, *Von München bis Pearl Harbor. Zur Geschichte der deutsch-amerikanischen Beziehungen 1938-1941* (Berlin, Akademie-Verlag, 1965), p. 36.

¹⁹¹ G. Ritter, *Carl Goerdeler und die deutsche Widerstandsbewegung* (Stuttgart, DVA, 1954), pp. 46-47, 66-67.

¹⁹² Pritzkolet, *Das kommandierte Wunder*, pp. 683-684.

aggression pact with the Soviet Union was concluded, Fritz Thyssen left Germany in protest.¹⁹³

The most stubbornly reactionary among the liberal internationalists had tried to prevent the tide of capitalist development from moving toward state monopolism, but Hitler's march to power brought to light the limits of their power. Their hope that the smashing of the labour movement would pave the way for a return to economic liberalism proved illusory, while the course of events revealed the structural nature of the crisis of liberal internationalism instead. The concepts of control developed in its heyday likewise lost their effectiveness.

In the decade of the world slump, militant nationalism and the breakdown of the Atlantic circuit of money capital led to the hegemony of those industries most closely attuned to the 'spirit of the times': to the need for state intervention and some form of organic social unity to help capitalism survive the most serious crisis it had experienced so far. All capitals, whatever their initial preferences, were forced to reproduce themselves in this context. Thyssen could leave, but the German steel industry remained in operation, and so did the industries operated by the autonomous internationalist bourgeoisie, who had preferred Brüning to Hitler, but who, apparently in spite of themselves, subsequently became the decisive element in the Nazi economy because of the objective development towards state monopolism.

¹⁹³ Gossweiler, *Grossbanken*, pp. 317-318.

4

The New Deal Synthesis

1. The Rise of the State-Monopoly Tendency

The notion of state-monopoly capitalism was coined by Lenin in his pamphlet, *The Impending Catastrophe and How to Combat It*, of October 1917. Criticizing the Kerensky government for tolerating economic chaos instead of introducing state control of the war economy (which he judged necessary for consolidating the bourgeois republic), Lenin went on to attack the Mensheviks and Social Revolutionaries for their failure to see that such state control represented the ‘complete *material* preparation for socialism, the *threshold* of socialism’.¹⁹⁴

In other belligerent countries, the imperialist war had turned monopoly capitalism into state-monopoly capitalism. Bukharin even estimated in *Imperialism and World Economy* that the nationalization of capital into ‘state-capitalist trusts’ constituted the essential feature of imperialist development. But Lenin only wanted to make the revolutionary-democratic introduction of state-monopoly capitalism in Russia a factor in accelerating the socialist revolution. A progressive state-monopoly capitalism according to Lenin should be brought about by the following measures:

¹⁹⁴ V.I. Lenin, *The Impending Catastrophe and How to Combat it* [1917], *Coll. Works*, vol. 25, p. 363.

1. Forced centralization of bank capital into a single bank under state auspices;
2. Nationalization of the major syndicates (sellers' cartels);
3. 'Abolition of commercial secrecy';
4. Compulsory syndication of industry and commerce;
5. 'Compulsory organization of the population into consumers' societies'.¹⁹⁵

The codification of Lenin's works in Soviet Marxism, which fossilized their articulation of Marxist method and revolutionary tactics into official doctrine, in due course also elevated the analysis of *The Impending Catastrophe* to the level of standard theory. At the 1960 Moscow conference of Communist parties, state-monopoly capitalism, hitherto used loosely and as a theoretical category developed mainly in the GDR, was officially adopted as the scientific designation of advanced capitalism as such. The experience of the 1930s, when the main capitalist states resorted to an interventionist and corporatist policy intended to save capitalism from the crisis of its liberal mode of accumulation (but when Comintern Marxists still rejected any comparisons with the programme of *The Impending Catastrophe*), in hindsight was declared to be the formative period of state-monopoly capitalism.¹⁹⁶

In fact, the state-monopoly phase, linking the World War One experience with the peace-time state intervention of the 1930s and culminating in World War Two, proved transitory itself. The state-monopoly tendency in the bourgeoisie accordingly saw its hegemony evaporate to the degree capitalism succeeded in achieving a synthesis between state intervention and renewed internationalization: a process consummated in the era of Atlantic integration.

¹⁹⁵ Ibid., p. 333.

¹⁹⁶ Collectif PCF, *Le Capitalisme monopoliste d'État*, 2 vols. (Paris, Éditions Sociales, 1971), vol. 1, pp. 21-24. Cf. E. Varga, 'Der "Plan" Henryk de Mans' [1934], in *Die Krise des Kapitalismus und ihre politische Folgen* (Frankfurt, Europäische Verlagsanstalt, 1974), p. 372ff (Varga on the other hand in important respects cleared the way for the understanding of the new role of the state in capitalist accumulation).

As a result, the essentially Bukharinist assumptions of the theory of state-monopoly capitalism condemn it to irrelevance in analysing the postwar period. In present-day France, the fate of the Left government launched on the basis of an (emaciated) programme of nationalizations illustrates better than anything the fundamental dislocation of state monopolism by a new liberalism, and hence, represents a critical moment in the crisis of the theory of state-monopoly capitalism, its reformist assumptions, and the Communist parties clinging to its tenets.

The crystallization of a state-monopoly tendency in the Atlantic bourgeoisie during the interwar years arose from the survival needs of large-scale industry confronted with the havoc wrought by an anarchic liberal capitalism, whose operating principles were no longer adequate to the development of the productive forces.

After the Armistice in 1918, state intervention had been dismantled along with the apparatuses of the war economies as such. The defeat of the working class and the confinement of its revolution to Soviet Russia allowed the bourgeoisie to opt for a rehabilitation of pre-war patterns of class and economic relations, and to retreat from the danger-zone of state control. In their evaluation of state intervention, the liberal bourgeoisie did not doubt for a minute the accuracy of Lenin's assessment of state-monopoly capitalism as the 'threshold of socialism'.

The state-monopoly tendency in the bourgeoisie, on the contrary, estimated that capitalism could profit from a mitigation of economic liberalism and a systematic state intervention. As indicated in Chapter One, such ideas had been propounded from the late nineteenth century on by Hobson, Ford, and others, and gradually, their reasoning came to be shared by a generation of the bourgeoisie dependent on state support, cartelization, and other economic arrangements contradicting the money-capital concept and the liberal order. When *laissez faire* exploded in 1929 and failed to respond to orthodox liberal methods of reviving it, the productive-capital concept gravitated to a hegemonic position and the condition of capitalist society elevated the fractional interest of the state-monopoly tendency to the level of the apparently general interest. The

concrete forms of its breakthrough and the political struggles accompanying them differed greatly, but everywhere in the North Atlantic area the corporatist restructuration of class relations, the 'domestication' of the circuit of money capital under state auspices, and the crystallization of sphere-of-interest arrangements in the international field unmistakably signified the triumph of the state-monopoly tendency.

Reciprocating the entrenchment of socialism in one country in the Soviet Union, Atlantic capitalism temporarily sought to consolidate itself by an experiment with Lenin's October emergency programme.

The Rockefeller Nexus

In the decade after 1909, the American iron and steel industry ceded its position as the fastest growing industry to the transportation machinery, oil, and chemical industries.¹⁹⁷ The most dynamic component of the transportation machinery category, the automobile industry headed by Ford, in the same period embarked on a course of international expansion which would make the bourgeoisie associated with it part of the mass of interests which in the later stages of the New Deal threw in its weight for the international extrapolation rather than national consolidation of Fordism. As we shall see below, this development helped predetermine US hegemony in the restructuration of Atlantic capitalism after the Second World War, since in Europe a comparable breakthrough of the automobile industry and the concomitant restructuration of capital towards a relative-surplus-value, progressive-accumulation configuration did not occur.

The state-monopoly tendency in the American bourgeoisie, therefore, had its centre of gravity primarily in the two other fast-growing sectors: oil and chemicals. Unlike the automobile production firms, these industries faced stiff competition from their European counterparts, organized in powerful cartels. The cartel movement, which had its epicentre in Germany, was a key factor obstructing the growth of a consumer-durables sector, but otherwise enhanced Europe's competitive position. In order to bolster the position of American firms in meeting this

¹⁹⁷ Faulkner, *Decline of Laissez-Faire*, p. 118.

competition and combining with or against European cartels, Congress in 1918 passed the Webb-Pomerene Act qualifying US anti-trust law in its extra-territorial aspects.

The support for the state-monopoly concept on the part of the American oil industry was relayed through the anti-liberal thrust of its cartel orientation rather than being a straight reflection of the productive-capital vantage-point,¹⁹⁸ since the revenues of oil capital were predominantly composed of commercial profit and ground rent. Although it was integrated into the emerging automotive complex at an early date (US gasoline sales surpassed those of kerosene for illumination purposes just before World War One), the oil industry much more than the automobile industry remained dependent on state support, even apart from its publicly subsidized link to the national soil through the depletion allowance. A.C. Bedford, president of Standard Oil of New Jersey, set the example for the other Rockefeller companies in this respect by his presence on Bernard Baruch's War Industries Board during World War One.¹⁹⁹

J.D. Rockefeller, the genius behind the Standard, was already a proverbial tycoon in the 1890s, but the real history of the Rockefeller financial group began when they stopped managing the Standard Oil companies and shifted their main activity to banking. Between 1920 and 1930, the Rockefellers acquired the Equitable Life insurance group and the Chase National Bank, putting Winthrop Aldrich, John D. Rockefeller Jr.'s brother-in-law, in charge of their operation.²⁰⁰

The contribution of the Rockefellers to the characteristic profile of the state-monopoly tendency in the USA lay in two areas. In the field of labour relations, they developed a strategy of pre-empting trade-union organization via industrial representation schemes. After the Ludlow

¹⁹⁸ As *Fortune* wrote in a critical article of 1942, 'The cardinal concept of the cartel mind is that free price competition equals a chaotic economy', *Fortune*, September 1942, p.105.

¹⁹⁹ C. Solberg, *Oil Power. The Rise and Imminent Fall of an American Empire* (New York, Mason Charter, 1976), pp. 65-66, 73.

²⁰⁰ Menshikov, *Millionaires*, pp. 258, 261.

massacre of 1914, in which a tent camp of Colorado Fuel & Iron strikers was machine-gunned and burnt down, killing eleven children, J.D. Rockefeller, Jr., who was the principal owner of the company, began to venture into the labour-relations field. Having been publicly exposed as supporting the CF & I management throughout the conflict, Rockefeller hired the Canadian politician Mackenzie King to work out the eventual Industrial Representation Plan. The plan envisaged regular discussions between workers and management representatives under company auspices, without interference from 'outside' unions.²⁰¹ Partially as a result of this example, corporate welfare and representation schemes proliferated during the open shop 1920s. In the meantime, the Rockefellers continued to fund advanced behavioural research (like Charles Merriam's group at the University of Chicago), while sponsoring a new category of labour relations experts, of whom Arthur Young of the Rockefeller-financed Industrial Relations Counsellors, Inc. was the most prominent.²⁰²

The second contribution of the Rockefellers to interwar capitalism was their elaboration of a politics of rivalry with Britain and cooperation with Germany. Nelson Rockefeller, one of J.D. Jr.'s sons, became the main protagonist of this viewpoint. As was the case with Aldrich, who as a public spokesman was the counterpart of Morgan's Lamont, Nelson's importance lay in the area of political strategy rather than economic management. In the course of his apprenticeship at the Chase Bank in London, Nelson adopted the cartel outlook prevalent at the time, albeit with an internationalist accent commensurate with the global reach of the Standard Oil companies and their joint ventures. In this context, he also came to share the anti-British prejudice of the directors of Standard Oil, N.J. of which the German, Heinrich Riedemann, who was the director of international strategy, continued to be the vehement protagonist long after

²⁰¹ Peter Collier and David Horowitz, *The Rockefellers: An American Dynasty* (New York, Holt, Rinehart & Winston, 1976), pp. 121, cf. 111ff, 143.

²⁰² Kelly, *Labor Relations*, p. 97.

the world cartel agreement with Royal Dutch/Shell and Anglo-Persian was concluded in 1928.²⁰³

Except for Britain, where Standard Oil's affiliate, Anglo-American, competed with the virtual state monopoly established for the domestic market by Shell and Anglo-Persian (Shell-Mex & BP Co.), Standard tended to base its strategy upon the national oil policies sponsored by the state-monopoly tendency in the European bourgeoisie, thus challenging the British-Dutch position carried over from the liberal internationalist era. In this sense, a second-generation, sphere-of-interest Atlantic connection was created between corresponding class fractions in the United States and the continent that would remain pertinent in the post-war context. This was particularly true of France.

Paribas in the interwar years played a key role in the effort to emancipate France from the hold of foreign oil interests. In the process, the bank became a stronghold of the state-monopoly tendency. Successively, Paribas participated in the formation of the Omnium Internationale des Pétroles in 1920 (set up to manage the Rumanian oil holdings held by the Deutsche Bank until 1918), the Cie. Standard Franco-Américaine (with Standard Oil), and the Cie. Française des Pétroles (CFP), the national oil company established in 1924.²⁰⁴

The main protagonist of French interests in this context was Ernest Mercier, who together with Louis Loucheur may be considered as one of the effective leading figures in the state-monopoly tendency in the French bourgeoisie. Besides holding key posts in the electricity industry, Mercier headed both the Omnium and the CFP; in politics, he was the driving force behind French right-wing corporatism through the *Redressement Français*, in which managers from the oil, chemical, and aluminium industries were

²⁰³ Collier and Horowitz, *The Rockefellers*, p. 208; H.M. Larson, E.H. Knowlton, and Ch. S. Popple, *New Horizons. History of the Standard Oil Company (New Jersey) 1927-1950* (New York, Harper & Row, 1971), p. 50 & passim. References to Standard Oil hereafter refer to the Jersey company unless indicated otherwise.

²⁰⁴ Claude, *Histoire, réalité et destin*, pp. 41-42.

organized.²⁰⁵ Mercier in 1928 represented French interests in the negotiations with Standard's Walter Teagle over the French share of Middle East oil, typical of the sphere-of-interest struggles conducted in the period. Paribas, which had interests with both parties, mediated in this matter, but by establishing Standard Franco-Américaine (the future Esso-Standard), Standard Oil already had become a silent partner in the development of a 'national' French oil industry. Standard was also the majority owner of the Le Havre refinery set up by a consortium of US companies under the Webb-Pomerene Act, which started production in 1933. At the diplomatic level, Standard's interests at a critical juncture were looked after by Teagle's brother-in-law, W.C. Edge, who was Hoover's ambassador in Paris.²⁰⁶

With Germany, a comparable web of connections developed. Standard Oil's German subsidiary, DAPG, was already operating profitably in the 1920s, and again, to quote the official company history, 'benefited from the general rise of economic activity after Adolf Hitler came to power.' DAPG had a market share of 29% in 1938, which made it the most important oil company in Germany.²⁰⁷ Standard's connections with Germany ranged from the world of banking (Deutsche Bank, Warburg) to that of shipping (on account of its important German tanker fleet), and most of them survived World War Two. Several cartel agreements, moreover, linked Standard Oil to the German chemical combine, IG Farben. These agreements, regarding synthetic oil and rubber, were vital to German industrial autarky as well as to the country's military capacities.

This company policy fitted into a broader strategy pursued by the Rockefeller group. In 1934 the family public-relations expert, Ivy Lee, was sent to Germany to discuss with IG Farben how its image, and that of the

²⁰⁵ R.F. Kuisel, *Ernest Mercier, French Technocrat* (Berkeley, Cal., University of California Press, 1967), chapters 5 and 6.

²⁰⁶ Larson, Knowlton & Popple, pp. 185-186, 201; Ferdinand Lundberg, *America's Sixty Families* (New York, The Vanguard Press, 1939), p. 184.

²⁰⁷ Larson, Knowlton & Popple, pp. 333-334.

Third Reich in general, could be improved.²⁰⁸ Eventually, the agreements between Standard and IG Farben became a public scandal when after the loss of South-East Asian natural rubber supplies to the Japanese, US capacity for making synthetic rubber appeared to have been sold to the Nazis. After the war, IG Farben was dismantled, but the German connections of the Rockefeller group were carried over to the Atlantic integration context, in which they notably made themselves felt in the sphere-of-interest interludes between the American offensives.

Of the internationalists gravitating to the Rockefeller orbit in the interwar years and adopting a pro-German and sphere-of-interest outlook in the process, the Dulles brothers and their group were the most prominent. Religion provided the occasion for an early connection between John Foster Dulles and J.D. Rockefeller, Jr. Together with his endowment of labour-relations research and behaviourist social science, Rockefeller in the 1920s and early 1930s became the most important financier of liberal and ecumenical Protestantism, subsidizing such organizations as the Interchurch World Movement and the subsequent World Council of Churches. Rockefeller, Secretary of State Hughes, and Dulles wanted to ensure that religion would adapt itself positively to such new phenomena as mass consumption and American expansion abroad.²⁰⁹ Although the ecumenical movement clearly cannot be reduced to Rockefeller influence, it is clear from the memoirs of the Secretary General of the World Council of Churches, Visser 't Hooft, that Rockefeller money and Dulles's personal involvement were major factors in the organization's development and international policy. (The fact that wartime discussions of federalist European unity, involving Rossi and Spinelli, and partially inspired by Bonhoeffer, were held in Visser 't Hooft's home in Geneva and that Visser reported on them to Allen Dulles, who as head of the European Bureau of the Office of Strategic Services (OSS) likewise was in Switzerland, further add to the significance of the connection in terms of the present discussion.)²¹⁰

²⁰⁸ Collier and Horowitz, *The Rockefellers*, p. 225.

²⁰⁹ *Ibid.*, pp. 152-153.

²¹⁰ W. A. Visser't Hooft, *Memoires* (Amsterdam, Elsevier, 1971), pp. 140, 147, 160, 168.

As with the Rockefellers, the Dulles brothers played a historic role in shaping both the economic and political form of modern Atlantic imperialism. Sullivan & Cromwell, the Wall Street law firm in which they were partners and which they turned into a financial group in the 1930s, was the American agent for IG Farben and the Vereinigte Stahlwerke, while the brothers were also directors of IG Chemical Corp. Sullivan & Cromwell had further links with the German Schröder bank and with Lazard Frères; Allen Dulles was a director of the J. Schröder Banking Corporation in New York.²¹¹

Kuhn, Loeb in the interwar years also became part of the Rockefeller orbit. Its German partner, the Warburg bank, because of the anti-Semitic terror in 1938 was renamed Brinckmann, Wirtz & Co., but the connections with Kuhn, Loeb and with Rockefeller were not affected. Shortly after the war, R. Brinckmann became chairman of the board of the German affiliate of Standard Oil.²¹²

These particular personalities and financial groups shared an inclination to sphere-of-interest arrangements in international relations loosely linked to a pro-German orientation that in many respects dovetailed with the mobilization of 'isolationist' industrial and agrarian forces in the Middle and Far West of the United States. Drawing on the productive-capital concept typical of industry as well as on the anti-chrematism of the agrarian Populists, the prevailing outlook in these regions complemented the Rockefeller/Dulles position in terms of international preferences but otherwise failed to transcend the immediacy of the state-monopoly configuration. As Schuker notes, 'in the Middle and Far West particularly there existed a potential for coalescence of pro-German sentiment with traditional isolationism and agrarian hatred of the ill-understood Eastern "money interest"'.²¹³

²¹¹ Menshikov, *Millionaires*, p. 297 W. Klinkenberg, *Prins Bernhard. Een politieke biografie* (Haarlem, Onze Tijd, 1979), p. 176.

²¹² Baumann, *Atlantikpakt der Konzerne*, p. 33, cf. p. 36.

²¹³ Schuker, *End of French Predominance*, p. 287.

In industry, the backbone of Midwestern, Anglophobic isolationism was to be found in Chicago. The main families making up the local elite (Armours, Fields and McCormicks), their press voice (*The Chicago Tribune*), and the companies under their influence (International Harvester, Sears, Roebuck, and Inland Steel), tended to take a hostile view of American involvement outside the Western Hemisphere. The complementarity of their interests with those of the users of Chicago-made agricultural equipment contributed to a mutual affinity in this respect.

A second major centre of isolationism developed in Cleveland heavy industry. The iron and steel industry underwent a major transformation when it was geared to the expanding automobile, engineering, and oil industries. This transformation at the level of the technical labour-process was marked by the introduction of the continuous wide-strip mill in the 1920s. As a consequence, US Steel, the original near-monopoly organized by Morgan, lost ground to newcomers catering to the flat steel market. These firms, concentrated notably in the Cleveland area, in turn, became the torch-bearers of reactionary nationalism in the interwar years. Charles Hook of the American Rolling Mill Company (ARMCO) which had developed the new type of rolling mill, was a close friend of conservative Republican Senator Robert Taft, while the Cleveland steel companies (Youngstown Sheet & Tube, National, and Republic), were all linked to the isolationist, anti-New Deal wing of the Republican Party. Through the Mather family (owning Youngstown and Republic in Cleveland and Inland Steel in Chicago) the Cleveland and Chicago heavy-industry groups were linked among themselves. Kuhn, Loeb was the underwriter of the Cleveland steel companies.²¹⁴

Although the postwar export interests of some of the firms in this nationalist bloc would modify their opposition to international activism, the context of their rise to prominence remained relevant. In the Eisenhower administration, where George Humphrey (of the Cleveland Hanna-Mather group) and John Foster Dulles held the reins at the

²¹⁴ Victor Perlo, *Das Reich der Hochfinanz* (Berlin, Dietz, 1960), pp. 284-288, 298-301.

Treasury and State Departments respectively, this fraction reasserted itself and demonstrated by its actions the pertinence of its lineage to the sphere-of-interest configuration of the interwar years.

Hi-Tech Industries of the 1920s

Turning next to the other bastions of the state-monopoly tendency in the North Atlantic area, the chemical industry (including rayon) may be singled out as a sector which would continue, at later junctures, to manifest its interwar heritage. The chemical industry, of course, predated the state-monopoly era, but, as with the oil industry, it was only after World War One that it became a social force of consequence. As *Fortune* put it, 'Chemically...the chemical industry dates from Leblanc and 1791; industrially, the chemical industry was recognized only after the World War'.²¹⁵

The American chemical industry, the third fastest growing national industry in the decade 1909-1919, was notorious for its protectionist and cartel propensity. Originally lagging behind the German chemical firms, the confiscation of German patents during the war put the industry firmly on its feet and enabled it to participate as an equal in the sphere-of-interest arrangements with its counterparts on the other side of the Atlantic. Having hitherto followed a conservative policy of self-financing, the industry now opened itself to the massive infusion of bank capital. Thus, Du Pont de Nemours, the great munitions trust which out of its war profits had been able to gain control of US Rubber and General Motors, was forced during the 1921 recession to turn to Morgan for credit to absorb losses incurred by GM. Since the chemical industry had most to fear from German competition, it tended to be less receptive to pro-German policies than the Rockefeller or Dulles groups, which through their financial or direct investment stake in Europe could participate in the autarky or quasi-autarky policies pursued by the European states in the period. This applied not only to the smaller Allied Chemical & Dye, whose chairman Orlando F. Weber had a reputation as the 'vigilant defender of the American chemical industry against foreign invasion'

²¹⁵ *Fortune*, December 1937, p. 89.

(*Fortune*), but also, in spite of General Motors' European investments, to Du Pont itself.²¹⁶

In Germany, the chemical industry had a much longer history. The tendency towards autarky championed by the German chemical industry in a sense related to the origins of the industry as an attempt to produce synthetic equivalents of natural products ever since medieval alchemists had tried to make gold. The necessity for synthetic replacements made itself felt whenever European powers were denied access to the sea. Thus, the industrial applications of chemistry experienced a first breakthrough at the time of the British blockade of France during the Napoleonic wars. Later, the centre of gravity in applying the results of science to industry shifted to Germany, where a weak capitalism without colonies had to marshal all available assets to engage in foreign competition. The experience of the British blockade during World War One only reinforced the implicit concepts on which the development of chemical industry had hitherto been based and actually fostered the conviction among German chemical engineers and capitalists that economic autarky was the only viable basis for prosperity. American competition in the interwar years contributed to the continued economic relevance of this idea.²¹⁷

The German chemical combine IG Farben was constituted in 1925, but the merger did not eliminate important differences in outlook amongst its constituent firms. The light chemicals group, composed of Bayer, Agfa, and BASF, with their American subsidiary General Aniline & Film, represented an internationalist interest. Carl Duisberg, the head of IG Farben until 1932, came from Bayer. At the time of Duisberg's incumbency, the *Frankfurter Zeitung*, the liberal newspaper under IG's control, still attacked the cartel policies of heavy industry. Duisberg's successor, Carl Bosch, on the other hand, came from the explosives and

²¹⁶ Ibid., pp. 89, 157-162; Du Pont de Nemours, Du Pont. *The Autobiography of an American Enterprise* (Wilmington, Du Pont de Nemours, 1952), pp. 73-78, 81.

²¹⁷ Braverman, *Labor and Monopoly Capital*, pp. 159, 161; Joachim Radkau, 'Die Kalkulation des Unberechenbaren. Zur Entwicklungs- und Wirkungsweise des industriellen Kernenergie-Interesses', *Blätter für deutsche und internationale Politik*, vol. 23, no. 12 (December 1978), p. 1455.

fertilizer plants at Oppau and represented the autarkic tradition of Hoechst. By the time Bosch took the reins, German experiments in the direction of a corporate-liberal synthesis had failed due to the inability of the technologically advanced, export-oriented firms to generalize a strategy of relative surplus-value production and to subordinate to that end heavy industry and its cartels.²¹⁸

As far as international cartels were concerned, IG Farben up to the close of the 1930s had concluded 162 separate cartel agreements with American firms²¹⁹ of which the agreements with Standard Oil have been mentioned already. The oil and chemical cartels were inextricably interwoven: ICI for instance held 10% preferential shares in one of the licensing companies for synthetic oil jointly owned by Shell and Standard under the latter's world rights for the hydrogenation process obtained from IG Farben.²²⁰

ICI was, in fact, the single most important outpost of the state-monopoly tendency in Britain. Formed in 1926 out of Brunner-Mond, Nobel, United Alkali and British Dyestuffs, its directors distinguished themselves as architects of corporatism in Britain. Sir Alfred Mond, the chairman, following the General Strike of 1926 took the initiative to open discussions with the TUC on a flexible format of British labour relations. Lord McGowan, one of the prominent directors, headed the advisory committee on the cartelization of electricity distribution companies.²²¹

The manifold links between ICI and German capital predisposed the fraction associated with it to a lenient attitude with respect to German expansion as long as this could be contained within a sphere-of-interest arrangement. The Anglo-German Fellowship, which had its office on the Unilever premises, and in which ICI officers and stockholders like Sir John

²¹⁸ This thesis has been convincingly argued by several authors: I mention only Sohn-Rethel, *Grootkapitaal en fascisme*, Abraham, *Weimar Republic*, and Stegmann, 'Kapitalismus und Faschismus'.

²¹⁹ Hass, *Von München bis Pearl Harbor*, p. 53.

²²⁰ Larson, Knowlton & Popple, p. 157.

²²¹ Ivor Bulmer-Thomas, *The Growth of the British Party System*, 2 vols. (London, John Baker, 1965), vol. 2, p. 30; Sam Aaronovitch, *Monopoly. A Study of British Monopoly Capitalism* (London, Lawrence & Wishart, 1955), p. 77.

Simon were prominent, in this context served as a vehicle for ascertaining Hitler's intentions and maintaining his good will.²²² Significantly, the pro-German groups at his juncture generally were in favour of a neo-colonialist reconversion of the British empire as well; after the war, ICI notably stuck to this line and threw in its weight for British participation in Western European integration rather than banking on Commonwealth ties.

As in other countries, the predominance of a strategy basically deriving from the requirements of productive capital did not prevent particular banks from subscribing to it. In Britain, the Midland Bank and the Philip Hill merchant bank in this sense were a product of the state-monopoly era. As Aaronovitch writes, 'The rise of the Midland Bank and the Hill-Higginson group in relation to the older merchant banks was possibly based on the shift towards domestic industry before the older merchant banks were able to muscle in.'²²³ The Midland Bank was a major investor in ICI and had a joint directorate with it in the person of Lord McGowan.

In France, the chemical industry likewise was a major catalyst in the formation of a state-monopoly tendency in the bourgeoisie. The Gillet empire in the Lyons region constituted one pole of the 'Lille-Lyons axis' which linked it with the Motte textile interests in the North, and which the American historian, Quigley, sees as the backbone of the state-monopoly tendency in France as it crystallized in the 1930s.²²⁴ The Gillet family, whose interests ranged from the chemical firms of today's Rhône-Poulenc and Kuhlmann to Péchiney, the aluminium group, and the Crédit Lyonnais, was backed by the dominant Protestant banking-house of the interwar-years, Mirabaud. The banks specifically associated with the state-monopoly tendency in France, apart from Paribas and Lazard Frères, were Worms & Co., constituted as a bank in 1928; the Crédit Commercial de

²²² Baumann, *Atlantikpakt*, p. 56; on the Anglo-German Fellowship, Simon Haxey, *Tory MP* (London, Gollancz, 1939), pp. 230-232; on the missions to Germany, cf. the memoirs of the president of Unilever, Paul Rijkens, *Handel en Wandel. Nagelaten Gedenkschriften* (Rotterdam, Donker, 1965), pp. 76-90.

²²³ Aaronovitch, *The Ruling Class*, p. 71.

²²⁴ Quigley, *Tragedy*, p. 526.

France; and the Banque Nationale du Commerce et de l'Industrie (BNCI), which was established in 1932 and in 1966 merged with the Comptoir National d'Escompte into today's Banque Nationale de Paris.²²⁵ In politics, the Lille-Lyons axis was represented by Louis Loucheur, who was associated with the Motte family. The BNCI had its front man in Pierre Laval. As we shall see in next chapter, the state-monopoly tendency only really took power in Vichy, when most of the French empire was virtually amputated from the motherland and the weight of liberal colonial capital was accordingly reduced. Before the war, the influence of the new industries expressed itself only in coalition arrangements, in which Tardieu, the 'darling of the technocrats', was a prominent figure sharing the same vantage-point.²²⁶

Everywhere, the chemical industry contributed to the formation of a generation in the bourgeoisie rejecting cosmopolitan liberalism and subscribing to sphere-of-interest arrangements in international affairs. The autarkic impulse also was a formative force in the rise of the mainly European synthetic yarn-and-fibre industry which expanded eight-fold between 1920 and 1929 and surpassed wool as the textile raw material on the eve of World War Two. AKU (today's AKZO) in the Netherlands, launched by Rotterdam/Ruhr coal merchant F .H. Fentener van Vlissingen; SNIA Viscosa in Italy, converted to rayon production in 1929 by Franco Marinotti; Courtaulds in Britain; and lesser firms in other European countries, retained their cartel and state-monopolistic propensities formed in this era. As in the chemical industry generally, managerialism was prominent here. In Belgium, it was personified by the figure of Roger de Staercke, who managed chemical and rayon firms on behalf of the Solvay and Janssen owner families. Fascist tendencies also were at work in the world of chemical industry: in Germany, IG Farben,

²²⁵ *Le Crapouillot*, no. 16, 'Les Gros', special issue edited by R. Lefebvre, P. Dominique and E. Beau de Loménie, 1952, p. 54; Mallens, *Franse bankwezen*, pp. 77-78, 104.

²²⁶ *Le Crapouillot*, no. 16, p. 57; Quigley, p. 527. Characterization of Tardieu from Kuisel, *Ernest Mercier*, p. 63.

and in Italy, G. Donegani, the founder of Montecatini, who was an important supporter of Mussolini.²²⁷

Electrical engineering firms like General Electric, AEG and Siemens were already major economic powers before the First World War. Yet, the electrification of domestic labour and leisure was a phenomenon of the 1920s, and the mass production of electrical household appliances, together with continuing electrification of production and transportation, gave the industry a greatly increased salience in national policy. Like the auto industry, electrical engineering was a principal vector of emerging 'Fordism'. In the case of firms with a liberal-internationalist background – like GE or Siemens – this took the form of support of a corporate-liberal synthesis comparable to the approach of the American automobile firms; others, like ITT (founded in 1920) and Philips, retained a strong state-monopolistic and sphere-of-interest profile.

In the field of labour relations, the electrical engineering firms were particularly dependent on quality labour. They needed high-quality performance by their manual labour power, but also had to establish a smooth working relationship with their engineers, on whose inventiveness they depended for product innovations. At Siemens, the maintenance of a trained workforce was given top priority. As Sohn-Rethel relates, the Siemens workers, whether the blind women and girls employed on account of their sensitive fingertips, or the engineers, were seen as the essential factor in the company's success and were paid relatively high wages. For the greater part, the workers were hand-picked specialists at their jobs, often trained in three-year courses at the expense of the company. They lived in Siemens-town and were well taken care of. Fascism eventually destroyed the subtle forms of the subordination of labour at Siemens and in comparable companies, substituting instead the absolute surplus-value strategy of the German war economy.²²⁸

²²⁷ On Belgian industry and the development of the Belgian bourgeoisie, see Mommen, *Belgische bourgeoisie*; on Montecatini, *Fortune*, April 1957, p. 128.

²²⁸ Sohn-Rethel, *Grootkapitaal en fascisme*, pp. 47-48.

In the United States, labour relations were likewise developed with circumspection by the employers in the electrical engineering industry. The pioneering Hawthorne experiments in industrial psychology in the 1920s were conducted at Western Electric, but as early as the turn of the century, General Electric took the initiative to establish an apprentice school for training workers, which by the time of World War One had set the standard for an organized group of industries typical of the era, like International Harvester, Westinghouse, and Western Electric.²²⁹

In terms of international orientation, the German electrical companies had held a strong position even in the United States, but after World War One they shared in the general decline of internationally operating German capital. Siemens after its adventure with Stinnes in 1930 was forced to borrow \$14 million through Dillon, Read & Co., without however surrendering to foreign interests. Like the Deutsche Bank, to which it had a long-standing affiliation, Siemens belonged to the fraction of German capital maintaining their autonomy *vis-à-vis* US capital in the period. AEG, on the other hand, turned toward General Electric in 1929 for support in its struggle with Siemens; a development which coincided with increased influence of the Dresdner Bank in the AEG board of directors.²³⁰

A major investor abroad, and through Owen Young directly involved in the rehabilitation of the Atlantic circuit of money and finance capital, General Electric in response to the crisis of 1929 developed seminal proposals anticipating the New Deal. Its contribution to the formation of a state-monopoly tendency in the American bourgeoisie, although merely transient from the company point of view, was crucial in determining the form of American state intervention and represented an early instance of the corporate-liberal synthesis. In late 1931, Gerard Swope, head of General Electric, at a meeting of the National Electrical Manufacturers Association presented a plan for compulsory cartelization of American

²²⁹ Braverman, *Labor and Monopoly Capital*, p. 144; David F. Noble, *America by Design. Science, Technology, and the Rise of Corporate Capitalism* (Oxford, Oxford University Press, 1979), pp. 302-303.

²³⁰ Gossweiler, *Grossbanken*, pp. 341-342; Meindert Fennema, *International Networks of Banks and Industry* (The Hague, Nijhoff, 1982), p. 127, fig. 6-1.

industry, to be supervised by a board of employers and workers. Within a month, the Swope Plan had been endorsed by key liberal capitalists, including Henry I. Harriman, president of the US Chamber of Commerce. Baruch incidentally had proposed a plan like this already in 1925, but his plan was part of a more restricted and isolationist concept of control.²³¹

In Britain and Belgium, the electrical engineering industry was dominated by foreign interests, notably General Electric and Westinghouse. In Britain, the major domestic factor in the electrical engineering industry, the Lazard group with English Electric, was part of the appeasement bloc as a corporate member of the Anglo-German Fellowship, but after the war gravitated to the pro-Atlantic fraction. Lord Brand, the managing director of Lazard Bros. at the time, was a major figure in the Cliveden set and the British Round Table Society; director Adam Marris joined the UK embassy in Washington in 1945 and played a key role in the preparations of the Marshall Plan.²³²

In France, the electrical engineering industry was penetrated by the ever-present General Electric group, but otherwise constituted a bulwark of the state-monopoly tendency. Mercier, Loucheur and A. Petsche held important posts in the industry. Detoef, of Alsthom (of which Mercier, too, was a director), was a prominent advocate of corporatist labour relations and championed Franco-German rapprochement. Significantly, electrical engineering was the only industry in which an industrial entente of the type foreseen in the Brüning-Laval agreement of 1931 in fact materialized.²³³

Philips of the Netherlands, finally, was a typical product of the state-monopoly era. Specializing in electrical household appliances, the

²³¹ Murray Rothbard, 'The Hoover Myth', in J. Weinstein and D.W. Eakins, eds., *For a New America* (New York, Vintage, 1970), pp. 176-177.

²³² Lazard Bros. was naturalized in World War I at the request of the Bank of England and came under the influence of Weetman Pearson, *Fortune*, August 1968, pp. 158-160; cf. Aaronovitch, *The Ruling Class*, pp. 87-58.

²³³ Henry W. Ehrmann, *Organized Business in France* (Princeton, N.J., Princeton University Press, 1957), p.p. 46-49; Hexner, *Steel Cartel*, p. xi.

company undersold its competitors by its low wages and by a 'feudal system of exploitation', as the president of General Electric's international division called it in 1935. The American company's influence in Philips, on account of its 18.7% investment and a licensing agreement, declined in the 1930s. Anton Philips, the founder, was an admirer of Henry Ford, who upon his visit to the Netherlands in 1930 made him chairman of the board of Ford's Dutch subsidiary. In a 1945 article, *Fortune* correctly qualified Philips as a 'firm believer in cartels'; the company ever since has tended to define its interests in terms of some form of European cohesion.²³⁴

But the list of industries which, in a parallel process on both sides of the Atlantic, bred a generation of the bourgeoisie steeped in the productive-capital concept, state-monopoly capitalism, and a sphere-of-interest strategy of international relations, should not obscure the basic qualitative difference setting apart American from European capitalism at this juncture: *the growth in the United States of a strongly internationalist automotive complex supporting a new mode of accumulation which for the first time in history allowed a class compromise between capital and labour to be constructed around a common interest in a rising rate of exploitation.* This fact, in conjunction with American financial hegemony, provided the basis for the acceleration of American state monopolism into a new corporate-liberal synthesis, consummated in the New Deal and subsequently extrapolated to the North Atlantic area as a whole.

2. The Corporate-Liberal Synthesis

The Depression marked the watershed between the era of liberal internationalism and a new era characterized by the compartmentalization of the Atlantic economy under the aegis of the productive-capital concept and the state-monopoly tendency in the bourgeoisie. This 'Great Transformation' for a time seemed to develop along parallel lines on both sides of the Atlantic, but in the course of the American New Deal, US state monopolism became part of a renewed outward thrust, in which 'progressive' state intervention was inserted into a revitalized liberal

²³⁴ *Fortune*, June 1945, pp. 127, 202; Ad Teulings, *Philips. Geschiedenis en praktijk van een wereldconcern* (Amsterdam, Van Gennep, 1976).

internationalism. In Europe, on the other hand, state monopolism galvanized the mass of interests opposed to orthodox liberalism only in a negative, tendentially reactionary way.²³⁵

Fordism and the automotive complex supporting it were the key factors shaping the transformation of American state monopolism into the corporate-liberal synthesis, providing the specific ingredients for both its social-imperialist aspect and the internationalization of finance capital from the United States. Ford's mass production strategy allowed him to break the resistance of skilled labour-power to its subordination to capital, tap the reservoir of cheap unskilled workers, and dramatically raise the rate of exploitation. In combination with the economic and social aspects enumerated in Chapter 1, Fordism through the generally competitive dynamic of American capitalism and its 'rational' class structure rapidly became the hegemonic mode of accumulation, spreading well beyond the actual automobile industry.

Articulating high living-standards and a flexible format of labour relations with a new lease on life for the steel industry through the continuous production of sheet steel, the American automobile industry engendered a veritable automotive complex involving the oil, rubber, and glass industries, pioneered new marketing and maintenance practices, and stimulated the development of road networks, suburbanization, new forms of vacationing, and so on. After the steam engine and the railroad, here was another truly epoch-making innovation of industrial capitalism.²³⁶

Already in the 1920s, therefore, the accumulation of capital in the United States and the strategies of the main financial groups in large part

²³⁵ Cf. Polanyi's remark on agrarian tariffs: 'The identical function which allowed the reactionary classes in Europe to make play with traditional sentiments in their fight for agrarian tariffs was responsible in America about half a century later for the success of TVA and other progressive social techniques. The same needs of society which benefited democracy in the New World strengthened the influence of the aristocracy in the Old', Polanyi, *Great Transformation*, p. 185.

²³⁶ Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (Harmondsworth, Penguin, 1968), pp. 216-217.

revolved around the automobile industry. Du Pont de Nemours' acquisition of General Motors stock was significant in this respect, and when Dillon, Read & Co. in the interwar years challenged the hegemony of Morgan, this involved, next to their plunge into the Atlantic circuit of money capital, an (ultimately abortive) attempt to build a rival automotive complex out of Chrysler and Goodyear Tire and Rubber, with which they confronted the General Motors/US Rubber combination (controlled by Du Pont and Morgan) and Ford/Firestone.²³⁷

At the same time, the American automobile companies from an early date engaged in active internationalization in response to the tendency of European governments to protect their weak automobile industries by tariffs. In Britain, when McKenna imposed a 33 1/3% protective tariff in 1915, more than one-quarter of the automobiles produced in Britain came out of the Ford subsidiary already.²³⁸ In France, Ford's first direct investment dated from 1913, while the German automobile industry was virtually divided between General Motors and Ford in the course of the 1920s.

In Europe, automobile production largely remained the domain of skilled workers until after World War Two. Here, the low value of labour-power in the context of a more hierarchically stratified class structure tended to act as a brake on the rationalization of production along Fordist lines. Narrow national markets, and a heavily cartelized steel industry resisting its transformation into a supplier of cheap sheet steel for automobile production, often reinforced by various forms of shop-floor resistance, effectively frustrated the introduction of new methods of producing and selling popular automobiles. Cars accordingly were expensive and bought only by the wealthy. In 1938, every fifth American drove a car, whereas in Western Europe, the ratio was 40:1.²³⁹

²³⁷ Menshikov, *Millionaires*, p. 290 note.

²³⁸ W. Plowden, *The Motor Car and Politics in Britain* (Harmondsworth, Penguin, 1973), pp. 99-102.

²³⁹ Economic Commission for Europe, *The European Steel Industry and the Wide-Strip Mill* (Geneva, United Nations, 1953), p. 46, table 31.

Thus, while the American automobile industry was not only the most dynamic economic force in the country (and an internationally oriented one at that), but also served as the crystallization point of the emerging progressive mode of accumulation and the corporate-liberal synthesis as such; in Europe the automobile industry, in the absence of the conditions favouring a comparable development, was either an ancillary of American capital or part of a defensive array of interests controlled by the state-monopoly tendency in its own bourgeoisie.

In Germany, according to Gossweiler, Opel, owned by General Motors, in the interwar years belonged to the Dresdner Bank/DANAT Bank grouping together with AEG and comprador strongholds like Thyssen; the Daimler-Benz and BMW firms, meanwhile, were part of the Deutsche Bank group. Hitler's car for the common man, the Volkswagen, remained a prototype until after the war. In France, Lazard and Paribas in 1936 cooperated with the rubber monopoly, Michelin, the main owner since 1934, in the reorganization of the ailing Citroën. Renault, also linked to Paribas, at this point still refused state interference but after the war was put under national supervision. In Italy FIAT, an independent and internationalist concern, resorted to Mussolini's protection to consolidate its virtual national monopoly during the critical interwar years. In the Netherlands, the buildings of the Spijker factory, the last national car firm, were sold to a paper manufacturer in 1929.²⁴⁰

If in Britain the automobile industry flourished compared to the depressed situation on the continent, this occurred under the specific conditions of the Imperial Preference System and the corporatist collusion between capital and labour under the auspices of the state-monopoly tendency in the bourgeoisie. The breakthrough of a consumer-durables industry and the rise of strong automobile firms like Austin and Morris here represented a protracted 'consumption' of British imperial hegemony rather than a restructuration of industry towards a Fordist accumulation pattern, as is testified by the resistance put up by the steel industry to the

²⁴⁰ Gossweiler, *Grossbanken*, p. 344; L.T. Wells, Jr., 'Automobiles', in R. Vernon, ed., *Big Business and the State. Changing Relations in Western Europe* (Cambridge, Mass., Harvard University Press, 1974), passim.

introduction of a continuous wide-strip mill and the conditions of its eventual operation in 1939.²⁴¹

In the United States, the restructuration of class relations towards the progressive accumulation pattern and the new corporate-liberal concept of control was consummated between 1933 and 1941. Roosevelt's New Deal, far from representing the realization of a clear-cut program, consisted of a process of class formation in which various fractions, through intense struggles, successively were integrated into the new hegemonic coalition, while others dropped out after having been temporarily included. The transition from the crisis of liberal internationalism to the new corporate-liberal synthesis passed through four main phases.²⁴²

First, the actual breakthrough of the state-monopoly tendency at the expense of international money capital, in which the Rockefeller group and chemical industry, notably Du Pont, were prominent. *Secondly*, a social-imperialist phase characterized by domestic reform and a corollary, albeit still timid, internationalist departure from the initial state-monopolism. This second phase, which soon assumed a veritable 'revolutionary-democratic' quality highly disturbing to Roosevelt's supporters in the bourgeoisie, was followed in 1937 by a *third* phase of countercyclical economic policy aimed at containing working-class pressures within the constraints of the new Fordist social order. The effectiveness of this policy partially accommodated the segment of the bourgeoisie which had deserted Roosevelt and had established the Liberty Leagues in the second phase; but it took until the *fourth* phase, when Roosevelt embarked upon a program of support for Britain against Hitler,

²⁴¹ Overbeek, 'Finance Capital and Crisis', pp. 105-106.

²⁴² The various phases of the New Deal have been analysed in terms of class fractions and capital groups by Thomas Ferguson in 'From Normalcy to New Deal: Industrial Structure, Party Competition, and American Public Policy in the Great Depression', *International Organization*, vol. 38, no. 1 (Winter 1984); and by Ph. H. Burch, Jr., *Elites in American History*, 3 vols. (New York, Holmes & Meyer, 1980), vol. 3. Unless indicated otherwise, factual material on the identity of the supporters of the various stages of the New Deal has been taken from these two sources.

before the disaffected mainstream bourgeoisie and the traditional financial aristocracy, too, were able to find their place in the New Deal coalition.

The eventual corporate-liberal coalition of mass-production industries, 'reformed' international bank capital, the state apparatus, and, at a subordinate level, the domesticated trade unions, henceforward would remain committed to the arrangements of the era of American hegemony and Atlantic integration, through which the Fordist mode of accumulation and the class compromises on which it rested were extrapolated to the international level. Yet, only during the offensive phases, with the domestic US economy going at full tilt and the Democratic Party in command, would this configuration be geared to its full potential, articulating state intervention, social imperialism, internationalism and activism abroad.

The 'unreconstructed' state-monopoly tendency in the American bourgeoisie, as much as its liberal-internationalist counterpart, in the postwar period could only reassert itself as part of the recurrent tendency, mostly under Republican auspices, towards the disintegration of the offensive class configuration. In between the American Atlantic offensives, the prominence and policies of Rockefellers and Dulleses in this sense can be traced to the period of their original ascendancy in the context of the compartmentalization of the Atlantic economy and the resurgence of Germany.

Corporatism in Labour Relations

The elaboration of synthetic concept of control with respect to the working class was a crucial achievement of the New Deal, and an integral aspect of the Roosevelt offensive's export model of class relations. The basically private forms of labour control associated with the new industries of the 1920s failed to contain the intense class struggles erupting between Roosevelt's election and World War Two. The industrial welfare and representation schemes pioneered by Rockefeller, and hardly challenged by the restrictive organizing practices of the AFL, generally had involved only the better-paid, skilled workers. They had functioned to make the

workers accept the reduction in wages dictated by the orthodox policy of deflation, but left unorganized the larger mass of semi-skilled production workers, often already outside the integrative context of Anglo-Saxon culture.²⁴³ When in the course of the crisis mass unemployment spread, class consciousness among this segment of the working class grew.

Through the mobilization of millions of working-class new voters and the resulting expansion of the active electorate, the campaigns of Franklin Roosevelt in 1932 and 1936 swept away the Republican-dominated electoral system established by McKinley's landslide of 1896. This overturning of forty years of Republican big-business electoral hegemony raised the spectre of mass radicalization. Thus, America's most eminent academic economist, Irving Fisher, warned President-elect Roosevelt that close observers of local working-class opinion were 'smelling revolution'.²⁴⁴ This threat, in turn, functioned to loosen the liberal deflationist orthodoxy of a critical segment in the ruling class. The example of the Swope Plan shows that in certain capitalist circles a state-monopoly solution was actively contemplated.

Indeed, quasi-heretical state intervention in monetary and financial policy had been attempted first under Hoover, who created the Reconstruction Finance Corporation, a major instrument of state intervention through the Truman period. Hoover, however, did not dare to venture into the field of forced cartelization along the lines proposed by the Swope Plan.²⁴⁵ It was only the groundswell of the working-class movement which removed these hesitations. As banker James Warburg noted in his diary in March 1933, 'There is tremendous and increasing pressure for inflationary relief from all possible sources and taking all possible forms. . . . Cheapening the dollar would make all these people

²⁴³ cf. Kelly, *Labor Relations*, p. 166.

²⁴⁴ I. Fisher, 'Letter to Roosevelt, February 25, 1933', in J. Schwarz, ed. 1933. *Roosevelt's Decision. The United States Leaves the Gold Standard* (New York, Chelsea House, 1969), p. 27. See also W. Miller and T.E. Levitin, *Leadership and Change. Presidential Elections from 1952 to 1976* (Cambridge, Mass., Winthrop, 1976), pp. 289-290.

²⁴⁵ Rothbard, 'Hoover Myth', p. 178.

happy at least for a certain length of time, and during this time it will be possible to develop a real program'.²⁴⁶

Confronted with a threatening breakdown of the capitalist order, the American ruling class preferred playing for time and thus allowed Roosevelt and his advisers a free hand in taking the necessary measures. The 'real program' at first amounted to an enactment of the Swope Plan by the National Recovery Act. The Act, and the executive organs it created, put the American economy on a state-monopolistic footing with control in the hands of the fraction most closely acquainted with this approach. The National Recovery Administration was headed by former Baruch aide Hugh Johnson; Walter Teagle of Standard Oil led its Industrial Advisory Board and sat on the National Labor Relations Board; while Swope sat on both bodies. The Du Pont group, alienated by Hoover's liberalism, was prominent among the backers of the project at this stage.

However, Roosevelt's appointment of a woman, Frances Perkins, over the opposition of the AFL, signalled a new approach to the mass of unorganized workers. Arguing that 'unorganized as well as organized labour should be represented'²⁴⁷, the Administration inserted NRA's famous section 7a, which recognized labour's right to organize within the company and to engage in collective bargaining at the industry level. This everywhere encouraged the unorganized to organize, and trade unions to press new demands. However, strikers who turned to Washington for help in the face of employer victimization (which was extensive everywhere in the first years of the New Deal) quickly discovered that NRA chief Hugh Johnson and Secretary Perkins were more interested in the success of the integrative mechanisms of the NRA, and its impact on

²⁴⁶ J.P. Warburg, 'Diary entry, 15 March 1933', in J. Schwarz, ed. 1933. *Roosevelt's Decision. The United States Leaves the Gold Standard* (New York, Chelsea House, 1969), p. 139.

²⁴⁷ R. F. Fenno, Jr., *The President's Cabinet. An Analysis in the period from Wilson to Eisenhower* (New York, Vintage, 1959), p. 74.

the macro-economy, than in any particular rights or struggles of the working class as such.²⁴⁸

Although the Supreme Court—a last bastion of economic liberalism—ruled the NRA unconstitutional in 1935, its assumptions still guided the Roosevelt Administration's search for a corporatist format of industrial relations. If, on one hand, the New Deal had to overcome employers' resistance to unionism *tout court*; on the other, it had to constrain and 'deradicalize' the more militant tendencies of the rank-and-file working class. The first major challenge was the great sit-down wave of 1936-37 which, for virtually the first time in American history, saw a mass transgression of employer property rights. Faced with awesome company repressive apparatuses (private police forces, extensive 'fink' networks, etc.), organizing committees of the newly-formed Committee (later Congress) of Industrial Organization(s) launched epic sit-downs; first in the Akron rubber industry, then in the very heart of General Motors' power: its Flint, Michigan Chevrolet complex. This new form of working-class action, which won recognition for the CIO's rubber and auto unions, put the companies on the defensive since they were compelled to limit the use of force for fear of damaging plant and equipment. In 1937, however, Congress, with the assent of the Administration, outlawed sit-downs. The unions, despite rank-and-file protest, complied and returned to picket-lines outside the plants: with the result of 10 dead and 26 wounded outside a Republic Steel plant in South Chicago in 1937.²⁴⁹

Also in 1937 pressure was brought to bear on the Roosevelt administration to cut public spending for employment and thus quell working-class militancy. The recession came in the midst of the CIO drive and worked both to undermine the workers' will to strike and to bolster the employers' will to resist.²⁵⁰ At this juncture, the AFL took the offensive, and as a result of its greater financial resources and broader support in the

²⁴⁸ Cf. Kelly, *Labor Relations*, p. 166.

²⁴⁹ *Ibid.*, p. 203.

²⁵⁰ W. Galenson, 'The Labor Movement in the United States 1929-1940', in D. Fauvel-Rouif, ed., *Mouvements ouvriers et depression économique de 1929 à 1939* (Assen, Van Gorcum, 1969), p. 138; Kalecki, 'Political Aspects', p. 424.

capitalist class, succeeded in recapturing much of the territory lost to the CIO and more. The AFL in the previous period had lost influence as a consequence both of mass production and deskilling tendencies, and because of company feudalism; now that the lightning advance of the CIO was halted, the AFL veered back to its original pre-eminence by combining some of the lessons it had been taught by the new organizing practices of the CIO with its rich experience of class collaboration.

The restructuration of labour relations from the pre-New Deal format to the new Fordist pattern far from obliterated the forms of some of the previous arrangements. Company feudalism paradoxically was reinforced in some sectors, like chemicals and business machinery, where the challenge of the CIO spurred employee-representation schemes and preemptive wage comparability. But if the overall outcome was heterogeneous (also due to the fact that the protracted struggle of the working class took place under changing legal and political conditions), the compromise, worked out on the national level, between high-productivity industry and organized workers became its dominating feature. In the course of the Roosevelt offensive, organized labour first had to be cut down to size to make this compromise attractive to the capitalist class; but once this renewed subordination was achieved, the corporatist mechanism allowed for a relatively smooth interplay between the big unions' economic demands and the expansion of American capital. The AFL and CIO both supported labour-saving mechanization in exchange for pay rises for the stably employed workers forming their core constituencies. The miners' leader and strategist of the CIO drive, John L. Lewis, right after World War Two was the first to accept such a deal openly.²⁵¹ Eventually, this compromise also functioned in the context of the internationalization of American capital, making the AFL and CIO

²⁵¹ R. Herding and Ch. Sabel, "'Business Unions" in den USA. Eine Verteidigung gegen ihre fälschen Feinde', in J. Bergmann, ed., *Beiträge zur Soziologie der Gewerkschaften* (Frankfurt, Suhrkamp, 1979), p. 375. On the bifurcation of the working class resulting from the corporatist truce between high productivity capital and organized labour, Braverman, *Labor and Monopoly Capital*, pp. 383-384, and James O'Connor, *The Fiscal Crisis of the State* (New York, St. Martin's Press, 1973).

junior partners in the post-war organization of an informal American empire.

In Europe, the preconditions for the introduction of a Fordist pattern of labour relations were largely absent. In the interwar years, European backwardness lent a particularly reactionary aspect to the state-monopoly tendency, notably on the continent. Whereas in the United States, the possibilities of expansion, coupled to the rational two-class structure and the owner-cultivator pattern in agriculture, made a basically progressive, social-imperialist consensus possible; in continental Europe, the productive-capital concept was disproportionally developed from the vantage-point of the pre-capitalist critique of money capital, and in its Fascist variety eventually would entail the enslavement of the working class.

However, the same processes of rationalization of industrial production were at work, and the requirements of large-scale mechanized production, as well as the typical class compromises developed in its context, did assert themselves in Europe in the interwar period, if only temporarily. Northern European Social Democracy would develop as a crucial agent for the introduction of the Fordist pattern of labour relations in Europe; and in the interwar years two lines of development in this respect stood out: the British example of a national compromise and its subsequent devolution to the plant, level, and the German pattern of plant councils evolving into a national compromise (postponed to the post-war era after its initial failure in 1928).

In Britain, which in terms of the transition to a Fordist pattern of accumulation occupied an intermediate historical position between the United States and continental Europe, the state-monopoly tendency materialized in the specific form of a conciliatory tendency within both the capitalist and the working classes. Due to the dominant position of the international commercial and financial interests, industrial capital at an early date was forced to work out a basis of agreement with the workers, notably in the new industries. Since these often were operated by relative outsiders (Americans in the electrical engineering industry, Germans in

chemicals, the Quaker families in the food industry), these experiments did not immediately or hostilely incite the established, liberal ruling class.²⁵²

In the Depression, these experiments, which after the General Strike of 1926 had gained prominence through the Mond-Turner discussions already referred to, were elaborated as a general framework of labour relations, exemplified in the Macmillan Report of 1931.²⁵³ Although the British bourgeoisie was not above contemplating new forms of state intervention—a 1927 Tory manifesto inspired by Mussolini's New Order carried the signatures of Churchill and Harold Macmillan—only the Labour Party could invest all its political capital in a prospective corporate-liberal synthesis. The stability of real wages in Britain during the crisis, contrasting sharply with developments elsewhere, did much to strengthen the hand of the right wing of the trade unions and the Labour Party, allowing them to plot a course of state intervention along reformist lines compatible with the corporate liberalism championed by the United States after the war. The early break with Marxism under the auspices of the Fabian Society greatly facilitated the absorption of Keynes's recommendations for a euthanasia of the rentier class and a calculated deficit policy for employment; although formulated by an avowed enemy of the working class, this recipe found its historical executor in the Labour Party, being the only political force in Britain basically committed to modernization and an enlarged state role.²⁵⁴ It was this ideological homology which eventually would turn the TUC, the Labour Party, and leaders like Ernest Bevin into crucial relays of American influence and intervention in Western Europe.

In some contrast to the British pattern (which on account of economic and historical similarities was also influential in the Netherlands), German Social Democracy developed its prototypical contribution to the corporate-liberal synthesis from the vantage-point of productive capital in

²⁵² Hobsbawm, *Industry and Empire*, p. 169.

²⁵³ Overbeek, 'Finance Capital and Crisis' p. 105.

²⁵⁴ John Grahl, 'The Liberal Revolutionary', *Marxism Today*, June 1983, p. 21; Hobsbawm, p. 170.

direct production. In Germany, there was a strong tradition of company feudalism in the metalworking industries employing skilled workers. Workers' and employee committees had been in existence in German companies since 1891 and had become compulsory in 1916, but the self-elected workers' councils transcended the corporatist format. This was evident at the close of World War One when the revolutionary shop stewards among the skilled metalworkers led them into a struggle that for a time seemed to develop in a genuinely revolutionary direction. Their initiative was not followed by the semi-skilled workers in the larger factories, however, and the German majority Socialists and the trade unions, working closely with enlightened capitalists of the type represented by Walter Rathenau, were able to recapture control of the councils movement in the years that followed.²⁵⁵

This course of events demonstrated the inability of merely syndicalist movements, no matter how revolutionary, to provide a viable alternative to a vision of reformed capitalism, which by its own workings, and Henry Ford's in particular, seemed to hold out the promise of fulfilling the workers' material needs. In Germany, this reformist ideal was elaborated along the lines of the Keynesian critique of money capital, but due to its origins in the councils movement remained linked to a concept of industrial democracy rather than being state-oriented. Here, not just the state, but the large corporation already was seen as a neutral instance. The notion that production 'unjustly', 'capitalistically', was subordinated to the interests of money capital was taken as a starting point for several influential studies by leading Social Democratic theoreticians. Fritz Naphtali in 1928 recommended that the workers' representatives take part in the management of large corporations, and eventually, of state economic policy as well. The socialization of labour within the plant, and the promise of more harmonious industrial relations that it held out, led Naphtali to believe that socialism might not need a violent struggle after

²⁵⁵ James Wickham, 'Social Fascism and the Division of the Working-Class Movement', *Capital and Class*, no. 7 (Spring 1979), p. 11; D. Schneider and R. Kuda, *Arbeiterräte in der Novemberrevolution* (Frankfurt, Suhrkamp, 1968), p. 24. The majority socialists had an étatist tradition reaching back to Lassalle, but the councils movement added a lasting plant-level counterpoint.

all. 'Though it is far from us', he wrote, 'to conceal the highly capitalist nature of the new forms of organization, we believe that from this development. . . a major impulse in the direction of the democratization of the economy will result and is beginning to do so already.' A comparable point of view was put forward in Eduard Heimann's *Soziale Theorie des Kapitalismus* of 1929.²⁵⁶

Social-Democratic ideology, proceeding from the assumption that socialized labour in the factory represented a major step towards an overall planned economy—and, if managed democratically, possibly its equivalent—was dependent on the capacity of modern mass-production industry to provide a relatively high standard of mass consumption. When Naphtali's and Heimann's studies were published, this was already proving an illusion. In the prosperous year 1928, when the boom associated with the influx of American capital was at its peak, the real wages of the entire working class were still not above the pre-war level. Mass consumption accordingly failed to develop sufficiently, and eventually the trade unions in the relatively 'progressive' industries (e.g., chemical, electrical, etc.) which had achieved a semblance of nation-wide bargaining through arbitration, had to swallow the across-the-board lowering of wages through the Emergency Decree of December 1931.²⁵⁷ Only after World War Two did the managerialist and technocratic doctrine of Naphtali and Heimann become relevant again in the context of Atlantic integration. Cementing and in some respects transcending the productive-capital concept, this outlook tended to favour coalitions between productive capital and organized labour, and at the state level, between finance capital and Social Democracy. In the Federal Republic, this led to company co-determination schemes favouring productive investments to the detriment of dividend payments, and to the adjustment, through the Godesberg Programme of 1959 and other policy

²⁵⁶ F. Naphtali, *Wirtschaftsdemokratie* (Frankfurt, Europäische Verlagsanstalt, 1969), p. 30. E. Heimann, *Soziale Theorie des Kapitalismus. Theorie der Sozialpolitik* (Frankfurt, Suhrkamp, 1980).

²⁵⁷ Abraham, *Weimar Republic*, p. 239-241.

changes, of Social-Democratic policy to the corporate-liberal and Atlantic unity concepts.²⁵⁸

3. The New Deal Versus Rentier Control

The failure of liberal-internationalist capitalism to revive its economic order after 1929 also brought about, in due course, a fundamental restructuration of profit distribution as well. The stock market crash and the bank crises of the early 1930s had made abundantly clear where the weak links in the system were to be found. In the margin of the momentous class struggle which accompanied the agony of liberalism, small savers clamoured for the money invested abroad by investment banks operating in the international circuit of money capital. In the United States, these investments became the object of the Senate investigation led by Ferdinand Pecora. Three billions of the eight billion dollars of foreign bonds which the large investment banking houses had sold to the American public in the 1920s had defaulted.²⁵⁹ The uproar among the small savers, coinciding with the battles of the mass-production workers, further added to the turbulence of the period and to its apparent anti-capitalist thrust. In fact, what was at stake was the need to emancipate industrial capital from the tutelage of the investment banks and the petty investors' community. As Keynes put it in the Concluding Notes of his *General Theory*, 'with the disappearance of (the rentier aspect of capitalism) much else in it besides will suffer a sea-change. . . (But) the euthanasia of the rentier, of the functionless investor, will be nothing sudden. . . and will need no revolution.'²⁶⁰

The Banking Act of 1933 was meant to separate the functions of money-dealing commercial capital from the interest associated with fictitious capital. Several banks had anticipated the restructuration: in 1932, the

²⁵⁸ On the effects of co-determination on the profit distribution process, cf. K.O. Hondrich, *Mitbestimmung in Europa. Ein Diskussionsbeitrag* (Cologne, Europa Union Verlag, 1970), p. 94.

²⁵⁹ M. Josephson, *The Money Lords. The Great Finance Capitalists 1925-1950* (New York, Weybright & Talley, 1972), p. 133.

²⁶⁰ Keynes, *General Theory*, p. 376.

security affiliates of the National City Bank of New York and the Chase National Bank were set up as independent companies. Winthrop Aldrich publicly spoke out in favour of the separation of commercial and investment banking. In order to save the position of the Chase Bank (and Aldrich's), the Rockefellers decided to sacrifice chairman Albert Wiggin to the Pecora Committee. At the National City Bank, a comparable fate was reserved for Chairman Mitchell.²⁶¹

The Morgan Bank, forced to split into a commercial bank and an investment company renamed Morgan, Stanley, could not but bear the brunt of the attack, since it was the virtual embodiment of Atlantic, money-capital in the United States. Although J.P. Morgan, Jr. professed to welcome the inflationary measures of the administration, the consternation at the bank was complete. Lewis Douglas, a financier of the group, upon being informed of Roosevelt's decision to devalue the dollar, lamented that it meant the 'end of Western civilization'.²⁶² James Warburg, too, approved of inflation as a temporary measure, but the transfer of the legal title to the gold of the Federal Reserve to the American state in 1934 as part of the initial state-monopolism forced him to resign as Roosevelt's adviser and join the anti-New-Deal Liberty League.

The bankers from parvenu or anti-Morgan institutions, however, supported the New Deal for a variety of reasons. Apart from Chase and the National City Bank of New York (whose former chief, Frank Vanderlip, headed the pro-inflation Committee for the Nation), this category included A.P. Giannini of the Bank of America, who had a clear interest in the curtailment of Wall Street tutelage over American banking and whose experiments with branch banking predisposed him favourably to Roosevelt's domestic programme. The newly prominent investment bank combination of Lehman Bros. and Goldman, Sachs, also was receptive towards the consumer orientation of the New Deal on account of its interests in department stores and light industry; moreover, their

²⁶¹ H.M. Burns, *The American Banking Community and New Deal Banking Reforms 1933-1935* (Westport, Conn., Greenwood Press, 1974), p. 65. Collier & Horowitz, *The Rockefellers*, p. 16.

²⁶² Quoted in Schwarz, *Roosevelt's Decision*, p. vii; Brooks, *Once in Golconda*, p. 155.

awareness of the need for structural change apparently transcended even immediate economic interest or resentment against anti-Semitism on the part of the Morgan interests. Thus, one could hear Paul Mazur of Lehman Bros. complaining over the 'tragic lack of planning' in the capitalist system, while Sidney Weinberg, a Lehman partner and head of Goldman, Sachs, was assistant campaign treasurer of the Democratic National Committee in 1932 and 1936.²⁶³ According to Burch, W. Averell Harriman, head of the pro-Roosevelt Business Advisory Council (BAC) formed in 1935, acted as the liaison between the Jewish bankers and the Rockefeller group.

In 1934, the termination of the era of rentier control was further marked by the introduction of the Securities and Exchange Commission under Joseph Kennedy. When in 1935 the attack on investment bank control was carried into the field of their holdings in utilities, Morgan however no longer stood alone. By its increasing reformist content, the New Deal had assumed a new quality in the eyes of several of its initial supporters, and in the conflict which ensued, the conservative state-monopoly tendency in the bourgeoisie, headed by the Du Pont group, broke out of the Roosevelt coalition and regrouped in the reactionary Liberty League.

At the same time, a new horizon was opened for capital by the internationalist turn the Roosevelt Administration was making. The Reciprocal Trade Agreements Act of 1934 already revealed the administration's strategy of providing a new international framework for the envisaged industrial expansion. Compared to the previous deflationary policy bolstering the dollar, and to the Hawley-Smoot tariff established under Hoover, the traditional emphasis between trade and foreign investment was clearly reversed as internationalization of capital

²⁶³ Once the major transformation of American capitalism was a fact, specific circumstances could decide over political loyalties: in 1952, Weinberg was treasurer of Citizens for Eisenhower, *Fortune*, October 1953, p. 173; Mazur quote in Rothbard, 'The Hoover Myth', p. 158. On the Bank of America, M. James and B.R. James, *Biography of a Bank. The Story of the Bank of America NT & SA* (New York, Harper & Brothers, 1954), p. 381; 'Vanderlip Favors End to Gold Basis', *New York Times*, March 6, 1933, reprinted in Schwarz, *Roosevelt's Decision*, pp. 44-45.

was hinged on the expansion of US industrial capacity at home. In line with the 1933 bank policy, the new Export-Import Bank was set up as a means to shift foreign investment risks to the state, while at the same time, as J.F. Dulles observed with a keen eye for the political dangers inherent in a domestic mass-consumption economy, 'allowing foreigners to acquire goods for which domestic consumers would otherwise have to be found.'²⁶⁴

Thus Hull's free-trade policy brought agreements with the Netherlands and its colonies and with Belgium; in 1936, a reciprocal trade agreement was concluded with France and its empire. The combination of sales prospects abroad with the dampening effect of business abroad on domestic wages eventually offered a way back into the Roosevelt coalition to some of the disaffected industrialists. Thus, while General Motors head Sloan had followed the Du Pont representatives out of the BAC in 1935, a vice-president of the same firm in 1936 publicly declared that because of Hull's trade policy he would vote for Roosevelt in the November election.²⁶⁵ As part of the same strategy, steps were taken towards monetary stabilization in the Atlantic area. The agreement with Britain of 1934, extended to France following the devaluation of the franc in 1936, prefigured the Bretton Woods system by stipulating mutual consultation in advance of parity changes as a means to facilitate the flow of trade and payments.²⁶⁶

However, the sphere-of-interest policy in international relations inherited from Hoover, still remained the overall framework of US foreign policy in the earlier New Deal period. As late as 1936, Roosevelt instructed his ambassador in Berlin to be alert to proposals coming from Hitler which might ensure peace, thereby allowing for German objectives

²⁶⁴ Quoted in Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Boston, Beacon, 1971), p. 35; Ridgeway, *Merchants of Peace*, p. 259.

²⁶⁵ Gardner, p. 25.

²⁶⁶ Melchior Palyi, *Währungen am Scheideweg. Lehren der europäischen Experimente* (Frankfurt, Knapp, 1960), pp. 29.

abroad.²⁶⁷ Politically, Roosevelt persisted in the policy of non-interference in European affairs, until his 'Quarantine the Aggressors' speech of October 1937 announced that the strategy of accommodation with the Fascist powers had been abandoned.

The Subordination of Money Capital in Europe

On the other side of the Atlantic, comparable developments took place, albeit with less opportunities for bank capital to recover in the context of international finance capital. In Britain, although the City had triumphed when Churchill had put the country back on gold, the industrial interest, represented by the employers' organization FBI, after 1926 succeeded in challenging the automatism of subordinating national economic policy to the interests of money capital, and effectively promoted its concept of tripartite corporatism.²⁶⁸ The National Government formed in 1931 was the expression of this shift, and if the liberal fraction supported it, it was primarily on the assumption that the spectacle of national unity would shore up confidence in the pound.²⁶⁹ The drastic deflationary policy upon which J.P. Morgan had made new loans to Britain conditional, forced the underlying fractional differences to the surface. The fact that the final incident which caused the critical loss of confidence leading to the break with gold in September 1931 took place in the British Navy symbolized the decline of the maritime-liberal fraction. The 'mutiny' of sailors over their pay cuts thus inaugurated the hegemony of the state-monopoly tendency led by Neville Chamberlain and John Simon, which, in turn, forced the liberals (whether in the Labour Party like Snowden or in the Liberal Party, like Samuel) out of the government in due course. As far as the banks were concerned, a separation of functions was not necessary since the merchant banks already were distinct from the joint-stock commercial banks.

²⁶⁷ F.L. Ford, 'Three Observers in Berlin: Rumbold, Dodd, and François-Poncet' in C. A. Craig and F. Gilbert, eds., *The Diplomats 1919-1939*, 2 vols. (New York, Atheneum, 1972), vol. 2, p. 457.

²⁶⁸ Middlemas, *Politics in Industrial Society*, pp. 180-181.

²⁶⁹ Cf. Anthony Eden's judgment at the time, *The Eden Memoirs, Facing the Dictators* (London, Cassell, 1962), p. 21.

In Germany, the subordination of money capital took the form of a temporary majority participation by the state in the banks most deeply involved in the post-war Atlantic circuit of money capital (DANAT and Dresdner Bank), whereas the Deutsche Bank, which through its merger with the Discontogesellschaft even more became the bank of the state-monopolistic heavy industries, was only indirectly supervised. The DANAT bank collapsed and the Dresdner Bank suffered heavy losses in the bank crisis of 1931. The two banks merged in 1932, and the German state took an interest of 75% in the new institution, compared to a 35.6% participation by the central bank in the Deutsche Bank. The latter eventually emerged from the bank crisis reinforced at the expense of its rivals. In the Third Reich, the banks were re-privatized without any separation of functions.²⁷⁰

In Italy, the IRI was founded in 1933 as a holding for the deficitary industrial assets hitherto held by bank capital. In this way, a separation of functions was achieved in practice. As a result of the losses incurred, the Banca Commerciale, the Credito Italiano, and the Banco di Roma also passed under the influence of the IRI. Of these, the Commerciale was the main outpost in Italian banking of the state-monopoly tendency; its head, E. Conti, was also the founder of the national oil company AGIP and incidentally belonged to the minority in the Italian bourgeoisie which all along had opposed Fascism. The Bank of Italy in 1936 was put under state supervision, too, but retained considerable autonomy.²⁷¹

As major foreign investors, the other continental European countries attempted to cling as long as possible to original gold parities. Belgium was the first to leave the gold standard in 1935 after having already separated holding and deposit banks. The subordination of money capital here was part of the emancipation of Catholic Flanders, with its light industry and agriculture, from the tutelage of liberal Wallonia and

²⁷⁰ Gossweiler, *Grossbanken*, pp. 388, 291; V. Ronge (with P.J. Ronge), *Bankpolitik im Spätkapitalismus. Politische Selbstverwaltung des Kapitals?* (Frankfurt, Suhrkamp, 1979), pp. 78, 59.

²⁷¹ Jean Meynaud, *Rapport sur la classe dirigeante italienne* (Lausanne, Etudes de Science Politiques, 1964), pp. 69-70.

Brussels, where the financial aristocracy controlling the coal and steel industries had its fiefs.²⁷²

In France, the separation of functions had to wait for the liberation from the Nazi occupation. As in Britain, the distinct existence of a banking aristocracy and a lesser banking bourgeoisie already pre-ordained a certain separation of functions of bank capital. The Popular Front reforms also included a reorganization of the central bank, but until 1941 the banks largely circumvented central bank interference due to the ample liquidity at their disposal. The nationalizations of 1945 finally terminated the independence of the biggest banks, made them subordinate to the modernization plans, and introduced a strict division into three categories.²⁷³

In the Netherlands, which together with France was the last country to leave the gold standard in 1936, no separation of functions was carried through and the subordination of money capital was postponed until the postwar crisis of the dominant colonial and shipping capital bloc.²⁷⁴

The contradiction between money-capital's attempt to artificially bolster the Atlantic circuit of speculative investment through deflationary policies, and large-scale industry's need to maintain demand, was ultimately resolved at the expense of money capital. As was illustrated in the case of Germany, it was not the inter-war state-monopoly tendency *per se* which put an end to liberal internationalism; rather, the reactionary comprador liberals themselves created the conditions in which the autarky policy and the corporatism typical of the state-monopoly tendency could be realized. Allergic to the allegedly socialist aspect of state intervention, these liberals saw a frontal attack upon the working class as the only way of reversing the trend; whereas in reality, the presence of working-class organizations in the emerging state-

²⁷² Mommen, *Belgische bourgeoisie*, p. 90; R. Weston, *Domestic and Multinational Banking. The Effects of Monetary Policy* (London, Croom Helm, 1980), p. 110.

²⁷³ André Granou, *La bourgeoisie financière au pouvoir et les luttes de classe en France* (Paris, Maspero, 1977), p. 14; Mallens, *Franse bankwezen*, chapters 1 and 2.

²⁷⁴ Bode, 'Nederlandse bourgeoisie', p. 43.

monopolistic structure was an aspect of a conflict between fractions of capital (money capital and productive capital) and the concepts of control developed by them.

In this struggle, the liberals were fighting the very course of capitalist development itself. The conflict of interest between the liberal bankers and the nationalist industrialists everywhere was decided by the subordination of the international bankers to state intervention intended to shore up the accumulation conditions of large-scale industrial capital and complemented by corporatism. The way in which the challenge of the working class was handled varied greatly, from ruthless suppression in Germany and Italy to conciliatory strategies in America and France. In fact, the absence of a complementary attack on the working class in the United States caused concern among those most suspicious of latent 'socialism' in Roosevelt's policies, and this concern drove renowned liberals like Will Clayton, the cotton broker, and James Warburg, the banker, into the Liberty Leagues. Their sympathy for fascism resembled that of Schacht and Thyssen in believing that a death blow to the organized working class would restore the conditions of their cherished liberal order. In the United States, however, the outward thrust of capital soon was resumed after the primacy of industrial capital had been established. In the context of a synthesis between liberal internationalism and state intervention, men like Clayton and Warburg rejoined the Roosevelt regime and became leading missionaries of the corporate-liberal ideal.

In Europe, however, the subordination of money capital led to a generalization of state-monopolistic controls of the economy, postponing the restructuration of class relations by imposing a reactionary united-front configuration on the bourgeoisie, first in Italy and Germany, and subsequently in Hitler's Europe. In sharp contrast to the New Deal, Fascism did not effectively transform the structures and concepts developed in the liberal context, but remained confined to acting out a cruel caricature of a restructuration of the class structure by its genocide of the Jews and the annihilation of working-class organizations. As Gramsci already observed in his *Prison Notebooks*, the Fascist order 'has operated to

shore up the crumbling positions of the middle classes and not to eliminate them...' Because of 'the vested interests that arise from the old foundations', Fascism was becoming 'more and more a machinery to preserve the existing order just as it is rather than a propulsive force'.²⁷⁵

²⁷⁵ Gramsci, *Prison Notebooks*, p. 294.

5

The Atlantic Charter and the Roosevelt Offensive

The accumulation cycle of American capital following the 1937 recession coincided with the tendential internationalization of the mode of accumulation and the concomitant class compromise for which the base had been laid during the earlier New Deal. From 1937 on, American foreign policy was gradually recast in a Wilsonian framework, culminating in the promulgation of the Atlantic Charter in 1941. Simultaneously, the war mobilization of the US economy, overcoming the previous domestic constraints of New Deal economics, created the context for a sweeping new economic and political consensus. This consensus, which in the tradition of American New Left historiography of the 1960s I have typed 'corporate-liberalism', combined industrial Fordism and state intervention with a reaffirmation of the free international economy dear to the protagonists of the money-capital concept. Its basic ambit was US hegemony in the North Atlantic, although in the heady war years Washington planners talked of an Americanized 'One World', including both China and the Soviet Union.

The material basis of this Atlantic extrapolation of the New Deal was the American ability to sustain a high rate of real fixed-capital accumulation, complemented by trade and payments liberalization and increased military expenditure. Moreover, the Roosevelt offensive (as well as its postwar successors) also linked a social-imperialist exteriorization of popular aspirations to a profit-distribution pattern skewed to productive

capital. In this way, the universalism of the Atlantic Charter (as of the Atlantic Union and Atlantic Partnership concepts later on) not only expressed the dynamic, expansionist character of the domestic US class compromise between productive capital and organized labour, but also became the lodestar for those sections of the European bourgeoisie aspiring to follow the American path of mass-consumption capitalism, or, at least, opting for US protection in the post-colonial, Cold War world-situation.

1. Internationalization of the New Deal

As we have seen, Wilson's Crusade for Democracy was the paradigmatic example of an offensive response to popular demands and the challenge of socialism: social pressures generated by full employment were absorbed into a missionary idealism, drawing on racism and Anglo-Saxon chauvinism. Through the filter of social-imperialist ideology, Wilson's universalism articulated foreign interventionism with the social aspirations of classes which would not have supported such expansionism if it had not coincided with concessions and reform. For Wilson, then, the reform year 1916 had been necessary to forge the domestic class compromise allowing him to launch the overseas offensive demanded by the international bankers.

The context of the Roosevelt offensive, on the other hand, was notably dissimilar in key regards. For instance, the liberal-internationalist fraction had first of all to publicly re-legitimize itself, having been cast into the political underworld as a result of sensational congressional exposés in the banking and munitions industries. The New Deal itself, as we have seen, found it convenient to allow bank capital—particularly its internationalist segment—to become the scapegoat for the crisis of capitalism. By 1939, moreover, the situation in Europe resembled 1914 rather than 1917, since the Soviet Union seemed to have settled for a role in the European balance of power. In these circumstances, Roosevelt, who as a Democratic vice-presidential candidate in 1920 had experienced a landslide defeat generally interpreted as a stunning rejection of Wilsonism, was anxious

not to appear too offensive-minded.²⁷⁶ Although Roosevelt's 'Quarantine the Aggressors' speech, delivered in October 1937, three months after Japan's attack on China, was already of unmistakeable Wilsonian inspiration, the actual implementation of policy hardly broke the confines of isolationism. Since Japan's war on China was officially 'undeclared', the Neutrality Act of 1935 was not applied, and the Japanese military became the second biggest customer of the US aircraft industry.²⁷⁷

Soon after Roosevelt's 'Cash and Carry' message to Congress in September 1939, in which he proposed lifting the arms embargo prescribed by the Neutrality Law, Clark Eichelberger, a traditional internationalist and director of the League of Nations Association, called a meeting of the executive committee of the Union for Concerted Peace Efforts of which he was a member. Other members included James T. Shotwell of Columbia University, one of the founders of the Council on Foreign Relations, and Hugh Moore, a prominent industrialist. They decided to organize a Non-Partisan Committee for Peace Through the Revision of the Neutrality Law, and asked the Kansas newspaper editor, William Allen White, to lead the undertaking.²⁷⁸

White, who according to Walter Johnson was 'the spark of the internationalist movement during these years [and who] became something of a folk hero to America', accepted the chairmanship on the condition that the campaign would not be financed by munitions makers, international bankers, or the steel interests. White's statement of conditions was intended to shore up his credentials with a suspicious and anti-war population and hardly reflected any real animosity to the 'Merchants of Death' or their bankers. On the contrary, White was a close friend of Morgan partner and Round Table stalwart Thomas Lamont, and

²⁷⁶ W.L. Neumann, *After Victory. Churchill, Roosevelt and Stalin and the Making of the Peace* (New York, Harper & Row, 1967), p. 33.

²⁷⁷ E.E. Freudenthal, 'The Aviation Business in the 1930's' in G.R. Simonson, ed., *The History of the American Aircraft Industry. An Anthology* (Cambridge, Mass., MIT Press, 1968), p. 107, table V (figures for 1935-38)

²⁷⁸ Unless indicated otherwise, details concerning the successive groups working for aid to Britain are taken from Walter Johnson, *The Battle against Isolation* (Chicago, Chicago University Press, 1944).

the personalities joining the Committee for Peace, included several Morgan men, like former Under Secretary of State and Morgan lawyer Frank Polk, as well as the future Republican presidential candidate and proverbial universalist, Wendell Willkie. For the rest, the Committee's roster read like a corporate 'who's who', including Henry I. Harriman; Archibald and Thomas Watson, of IBM and the International Chamber of Commerce; Henry Stimson, former Secretary of State and prominent Wall Street lawyer; as well as several internationalist Chicagoans, like Frank Knox, Republican nominee for Vice- President in 1936 and publisher of the *Chicago Daily News*, and Department store tycoon Marshall Field.

In June 1940, Knox and Stimson were appointed Secretaries of the Navy and of War by Roosevelt—a gesture that amounted to landing over the American war machine to the interventionists rallied by White. The latter took care to have the Senate approve of their appointment by appealing to important constituents of Senators whose position on this issue was still in doubt. This did not mean that military preparation had to wait for these Republican internationalists to enter the government, Roosevelt, ignoring the isolationist Secretary of War Woodring, had already worked directly with Assistant Secretary Louis Johnson (future Secretary of Defense under Truman and President of Consolidated Vultee aircraft company) in promoting an armaments programme.²⁷⁹

In the meantime, the White forces had been constantly regrouping. In December 1939, the Commission to Study the Organization of the Peace was launched, which, apart from those previously mentioned, included Lamont, Lucius Eastman, Professor Quincy Wright, and, most significantly, Clarence Streit who represented the British Round Table Society, favouring formal unity with the United States.

Ideologues of Intervention

Clarence Streit came from Missouri and volunteered for Europe in June 1917. After his discharge, he remained in France as a recruit of the American intelligence service to assist the American Peace Commission in

²⁷⁹ Fenno, *The President's Cabinet*, p. 47.

Paris during the Armistice negotiations. In 1920, he returned to Europe on a Rhodes Trust stipend, and in 1929 became the *New York Times*' stringer at the League of Nations. It was here, according to his own account, that he got first-hand knowledge of the workings of that organization and came to reject it as impractical, although it might perform a transitory role in paving the way for a world organization organized 'on a sound basis'.²⁸⁰

Streit's disapproval of the League of Nations was shared by the Rhodes Trustees in Britain, who considered the League an obstacle both to creating an Atlantic community and to redirecting Hitler's ambitions towards the East. When in 1937 German preparation for war assumed a clear anti-British thrust and the readiness of the American ruling class to subscribe to the grandiose sphere-of-interest arrangement contemplated by the Cliveden Set still was in doubt, the Round Table Society sent Streit back to America to work for Atlantic unity. Supervised by Lord Lothian (Philip Kerr), one of the inner circle members of the British Round Table who became British ambassador in Washington in August 1939, Streit spent the next eight years vigorously lobbying for Anglo-American unification. In 1938, he published the well-known *Union Now*; in 1941, when Western Europe was overrun by the Nazis, a new book, *Union Now with Britain*, argued the case with renewed urgency.

Union Now was received with great enthusiasm by pro-British groups in the United States. *Fortune* (April 1939) characterized the project (in its usual hyperbole) as 'the greatest political and economic opportunity in history, by comparison with which the opening of the North American continent was a modest beginning.'²⁸¹ Streit's proposal emphasized the formal aspects of Atlantic federation, like the constitutional arrangements between its various organs, the seat of the federal executive, and so on. Generously allowing both the United States and Britain their share in the Anglo-Saxon heritage, Streit proposed that the model of federation would

²⁸⁰ Clarence K. Streit, *Freedom's Frontier. Atlantic Union Now* (New York, Harper, 1961), re-edition containing a large part of *Union Now* (1938) expanded by an autobiography; here pp. 297-298, 301.

²⁸¹ Quoted in commemoration in *Fortune*, April 1949, p. 78.

be provided by the American Constitution, while Britain would contribute the tradition of representative government as such.²⁸² The area which could be united on this basis in the more modest version of 1941 was reduced to the actual Anglo-Saxon world: North America, Britain, the white Dominions, Ireland, and the white population of South Africa.²⁸³ Like the 'Grand Area' projected by Council on Foreign Relations planners as necessary for the survival of liberal capitalism, Streit's federal union was conceived basically in sphere-of-interest terms, although its potential for expansion was crucial to the scheme's logic. Western Europe, Scandinavia, Latin America, but also in the long run, the European colonies—might gradually be incorporated until a truly world government was achieved. If, as Streit proclaimed, 'despite all that the Nazis, the Stalinists and their stooges say, the Union policy (was) the opposite of imperialism', the difference would have eluded most non-Anglo-Saxons.²⁸⁴

Reciprocating Streit's vision in this respect, George Catlin may be singled out as the second major ideologue working for Atlantic unity on the eve of US entry into the war. Catlin, who was of British nationality, was an adviser to Wendell Willkie in the 1940 presidential campaign, selected because of his supposed expertise in foreign policy. Like Streit he was an inveterate geopolitician. 'I began in terms of some "organic union"', Catlin wrote in retrospect, 'and of the Anglo-American-Canadian "triangle of power" ... In subsequent revisions, I expanded this nucleus to include much of Europe—impracticable in 1940—and Australasia. Streit began at the reverse end with specific stress on "federal union" for the democratic or "free" world'.²⁸⁵

In 1938 Catlin elaborated the ethnic connection in *The Anglo-Saxon Tradition*, and, following the Willkie candidacy, he published *One Anglo-American Nation* as 'A British Response to Streit' in 1941. The book was

²⁸² Streit, *Freedom's Frontier*, p. 81.

²⁸³ *Ibid.*, p. 247.

²⁸⁴ Clarence K. Streit, *Union Now with Britain* (London, Jonathan Cape, 1941), p. 219, cf. pp. 20-22.

²⁸⁵ G.E.C. Catlin, *The Atlantic Commonwealth* (Harmondsworth, Penguin, 1969), p. 39.

dedicated to Roosevelt, who by this time was firmly engaged on a course of aid to Britain (although he could not go as far as Willkie, who could ignore other interests and only voice those of his backers in the Morgan orbit by proposing an economic and social union between America and the British Commonwealth).²⁸⁶ In his 1941 book, Catlin emphatically demanded a 'North American "Anschluss"'. He did not project a world government but settled for the inclusion of the Atlantic nation in a 'loose federation of world extension, centred at Geneva'. Atlantic unity thus remained a sphere-of-interest arrangement of only potentially universalist quality. In fact, Catlin thought that the formalization of the Atlantic bond was necessary to maintain this potential for any future emergency. 'It is highly desirable to provide, through regional federal union, a catchment within which the receding waters of emotion, ebbing after the peace from war, general intervention, and universalism, can in fact be held and stayed.'²⁸⁷

By this time, the initial formation established by White had regrouped again and were openly advocating US support for Britain through the new Committee to Defend America by Aiding the Allies. This organization, no longer hiding its purpose by cover names, completed the full range of traditional liberal support for an Atlantic-unity policy by enlisting such men as Will Clayton, Houston cotton merchant and proverbial laissez-faire liberal; Lewis Douglas, Morgan group financier and future ambassador to Britain; J.P. Morgan Jr.; Henry Luce, editor of *Fortune* and *Time-Life* publications; and social-democratic trade unionist David Dubinsky.

In June 1940, coinciding with their new hold on the defence departments, the group took a major step towards direct intervention in actual policymaking when a special team was set up composed of members of the Committee to Defend America and the Council on Foreign Relations. This group, called the Century Group after the upper-class club where it met, was organized by Francis P. Miller, the

²⁸⁶ Ibid., p. 38.

²⁸⁷ G.E.C. Catlin, *One Anglo-American Nation. The Foundation of Anglo-Saxony as Basis for World Federation. A British Response to Streit* (London, Dakers, 1941), pp. 82, 31-32.

organizational director of the Council, and Lewis Douglas, and was supported financially by the silk manufacturer, Ward Cheney. Whitney Shepardson, the secretary of the American Round Table group, also participated.²⁸⁸ The famous proposal to exchange American destroyers for British bases in the Western Hemisphere originated with the Century Group and was taken up by Knox and Stimson. The eventual destroyers/bases agreement of September 1940, brought new adherents to the Committee to Defend America, which had led the mobilization of public support. Governor Lehman of New York, of Lehman Bros., was among the new subscribers. The legality of the destroyers deal, finally, was defended by a team of lawyers led by Dean Acheson.

The adherence to the Committee to Defend America of a leading trade unionist, Dubinsky of the garment workers, reflected a larger process of gearing working-class opinion to interventionism. The mobilization of the liberal-capitalist fraction in the course of 1939-40 coincided with steps to extend the New Deal compromise with the organized workers from the new mass-production industries into the realm of foreign policy. In May 1940, Sidney Hillman, Vice-President of the CIO, was appointed labour representative in the newly-formed National Defence Advisory Commission. In December of the same year, labour's position was further enhanced, when Hillman was made co-equal head of the Office of Production Management (OPM, the precursor of the War Production Board of 1942).²⁸⁹

In response to the sophisticated and increasingly effective campaign of William Allen White and his associates, the hitherto ascendant state-monopoly tendency set up organizations to rally a mass following. The most important of these was the America First Committee, founded in September 1940. John Foster Dulles was a prominent member, and Robert

²⁸⁸ Johnson, *Battle*, pp. 115-116; Shoup and Minter, *Imperial Brain Trust*, p. 123.

²⁸⁹ Radosh, *American Labor*, pp. 16-18; Alan S. Milward, *War, Economy and Society 1939-1945* (Berkeley, Cal. University of California Press, 1979), p. 240.

E. Wood, of Sears, Roebuck, was its president. In the press, its most prominent supporter was the Anglophobic *Chicago Tribune*.²⁹⁰

Dulles's activities in the pre-war Atlantic circuit of money capital had involved him with cartelized German industry and with the Schröder Bank, a key supporter of Hitler's. In July 1939, Dulles shocked a meeting of the World Council of Churches by stating that Hitler's territorial demands were justified and that an 'effective international order' (which was the topic of the WCC conference) could not be based solely on the status-quo.²⁹¹

On the eve of American entry into the war, Dulles changed his position and announced in favour of Anglo-American unity. The version he championed, however, was the anti-Soviet one of the Chamberlain tendency in the Cliveden Set. In an article entitled 'Peace Without Platitudes', Dulles advocated the idea of a redistribution of imperialist spheres of influence through a 'supernational organization' which would consolidate American gains. 'The real failure today would be for America now to expend her treasure and perhaps her blood without thereby pushing forward the frontier of peace', the future Secretary of State wrote in an article printed briefly after Pearl Harbour.²⁹² By 1943, the negative undercurrent of his endorsement of Roosevelt's universalism came out into the open. As the political adviser to the Republican Presidential candidate, Dewey, Dulles's interpretation of 'pushing forward the frontiers of peace' turned out to be directed against the Soviet Union after all. The USSR, Dulles recommended, should be excluded from the post-war Anglo-American bloc Dewey proposed in September, 1943.²⁹³

Not unexpectedly, the Rockefellers were prominent in the actual process of synthesizing the liberal with the sphere-of-interest approach presided over by Roosevelt. Just as Dulles in this process contributed the minimal,

²⁹⁰ Johnson, *Battle*, pp. 2, 163.

²⁹¹ Visser 't Hooft, *Memoires*, p. 104.

²⁹² *Fortune*, January 1942, pp. 42-43, 87, 90.

²⁹³ André Roelofs, 'De Loopbaan van John Foster Dulles', *Politiek en Cultuur*, Vol. 9 no. 12 (December 1954), p. 635.

anti-Soviet approach to Atlantic unity, which at that time was still marginal to the mainstream universalism; so the Rockefellers inserted their tradition of rivalry with Britain. In 1940 Nelson Rockefeller had moved to Washington to become coordinator of the Office of Inter-American Affairs. At the time, Standard Oil's foreign oil supply was still largely concentrated in Venezuela, and in that light, Rockefeller's policy 'to lessen the dependency of Latin America upon Europe as a market for raw materials and a source of manufactured articles' reflected a clear-cut economic perspective on his part. Concretely, the thrust was against British investments in Latin America, and one memorandum emanating from Rockefeller's office recommended asking the British to put up their holdings in Chile and Argentina, candidly qualified as 'good properties in the British portfolio we might as well pick up now', as collateral for wartime aid.²⁹⁴

With the liberal fraction and the Round Table network actively working for Atlantic unity, the new labour leadership enlisted in the armament effort, and prominent protagonists of the state-monopoly tendency lobbying for their strategic preferences as part of the interventionist coalition—the main ingredients of the corporate-liberal synthesis were brought together in the course of 1940-43; matched, as we shall presently see, by the first stirrings of a counterpart process in Europe developing in response to the Roosevelt policy. Meanwhile, the economic basis supporting the Atlantic extrapolation of the New Deal class compromise was provided by the government-supported expansion of fixed industrial capacity, notably in the three years 1941-43, and the resulting industrial emphasis in the profit-distribution process. Bank and rentier capital were temporarily disenfranchised by the emphasis on real accumulation: banks 'were occupied principally as fiscal agents of the Federal Government... interest rates were kept low, yet the banks had no recourse but to buy war bonds and help distribute part of the load to the public as a means of enforced savings'.²⁹⁵

²⁹⁴ Quotes from Collier and Horowitz, *The Rockefellers*, p. 230.

²⁹⁵ Josephson, *Money Lords*, p. 322. Cf. for fixed capital growth statistics, Joseph M. Gillman, *The Falling Rate of Profit* (London, Dobson, 1957), Appendix 3, pp. 60-61. Statis-

Cooptation of the trade-union bureaucracy into the administrative apparatus now proved functional in preventing labour strife from upsetting industrial production. To this end, the Defence Mediation Board was set up in 1941, transformed in 1942 into the National War Labor Board. While the trade-union members of this body helped administer highly unpopular wage controls, labour representatives were removed from the commanding positions in the main administrative organs dealing with the other aspects of war production. The establishment of the War Production Board in 1942 under the control of Sears, Roebuck director Donald Nelson, signalled the abandonment of the corporatist arrangement of the OPM and with it, the original domestic New Deal compromise. As Hamilton writes, 'Although in the National Recovery Administration labor and the public were recognized and had their places in the high command, it was the business interest alone which was enthroned in the War Production Board.'²⁹⁶ One result was the tight policing of wages. Wages in the course of the war rose due to overtime, but still lagged behind rising prices by a third over the period 1941 to mid-1945; in industries like steel, where because of continuous production overtime was not so widespread, wages in 1943 (i.e., under full employment conditions) were 'at the lowest point in 20 years'.²⁹⁷

The British Predicament

In Great Britain, the war with Germany swept the appeasers of the state-monopoly tendency from the scene, propelling the liberal fraction to the fore instead. Churchill in 1939 once again was put in charge of the Royal Navy, and Anthony Eden, upon Churchill's recommendation, was taken into the government as State Secretary for the Dominions on account of his influence with the modernizing elements in the Conservative Party and with 'moderate Liberals'. When, following the Norwegian fiasco, Churchill became Prime Minister, he promoted Macmillan to a junior cabinet post, the eventual architect of British corporate liberalism in the

tical evidence concerning the profit distribution process in the Atlantic economy is presented in the Appendix of the present study.

²⁹⁶ W. Hamilton, *The Politics of Industry* (New York, Vintage, 1967), p. 97.

²⁹⁷ Kelly, *Labor Relations*, p. 234; p. 30.

context of Atlantic integration. Finally the truce with the working class was effected by making trade-union leader Ernest Bevin Minister of Labour.²⁹⁸

The reshuffling of fractional interests, and the diminished weight of continentally-oriented industry and finance, gave the maritime-liberal fraction a strategic position within the Churchill government. In particular, Lord Leathers of the P & O group and Max Beaverbrook played key roles in the war effort. Churchill's determination to preserve the integrity of the British Empire and maritime hegemony was manifest in his tenacious resistance to Roosevelt's demands that Britain provide territorial or geopolitical concessions in return for US aid. In late 1940, Churchill appealed to the President in terms reminiscent of those used by Captain Mahan in his correspondence with Theodore Roosevelt. 'It seems to me', Churchill wrote, 'that the vast majority of American citizens have recorded their conviction that the safety of the United States as well as the future of our two democracies and the kind of civilization for which they stand are bound up with the survival and independence of the British Commonwealth of Nations. Only thus can those bastions of sea power, upon which the control of the Atlantic and the Indian Ocean depends, be preserved in faithful and friendly hands. . .'²⁹⁹

The arrangement implied in this letter might have been compatible with the 'Grand Area' concept or the federal set-ups propagated by Streit and Catlin, but the American perspective, in which redistributive elements combined with universalist tenets, chose to view the future world order in dimensions commensurate with the United States' combined military and economic power. The fact that in mid-1940 the British were bearing the brunt of the Nazi onslaught was seen by American decision-makers to offer distinct opportunities to make that country comply with US wishes for a liberal world economy. Particularly after the fall of the Netherlands and France, the Americans cast an eager eye on those countries' colonies

²⁹⁸ Bulmer-Thomas, *British Party System*, vol. 2, pp. 131-136.

²⁹⁹ Churchill to Roosevelt, December 7, 1940, in *Roosevelt and Churchill. Their Secret Wartime Correspondence* (London, Barrie & Jenkins, 1975), pp. 122-123. Cited hereafter as *Correspondence*.

as well as on Britain's relatively unprotected overseas possessions. Many of these were of crucial importance to the raw material position of the United States itself, and the Japanese threat added a further incentive to extend the American sphere of influence. Discussing tin supplies in Malaya and the Dutch East Indies in late 1940, *Fortune* estimated that the situation presented 'a purely materialistic case for playing a strong imperialist game in South-eastern Asia'.³⁰⁰ But American ambitions were not confined to that region alone. Churchill in his war memoirs complains about the cynical mission of an American warship to fetch the gold of Cape Town, and of the acquisition of the American subsidiary of the British rayon concern, Courtaulds, at a bargain price and its subsequent sale by the US government at a profit.³⁰¹

Even Anglophile supporters of the Committee to Defend America by Aiding the Allies were hardly sentimental about the British Empire. The Luce press carried several articles and editorials emphasizing that Atlantic unity with Britain was secondary to the ultimate goal of a remaking of the world after the American Open Door design. In an article of June 1941, entitled 'How America Can Take the Offensive', the globe-trotting journalist, Edgar Snow, proposed the conclusion of a 'kind of pact of democracy with Britain and separately with Canada, Australia, New Zealand and the Netherlands' in order to deter Japan. At the same time, he estimated that 'our tie-up with Britain now would limit the effectiveness of any political offensive unless Washington could induce London. . . to make a joint statement defining our whole struggle as a revolutionary war of democracy having for one of its prime political aims the emancipation of the advanced colonial countries and their entry into a federation of democratic nations at the conclusion of the war'. Or, as the

³⁰⁰ *Fortune*, December 1940, p. 153.

³⁰¹ W. S. Churchill, *The Second World War*, 6 vols. (London, Cassell, 1948-1954), vol. 2, p. 506.

editors of *Fortune* put it bluntly in May 1942, 'America... owes the world a substitute for the Pax Britannica, which is dead'.³⁰²

The breakdown of the Pax Britannica seemed already imminent at the time of the Atlantic Conference, and the universalist contents of the Atlantic Charter reflected the strong position of the Americans. The British, struggling to retain control of the air against the German bomber offensive, were only able to add the 'due regard to present obligations' clause to the Charter's Article IV dealing with equal access to trade and raw materials, but as Sumner Welles, who replaced Hull, recollected later, 'It was fully understood ... that this reservation was inserted solely to take care of what it was hoped would be merely temporary impediments to the more far-reaching commitment originally envisaged in that article'.³⁰³

Churchill, however, clung to the 'existing obligations' clause and stubbornly resisted American pressures for liberalization. 'I found the Cabinet at its second meeting on this subject even more resolved against trading the principle of imperial preference as consideration for lease-lend', he cabled to Roosevelt on February 7, 1942, two weeks before the Anglo-American Lend-Lease Agreement was concluded.³⁰⁴ The Agreement again contained a compromise formula on the post-war international economy, reflecting British determination in this respect. Any attempt to emphasize the historic nature of the Atlantic Charter was accordingly rejected. In a telegram dated 9 August 1942, Churchill asked to see the message that Roosevelt was going to send him on the occasion of the Charter's first anniversary on 14 August. 'We considered the wording of that famous document line by line together and I should not be able, without mature consideration, to give it a wider interpretation

³⁰² *Fortune*, June 1941, pp. 177-178; May 1942, p. 59. Cf. Franz Schurmann, *The Logic of World Power. An Inquiry into the Origins, Currents and Contradictions of World Politics* (New York, Pantheon, 1974), p. 8 on Roosevelt's own perspective.

³⁰³ Welles, *Time for Decision*, p. 176.

³⁰⁴ Churchill to Roosevelt, February 7, 1942, in *Correspondence*, p. 176.

than was agreed between us at the time. Its proposed application to Asia and Africa requires much thought'.³⁰⁵

To Churchill, 'Atlantic Union' in the sense of an ultra-imperialist alliance was necessary to preserve the integrity of the British Empire, and, thus, his resistance to the offensive universalism characterizing American policy from 1941 through 1944 did not at all preclude his quest for an Anglo-American 'special relationship'. In a discussion with Wallace, Stimson, Ickes, Welles and Senator Connally in Washington in May 1943, Churchill recommended the European idea of Coudenhove-Kalergi as the basis for a European Union, that, together with other regional unions, might constitute a world organization. According to the Foreign Office record, he said 'that these proposals did not exclude "special friendships" devoid of sinister purpose against others. He saw little hope for the world unless the United States and the British Commonwealth worked together in "fraternal association".' Advocating common passports and even forms of common citizenship allowing each other's citizens a right to vote in elections held in the 'fraternal' country, Churchill also said he was in favour of 'the common use of bases for the common defence of common interests'.³⁰⁶ However, Churchill had to wait until the subsidence of Rooseveltian universalism before he could effectively press his concept of Atlantic Union.

Domestically, the class configuration in Britain in important respects paralleled the American situation, albeit without the perspective of internationalization to alleviate the anxieties of capital. For obvious reasons, wartime economic policy strongly boosted the position of real production in the profit-distribution process. In sharp contrast to World War One, the financial markets in Britain were tightly controlled and interest rates were kept in check. The rate of return on war bonds (3%) was low and their opportunity costs came on top of heavy taxation.³⁰⁷ In the context of full employment and on account of its position of power

³⁰⁵ Churchill to Roosevelt, August 9, 1942, in *Correspondence*, p. 234.

³⁰⁶ Llewellyn Woodward, *British Foreign Policy in the Second World War*, 5 vols. (London, Her Majesty's Stationary Office, 1970-1976), vol. 5, p. 40.

³⁰⁷ Homer, *Interest Rates*, p. 405.

during Britain's lonely fight in the early stages of the war, Labour was able to push for the inclusion of a strong welfarist component as part of the emerging corporate-liberal blueprint. For example, Bevin, the Minister of Labour, ensured that the Atlantic Charter contained an article five dealing with 'improved labour standards, economic advancement and social security'. As a general frame of reference for its future policies, Labour in early 1942 issued a report entitled *The Old World and the New Society*, in which economic planning and collective security were advocated as an integrated programme.

Labour immediately subscribed to the Beveridge Report when it was published in late 1942, although the Labour ministers were rather lukewarm to it. The British Employers Confederation was critical of the Report, but a conciliatory tendency headed by ICI director Lord Melchett (Alfred Mond) eventually prevailed. Within the Conservative Party, a Tory Reform Committee was set up in 1943, including Peter Thomeycroft and Quintin Hogg, which likewise urged the government to take action along the lines of the Beveridge Plan. Eden was not unsympathetic, but Churchill rejected the idea.³⁰⁸ Unlike the American case, foreign policy and domestic corporatism in Britain had not yet been articulated into a pervasive universalism in which the working class, industry, and the City could all project their interests.

Between 1942 and 1945, moreover, Labour's influence in the coalition waned. Attlee and Bevin, motivated by a militant anti-communism, increasingly yielded to the foreign-policy preoccupations of the maritime-liberal fraction to the point of defending the integrity of the Empire against Tory neo-colonialists, thus undermining their negotiating power in domestic issues. The capitalist class as a whole geared to a more contentious line, although the industrial tendency led by Lord Perry of Ford and Lord Leverhulme, which favoured a strong anti-Labour line, never completely carried the day.³⁰⁹

³⁰⁸ Middlemas, *Politics*, pp. 287, 274.

³⁰⁹ *Ibid.*, pp. 299-300.

The European Bourgeoisie in Exile

Among European exile governments in London, the response to the Roosevelt offensive was prompt and positive, amplifying its universalist intent and contributing to its long-term impact. The Atlantic Charter was given multilateral sanction by nine European governments in London including the Free French, and by Britain's Commonwealth partners. The United Nations Declaration of 1 January 1942, which opened with a pledge to the principles of the Atlantic Charter, further confirmed this support.

The concentration in London of cabinet ministers and key personalities from the business world of various countries provided the occasion for much transnational and international postwar planning, to which the Roosevelt offensive gave a liberal inflection by holding out the perspective of an open world economy. In February 1941 the Polish leader in exile, General Sikorski, and his adviser, Joseph Retinger, initiated discussions with members of the continental European governments concerning postwar European economic cooperation. Towards the end of 1941, the two Polish statesmen founded a Permanent Bureau of Continental Foreign Ministers, which held regular meetings. Out of these meetings, in which Belgians were also prominent, two projects emerged with important consequences for postwar European integration: the plan for a customs union between Belgium, the Netherlands, and Luxemburg; and the proposal for the creation of a European (initially 'Independent') League for Economic Cooperation (ELEC).³¹⁰

Actually, the idea of a customs union between the Netherlands and Belgium had been discussed already in June 1941 by J. van den Broek (a director of the Royal Dutch/Shell group and from 1942, Minister of Finance in the Dutch London cabinet) and Camille Gutt, a mining director from the Société Générale orbit and a member of the Belgian government. They agreed that a customs union should be formed in London, so that industrialists and farmers in their occupied home countries would have

³¹⁰ F.X. Rebattet, *The European Movement 1945-1953* (doctoral dissertation, St. Anthony's College, Oxford, 1962), pp. 1-2.

no chance of vetoing it. Yet it took two more years before Belgian foreign minister Spaak and his Dutch colleague Van Kleffens reached agreement on a fixed exchange rate of their currencies. The actual Benelux plan was made public a few days after the liberation of Brussels.³¹¹

ELEC was the second important outcome of the discussions animated by Retinger, who became its secretary general, while its first chairman was Paul van Zeeland, a Belgian politician linked to Solvay and SOFINA. P. A. Kerstens, Dutch Minister of Economic Affairs in London and himself of colonial background, succeeded Van Zeeland when the latter became Minister of Foreign Affairs in 1949. As Rebattet writes, 'The vast majority of (ELEC's) members were conservatives politically and economically, they represented the elite of modern liberalism in Europe. It was in fact an association for promoting free trade, sharing the laissez-faire spirit of the International Chamber of Commerce with which it had many personal links'.³¹² Although ELEC was formed as such only after the war, it was a direct outcome of the London agreements.

In the same period, and even more directly as an outcome of American pressure for liberalization, the Dutch announced the postwar reorganization of their empire. On several occasions the Americans made it clear to the Dutch that after the war some form of independence, at least for Java, would be mandatory. Cordell Hull spoke to Van Kleffens in this sense, and in private discussions with Queen Wilhelmina, Roosevelt admonished her to include a statement on the political future of Indonesia in her speech before the United States Congress in August 1942.³¹³

The ally of the Americans in this case was H.J. van Mook, the surviving senior civil servant in the Dutch East Indies. Although distrusted by the Dutch London government for his advocacy of colonial autonomy, he succeeded in being appointed Colonial Secretary in May 1942 upon his arrival in London. Van Mook, who was a participant in the wartime

³¹¹ Spaak, *Continuing Battle*, pp. 78-80.

³¹² Rebattet, pp. 4-5.

³¹³ L. de Jong, *Het Koninkrijk der Nederlanden in de Tweede Wereldoorlog*, 14 vols. ('s Gravenhage, Staatsuitgeverij, 1979), vol. 9-II, pp. 1090-1091, 1101-1102, 1110.

discussion groups with British and American politicians and businessmen animated by Prince Bernhard, actually drafted a major speech of Queen Wilhelmina on the subject. This speech, broadcast to the occupied Netherlands on 7 December 1942, promised a Commonwealth arrangement to the colonies. It was favourably received both by the American press and by liberal Dutch Resistance newspapers.³¹⁴ (In the end, however, it would take an armed struggle in Indonesia and renewed pressure on the part of an activist administration in Washington before the promise was actually realized in 1949.)

2. The Impact on Nazi Europe

America's 'Vichy Gamble'

Even within Occupied Europe, including Germany itself, the Roosevelt offensive influenced and mobilized elements in the bourgeoisie favourable to Atlantic cooperation. The French case is particularly interesting, because the United States first attempted to seek an accommodation with the state-monopolist currents supporting Vichy. One result was the souring of relations with the Gaullists, with important negative implications for American-French relations in the postwar period.

The history of American collaboration with Vichy was first compiled by the historian William Langer on commission of the US State Department itself. Langer, a member of an advisory circle organized by the Council on Foreign Relations, was given special access to pertinent diplomatic files in the hope that he might dispel charges that the State Department had supported French fascism.³¹⁵ In fact, Langer's well-known study, *Our Vichy Gamble*, showed that American aid stopped only short of the most egregious pro-German groups. Langer tried to justify extensive US dealings with Vichy by pointing out that there was simply no other political context in which America could have hoped to influence France

³¹⁴ Ibid., pp. 1109-1114; Rijkens, *Handel en Wandel*, pp. 110-111.

³¹⁵ William L. Langer, *Our Vichy Gamble* (New York, Alfred Knopf, 1947), pp. 173-174, 368.

in the early days of the war.³¹⁶ As Robert Murphy, the American diplomat who played a key role in the preparations for the eventual US landings in North Africa, put it in his memoirs: 'It was not until 1943 that General de Gaulle presented a clear-cut alternative to the Vichy government'.³¹⁷

The real story of American collaboration with Vichy was, in fact, not so simple. In 1940 US concern was focussed on the French fleet, which if it fell into German hands, might endanger the trans-Atlantic lifeline to Britain. Accordingly, American policy towards France was initially preoccupied with preventing this from happening, and the choice of interlocutors in France itself proved to be a consideration at best secondary to this objective. In the midst of the disarray caused by the military collapse, Ambassador Bullitt as one of his final duties obtained assurances from Prime Minister Reynaud and from the military concerning the fleet. In Vichy, the pledge not to surrender the fleet to the Germans was renewed by the Pétain government, in which P. Baudouin, of the Indochine group, held the post of foreign affairs. In July 1940, Bullitt had another long talk with Admiral Darlan, who remained a 'necessary' partner to the Americans until his assassination.³¹⁸ The British for obvious reasons preferred quick action with respect to the French navy, and their raid on French warships at Mers el-Kébir infuriated the French.

The Americans, still dependent on diplomatic means alone, had to probe their way between the yet small group around de Gaulle, backed by the British, and the protagonists of the state-monopoly tendency led by Laval. Whereas the Gaullists hoped to secure the French empire by relying on Britain, and Laval was hoping to achieve the same by supporting Hitler, the Americans had to look for class supports willing to believe that the future of French overseas possessions depended neither on Britain, nor on

³¹⁶ After the war, the French appeasers on their part explained their conduct by referring to American passivity in the period before Roosevelt's 1940 re-election, cf. G. Bonnet, *De Washington au Quay d'Orsay* (Genève, Éditions du Cheval Ailé, 1946), p. 320.

³¹⁷ Murphy, *Diplomat*, p. 81.

³¹⁸ W.W. Kaufmann, 'Two American Ambassadors: Bullitt and Kennedy' in C.A. Craig & F. Gilbert, eds., *The Diplomats 1919-1939* (New York, Atheneum, 1972), vol. 2, p. 676; Murphy, *Diplomat*, pp. 65, 67.

Germany, but lay in collaboration with the United States. When Laval triumphantly returned in October 1940 with assurances from Hitler that the British Empire, and not the French, would serve as war booty for Germany, the Americans went on the offensive. In his telegram to Vichy, Roosevelt warned that if in the course of a shift to closer relations with Germany, the French Navy were handed over, the United States 'could make no effort when the appropriate time came to exercise its influence to insure to France the retention of her overseas possessions'.³¹⁹ At the same time, the Americans were secretly negotiating with anti-Laval elements in the Vichy cabinet, the most prominent of whom was the Interior Minister Peyrouton, who, later in 1942 after the Allied landings, would be installed by the Americans as Governor-General in Algiers.³²⁰ Partly as a result of these machinations and Roosevelt's threat, Laval was removed from power in December 1940. In the new government, the Foreign Ministry found its way to P. E. Flandin, who in the thirties had been a leading advocate of American mass production methods as well as an exponent of collective security against Hitler.³²¹

Sensing that the situation offered new opportunities, Roosevelt sent Admiral Leahy to Vichy as his ambassador. As a navy man and close associate of Roosevelt, it was hoped that Leahy would be able to win the confidence of Pétain and the French naval officers. At the same time, the Americans singled out Maxime Weygand, an esteemed military leader but also associated with the Suez Canal Company, as the potential successor to the Marshall, judged capable of outflanking de Gaulle as well. Weygand was anti-British, anti-German, and accordingly, in the situation France was in at the time, 'really on our side', as Leahy wrote later.³²²

³¹⁹ Quoted in Langer, *Vichy Gamble*, p. 97.

³²⁰ Murphy, *Diplomat*, p. 182.

³²¹ Kuisel, *Ernest Mercier*, p. 69.

³²² W. D. Leahy, *I Was There* (London, Gollancz, 1950), pp. 34, 15; Gabriel Kolko, *The Politics of War. The World and United States Foreign Policy, 1943-1945* (New York, Vintage, 1968), p. 65; R. Bourderon, 'La politique économique et sociale du gouvernement de Vichy' in D. Blume et al., *La politique de l'impérialisme français de 1930 à 1958* (Paris, Éditions Sociales, 1974), p. 67.

The pre-war liberal leader, Herriot, too, was cultivated by the Americans. OSS chief Bill Donovan and Sumner Welles both proposed that Herriot should be put at the head of an alternative to the Gaullist movement. In June 1940, Herriot had favoured continuing the struggle in North Africa, whereas Weygand was 'a broken reed'.³²³ Since Weygand as the Vichy military commander held the actual keys to North Africa, however, the Americans dealt with him instead. In January 1941, Murphy concluded an agreement with Weygand, authorizing the French in North Africa to buy non-strategic goods in the United States using hitherto frozen French assets for payment. Weygand wanted the aid because he feared that the Germans sooner or later would try to bring French North Africa under direct control and 'that the Germans would force the issue in the spring and that it was therefore important that the country should be strong enough to offer effective resistance'.³²⁴ As Kolko has pointed out, the Open Door aspect of the Murphy-Weygand agreement lent it the aura of imperialist redistribution at the expense of Britain.³²⁵

A shift in underlying capital fractions became more evident after Darlan assumed the Vichy premiership in February 1941. Bank and merchant capital in the orbit of the Worms group now entered the government in force. 'Practically every minister or secretaryship touching economic affairs was in the hands of one or another of the Worms clique', Langer writes.³²⁶ Other authors, too, have pointed to the particularly strong connection between the Darlan government and the Worms bank, prominent in shipping and, through the Banque industrielle de l'Afrique du Nord (jointly with Indochine and Paribas), in North Africa.³²⁷ At no time during the Vichy period, was big capital so directly present in the government. The shift from the Lille-Lyons axis to the trade and sea transport orbit of Worms, moreover, was significant as it coincided with the launching of the Roosevelt offensive, made tangible by the Murphy-

³²³ Welles, *Time for Decision*, p. 152; Francis de Tarr, *The French Radical Party. From Herriot to Mendès-France* (London, Oxford University Press, 1961), p. 40.

³²⁴ Langer, *Vichy Gamble*, p. 129.

³²⁵ Kolko, *Politics of War*, p. 65.

³²⁶ Langer, pp. 169-170.

³²⁷ Ehrmann, *Organized Business*, p. 73; Bourderon, p. 67.

Weygand agreement. On the other hand, the reactionary, pro-German outlook of the Worms clique prevented the convergence of US political and Vichy economic interests from developing further than a temporary marriage of convenience.

When Germany invaded the Soviet Union, Roosevelt had Murphy approach Weygand again, promising military support 'at some future date' should the general decide to make a stand in North Africa. However, the Germans learned about Weygand's conversations and forced him to withdraw in November 1941 (although he first succeeded in denying them use of the naval base at Bizerte in Tunisia). A further US attempt to return him to Africa to 'assume command there with the full military and economic support of the United States' failed when Weygand refused to act without Pétain's consent.³²⁸ By that time, obstacles to American influence in France were multiplying as rapidly as German victories were being reported from Russia. After the recall of Weygand, the United States suspended trade with French North Africa, restoring it only after an agreement prohibiting German use of French naval bases in the Western Hemisphere. A month after the signing of this agreement, in April 1942, Laval again took power at Vichy. Leahy was duly recalled. The class alliance which had been formed in response to the original Roosevelt offensive disintegrated.

Laval's return and the American entry in the war forced the unpalatable prospect on Washington of having to deal with de Gaulle. Bad blood between the Fighting French and the Roosevelt regime dated back to the first, unsuccessful attempts by de Gaulle to secure a base of operations in French Africa. His ill-fated attack on Dakar in September 1940, right at the moment when the Americans were doing everything possible to prevent Vichy from surrendering the French Navy to the Germans, severely prejudiced relations between de Gaulle and Roosevelt, leaving the latter with an enduring 'distrust of de Gaulle's judgement and discretion'.³²⁹ This exacerbated the more fundamental difference in vision between the two leaders over the future of the French Empire.

³²⁸ Murphy, *Diplomat*, pp. 102, 111; Leahy, pp. 95, 77.

³²⁹ Murphy, *Diplomat*, pp. 92-93.

Meanwhile, six months passed between Laval's return to power and the Allied landings in North Africa. The most important contacts of the Americans in this period remained the representatives of colonial capital in North Africa, especially J. Lemaigre-Dubreuil, co-owner of the peanut oil monopoly, Huiles Lesieur.³³⁰ After Murphy had arranged with Admiral Darlan to allow surprise Allied landings, Lemaigre-Dubreuil brought the support of General Giraud (whose democratic credentials were no improvement on Darlan's).³³¹ The Allied landings took place on 8 November 1942; three days later the Germans occupied Vichy. In North Africa the Americans, through Murphy, became involved in a succession of Pétainist coups and counter-coups, leading to the death of Darlan and Giraud's notorious police terror.³³² In the aftermath, the Americans found themselves stuck with thoroughly unsavoury collaborators in North Africa, cut off from the process of political realignment in German-occupied France, and with practically no influence or moral authority over the metropolitan resistance movement headed by the Gaullist Jean Moulin. In this situation, Roosevelt directly intervened by sending Jean Monnet to North Africa.

Upon arriving in Algiers in March 1943, Monnet, who carried letters from Harry Hopkins and Felix Frankfurter, Roosevelt's closest advisers, soon realized that de Gaulle, who in a month's time was to be officially endorsed by the newly-formed National Resistance Council under Moulin, was well on his way to power. Accordingly, his task of effecting a reconciliation between Giraud, the man of the Americans, and de Gaulle, was bound to result in a transfer of formal power in North Africa to the latter. The State Department had not been consulted in the preparations of the Monnet mission, and Hull, who had warned that Monnet had closer ties with the Gaullists than was generally assumed, could only see his fears confirmed. Murphy, too, was furious over Monnet's action. The letters Monnet were carrying gave him the status of a President's envoy,

³³⁰ Ibid. p. 135.

³³¹ Langer, pp. 375, 368; Leahy, p. 112.

³³² Alexander Werth, *De Gaulle, a Political Biography* (Harmondsworth, Penguin, 1967), pp. 142-143.

and 'it was this authority which led to the establishment of de Gaulle as a challenge to Roosevelt's own attitude towards the French empire'.³³³

Judging from Monnet's past and future actions, however, his attitude towards the French Empire was not at all identical to de Gaulle's. By mid-1943, however, the French bourgeoisie was regrouping on the basis of a concept of national independence, and a vanguard of representatives of French capital abroad, as well as the forces directing the metropolitan resistance, had rallied around the general, against whom Giraud with his reactionary friends proved to be no match.

The Americans did not give up: to the very last minute, they tried to capitalize upon their contacts with, on the one hand, Vichy officials, and, on the other, the liberal leaders. In 1950, Herriot made it known that the Americans in August 1944, on the eve of the liberation of Paris, had put pressure on Laval to convene Parliament and hand over the government to Herriot. However, after several conversations with Laval and several threats to his life by the Resistance forces, Herriot refused to cooperate.³³⁴

If the Lille-Lyons axis in the prewar French bourgeoisie, and the Worms and Indochine groups, were excluded from the wartime Gaullist coalition because of their association with Vichy, what were the interests associated with de Gaulle? First of all, the Rothschild group—reacting against the anti-Semitism, not just of the Nazis, but especially of the state-monopoly tendency in France. The young banker, Guy de Rothschild, joined the Free French in London soon after their formation. Subsequently joined by other family members, like the wine-growing Baron Philippe,³³⁵ Guy de Rothschild worked closely with de Gaulle and was adjutant to the military governor of Paris at the war's end.

This did not prevent another prominent Rothschild group director, Liberal politician René Mayer (head of Le Nickel), from temporarily

³³³ Murphy, *Diplomat*, p. 206; Monnet, *Mémoires*, pp. 217-218, 220.

³³⁴ De Tarr, *French Radical Party*, pp. 41-42.

³³⁵ Morton, *The Rothschilds*, pp. 218-219, 232. Cf. on anti-Semitic reaction in Paribas, Claude, *Histoire, réalité et destin*, pp. 48-49.

joining Giraud, whose representative he was in the negotiations with de Gaulle.

Eventually, the entire financial group of which the Rothschild Bank in the Rue Laffitte was the centre, aligned themselves behind the general. And once de Gaulle had firmly established himself in command, and the prospects for the liberation of France had brightened, the elements common to de Gaulle's nationalism and Rothschild's economic interests acquired new salience. For instance, de Gaulle was firmly committed to the preservation of France's position as a leading proprietor of colonial mineral wealth, while the Rothschilds were the owners of most of the French non-ferrous metal-mining industry. It is not surprising, then, that there was a strong convergence between de Gaulle and the Rue Laffitte—a connection further reinforced after the war when Rothschild banker and mining director Rene Fillon became treasurer of the Gaullist party, and Georges Pompidou, Guy de Rothschild's right-hand man and bank director, became the general's Prime Minister and designated successor.

At the same time, an element of continuity with Vichy was provided by the realignment to de Gaulle of the fraction of the Protestant banking aristocracy associated with the pre-war Lille- Lyons axis. This realignment was personified by Maurice Couve de Murville's joining the general in North Africa. Couve de Murville, linked by family ties to Mirabaud (and like de Gaulle himself, to the Banque de l'Union Parisienne (BUP)), early during the war successfully conducted negotiations on behalf of Vichy with the Germans concerning French gold reserves, which had been shipped to a safe spot in the French Sudan. The sphere-of-interest predilection of de Gaulle's future foreign minister, however, was given an anti-American injection when Jewish bankers among the American authorities in Washington and North Africa attempted to corner Couve on account of his earlier association with Vichy. (To assist in the epuration effort, Paul Warburg had joined Murphy's staff following the Allied landings in North Africa.) In the attack on Couve, imperialist rivalry may have played a role as well, for otherwise one wonders why Henry Morgenthau, on a visit to Algiers, expressly ordered Murphy to get rid of Couve de Murville; while Peyrouton, the Vichy Secretary of the Interior,

who was Governor-General of Algeria at the time, but who in his former function had issued the first anti-Semitic degree of Vichy, was confirmed in his office in spite of public protests in Washington.³³⁶

In any event, de Gaulle quickly cut short American interference. Peyrouton was forced to resign even before Giraud had surrendered to de Gaulle. Couve de Murville, on the other hand, on account of his expertise and the interests he represented was given the key Finances post in the newly-formed provisional government, in which Mayer got Transports and Public Works (both Rothschild areas of interest), and Monnet and Pleven, Armaments and Colonies, respectively.³³⁷ After the war, the nationalist coalition formed in Algiers was reinforced by industrial interests represented by men like Albin Chalandon, a resistance commander and banker in the Dassault airplane group (in the 1950s he became treasurer of the Gaullist party); Leperq of the Schneider group, and others.

Roosevelt's demarche toward Vichy, concentrated in the period between the Four Freedoms speech in January 1941 and the proclamation of the Atlantic Charter, failed to achieve its aim. The reactionary character of the groups which responded to the American offensive, followed by the breakdown of the Vichy state as a quasi-independent entity, greatly undermined the Atlantic connection with France. On the contrary, American actions gave the real rulers of France, united around de Gaulle, a reason to regard American policies towards Europe with suspicion. In effect, the outsider position of French capital in the Atlantic circuit of capital which it had occupied before the war, as a result of its orientation to the colonies and Eastern Europe, was reproduced as a consequence of American-French rivalry during World War Two.

³³⁶ Murphy, *Diplomat*, pp. 91, 169-172; on Couve's family ties with Protestant bank capital, Henri Claude, *Le Pouvoir et l'Argent* (Paris, Éditions Sociales, 1972), p. 19.

³³⁷ Monnet, p. 237-241.

The Agony of the Axis Liberals

The possibility of a liberal class fraction coming to the fore in Nazi Germany might have seemed at first sight unlikely, but the reactionary liberals who had supported Hitler's rise to power had not been completely silenced. Schacht, as we have seen, was dismissed as President of the Reichsbank in January 1939 because he dared to disagree over credit policy with Hitler, and in January 1943 he lost his position as Minister without Portfolio for criticizing the conduct of the war in a letter to Goering.³³⁸ As the conviction grew, moreover, among the Schacht circle that Germany might lose the war, the opening of contact with the Allies became a priority. The figure selected to represent the German liberals was Carl Goerdeler, ex-Mayor of Leipzig and less tainted than Schacht by Nazi complicity.

Goerdeler was one of the few civic leaders who avoided joining the Nazi Party, although in the period of their march to power he had favoured negotiations with Hitler when scouted as Minister of Economic Affairs in the von Papen government. As the Nazis reorganized the German economy in the course of the 1930s, Goerdeler launched a traditional liberal critique. In several books and articles, he denounced the 'over-organization of the economy' and advocated the liberalization of currency controls and reconciliation with Germany's creditors. In 1937 Goerdeler retired as Mayor of Leipzig after a conflict with the Nazis over the Mendelssohn monument.³³⁹ Later, in 1942-43, he wrote a formal economics treatise inspired by the ideas of Dietz and Eucken, the liberal economists from whom Ludwig Erhard also drew theoretical inspiration.

Goerdeler's particular importance, however, was not just his critique of Nazi state-monopolism, but his advocacy of many important elements of subsequent Atlantic and European unitarian ideology. After Hitler came to power, Goerdeler was one of the few leading liberals continuing to search for a basis of rapprochement between Germany and her creditors. Thus in a 1936 paper on how to restore the free flow of capital and goods

³³⁸ Pritzkolet, *Das kommandierte Wunder*, p. 714.

³³⁹ Ritter, *Carl Goerdeler*, pp. 55-83.

with Britain and the United States, he argued that Germany should be allowed to take part in the exploitation of the French colonies—an idea that Schacht actually raised in negotiations with Léon Blum during the Spring of that year. Also as Mayor of Leipzig, Goerdeler enjoyed a wealth of contacts as a result of the city's great international trade fair, which he utilized in his extensive travels in 1930s to promote liberal schemes. The trips, which took him throughout Europe and the United States, were paid for by Krupp and took place under the cover of his role as a representative of the Bosch electrical empire. Reporting back directly to Bosch, Krupp and Schacht, as well as to Goering,³⁴⁰ Goerdeler opened fruitful contacts with the powerful Swedish finance capitalist Wallenberg, one of the instigators of the International Chamber of Commerce, and with the Belgian king, with whom he broached the possibility of joint development of the Congo. Finally in America, he had extensive discussions with an authoritative cross section of the current power structure: Hull, Welles, Wallace, Hoover, Stimson, Young, Morgenthau, and others.

The crux of the message that Goerdeler was carrying on behalf of his backers was that the German need for a sphere-of-influence should be taken as an opportunity for economic cooperation rather than for war. Moreover, once war had broken out, the liberal fraction was desperate to prevent the prospect of two-front conflict pitting Germany against the Soviet Union in the East and an Anglo-American alliance in the West. In 1941, Goerdeler prepared a memorandum, 'The Goal', advocating comprehensive European integration under German leadership but with an emphasis on friendly relations with Britain and America, prefiguring the Atlantic partnership concept. Unlike other semi-official proponents of peace with Britain, such as Albrecht Haushofer or Rudolf Hess, who wanted a free hand in the East, Goerdeler also opposed an attack on the Soviet Union. In Goerdeler's vision, an abandonment of further aggressive ambitions by Germany would ensure that it would lead a united Europe in ten or twenty-years time.³⁴¹

³⁴⁰ Ibid., chapter 10.

³⁴¹ C. Goerdeler, *Das Ziel* [1941] in Opitz, *Europastrategien*, pp. 806-808; Ritter, p. 77.

The invasion of Russia and, later, the American declaration of war, threw the advocates of an understanding with the West back into a state of illegality. In a secret memorandum of late 1943, Goerdeler again expounded his concept of a European federation, but this time without any pretence of reforming the Nazi leadership. Indeed, he estimated that the 'criminals would have to be sent to the devil' before his plans could be implemented. If Hitler could be removed soon enough, Goerdeler argued, there would be a chance for Germany to unite Europe against Bolshevism with Allied support. All this was of course conditional, he added, on finding a way around the Allied demand for unconditional surrender.³⁴²

As the Atlantic liberals—in league with disaffected Prussian aristocrats—moved into the stage of active conspiracy against Hitler in 1944 (the 'July 20 Conspiracy'), the question of Allied terms became increasingly urgent. Goerdeler wanted preliminary negotiations with the Western powers, but Ritter describes how on the eve of the actual assassination attempt on Hitler in July, the conspirators were on the verge of bowing to the unconditional surrender demand—but only on the Western front. Goerdeler and General Beck offered to facilitate Anglo-American occupation if the Soviets could be blocked from breaking through in the East. It was this fear of the Soviet offensive, and the almost certain extinction of the Junker order in Prussia and the Baltic, that rallied so many noblemen to the conspiracy. Since the turn of the tide on the Eastern Front, it had become clear that it was the East German landed interests who were going to pay for Nazi aggression, while the West German industrial interests could still hope for the benevolence of the Americans.³⁴³

The failure of the 20 July coup and the bloody repression that followed it, crushed the combined hopes of the Atlanticists and Prussian latifundists for a *deus ex machina* to save them from the Red Army. It also brought about the liquidation of Goerdeler, the only major politician who was acceptable to both the bulk of the German capitalist class and to the Western Allies.

³⁴² Goerdeler, *Der Weg* [1943] in Opitz, p. 969.

³⁴³ Hallgarten and Radkau, *Deutsche Industrie*, pp. 431-32.

Schacht, who was among those arrested following the coup attempt, due to his role in Hitler's rise to power had lost the credentials for leading a liberal alternative to Hitler under American auspices, although he still figured in the calculations of the State Department and of Goerdeler himself, who from his death cell made Schacht's release a preliminary condition to the Nazis in the mediation negotiations he implored his friend Wallenberg and the Swedish government to undertake. Of the younger men, the eventual leader of the liberal fraction, Ludwig Erhard, still lacked the necessary standing in his home country; it would in fact take two further American Atlantic offensives before he could take power in 1963. For the moment, the liberal arsenal in Germany seemed exhausted.

In Italy, class relations had developed in the course of a resistance struggle in which the powerful Communist Party had succeeded in forcing its way into the government coalition which presented itself to the public as soon as the Fascists were brought down. In 1943, two months before the Allied landings, a coup by Marshall Badoglio, who had led the Abyssinian campaign in the thirties, destroyed the domestic power base of Mussolini. Not unlike the subsequent Goerdeler coup attempt, Badoglio and the Italian King had deserted Fascism in order to save national capitalism from a defeat at the hands of the Left, which in Italy was a domestic force. The coup was supported by liberal capitalists, whose spokesman, Pirelli, had overtly opposed Fascist autarky policy from the mid-thirties on.³⁴⁴

Roosevelt, therefore, was ready to work with Badoglio, since he seemed the best assurance of preventing the Italian fleet from falling into Nazi hands, and of preventing the Communists from taking power.³⁴⁵ In the spring of 1944, however, the Communists in a spectacular turnabout declared their support for Badoglio and entered his cabinet.³⁴⁶ When

³⁴⁴ Nikos Poulantzas, *Fascisme et Dictature* (Paris, Le Seuil/Maspero, 1974), p. 158.

³⁴⁵ Cf. the exchange between Roosevelt and Churchill in 1943, in *Correspondence*, pp. 357-360.

³⁴⁶ Fernando Claudin, *The Communist Movement. From Comintern to Cominform* (Harmondsworth, Penguin, 1975), pp. 350-351.

Allied troops had liberated Rome, the local resistance council refused to deal with Badoglio. A new government under Bonomi, a right-wing Socialist, comprising the major parties of the resistance, was formed. In November 1944, the continuing frustration of fundamental social reform led to the resignation of Nenni's Socialists and the Action Party from the Bonomi government.

In spite of furious attacks by the Christian Democrats on the Communists, who were depicted as the instigators of anarchy, the PCI decided to join the reorganized Bonomi cabinet, together with the Liberals and Christian Democrats. In doing so, however, they undermined their own position in several respects: becoming the accomplices of laxity in purging the fascist state apparatus, while allowing themselves to become subject to the Italian government's deals with the Allies which included the isolation of the fighting resistance forces in the industrial North. As Claudin puts it, 'The German troops, with the support of the neo-Fascists, launched one offensive after another against the partisan army, while the Allies scrupulously observed the truce they had granted until the spring. South of the Gothic Line, the Bonomi government and the anti-Fascist parties did nothing to mobilize the people against this criminal complicity of the Allies. The partisan army and the fighting working class of the North held out on their own against the Fascist offensives during the long hard winter of 1944-5'.³⁴⁷

Capitalists in the North, meanwhile, were not at all committed to programme of national unity, but were instrumental in secret discussions between the German forces in Italy and the Western Allies meant to prevent a penetration of Soviet or Yugoslavian forces into Italy, who might establish a direct link with the powerful Italian resistance. Allen Dulles, who conducted these negotiations, mentions Marinotti (of Snia Viscosa), Olivetti, and Baron Luigi Parilli, who had been the Italian representative of Nash-Kelvinator before the war, as key contacts. According to a German source quoted by Dulles, the Pope, too, was completely informed about the content of the negotiations.³⁴⁸ By this time,

³⁴⁷ Ibid.

³⁴⁸ Allen Dulles, *The Secret Surrender* (New York, Harper & Row, 1966), pp. 44-45, 49, 65.

however, the dynamics of class formation was shifting to a corporatist format, and Christian Democrats rather than Atlantic liberals reinforced their positions.

3. The Shift to Cold War Conservatism

At the time of the Atlantic Conference, the Soviet armies were being routed by the Nazi invaders and great credence was not given to the power of the Soviet Union in the post-war world. Soviet reactions the Atlantic Charter were mixed. In September 1941 Ambassador Maisky in London promised the most energetic support, but Stalin a few months later complained to Eden about the Charter's supposedly anti-Soviet content. The Russians would invoke the Charter when it suited them (e.g., to repudiate Polish border claims in 1943), but at bottom looked at it as an Anglo-Saxon scheme for hegemony.³⁴⁹

Gradually, however, the Roosevelt scheme came to include the Soviet Union as one of the areas to which the American Open Door strategy was applicable. In the course of 1942-43, as Allied unity seemed to provide an increasingly favourable context for such an initiative, ideas about the economic penetration of the Soviet Union began to mature as well. Kolko mentions Hull and War Production Board chief Nelson among those who in the last months of 1943 started serious thinking on future economic relations with the USSR. Discussions with Moscow not only touched upon trade, but in a more general way pertained to the envisaged position of Russia in the open world projected by American post-war planners.³⁵⁰

Penetration and modification of Soviet conduct rather than confrontation was the key aspect of the universalism crystallizing at the peak of the Roosevelt offensive. Pioneer-spirited solidarity like Ambassador Joseph Davies's proposal in the 1942 postscript to his *Mission to Moscow* to send American engineers to Russia here paved the way for long-term considerations of an apparently generous, but basically anti-

³⁴⁹ Neumann, *After Victory*, p. 51; Alexander Werth, *Russia at War, 1941-1945* (London, Pan, 1964), pp. 581-582.

³⁵⁰ Kolko, *Politics of War*, p. 334.

communist nature. Sumner Welles in 1944 put the tremendous possibilities for trade with the Soviet Union in the perspective of a gradual abandoning by the Russians of 'many of the more radical forms of political organization which time and experience have proved to be inefficient'.³⁵¹

The Morgenthau Plan which envisioned the deindustrialization of Germany also had the aspect of depriving the USSR of German reparations, and thus driving it to seek American credits. Making the Soviet Union dependent on American aid was a constant concern of those who wanted to disburse it. 'We should... enter the postwar years with a definite willingness to aid the USSR financially', the expert on international creditor practices in the State Department, Herbert Feis, wrote in July 1945. 'Simultaneously, the assignment of American diplomacy will be to obtain effective acceptance by Russia of American views on matters vital to us and to work out compromises when there appears to be divergence of interests or purposes. If that effort fails, we should be compelled to reconsider our course'.³⁵²

The offensive, integrative approach towards the Soviet Union, and to the world at large, which characterized Roosevelt's universalism, rested on a real expansion of the American economy which lost its impetus by 1944. Profits and corporate income had risen initially, but in 1942, corporate income tax was raised from 19% to 40% in order to recover the costs of the war from industrial profits made largely on federal orders and investments. By this time, real expansion was giving way to inflation, and bank capital was able to appropriate a larger share of the total mass of profits. To quote Josephson, 'as the money supply doubled and

³⁵¹ Welles, pp. 328, 334.

³⁵² Herbert Feis, 'Political Aspects of Foreign Loans', *Foreign Affairs*, vol. 23 no. 4 (July 1945), p. 614. On the implications of the Morgenthau Plan in this respect, Kolko, *Politics of War*, p. 338.

redoubled, the banks earned more, floating easily on the higher flood of paper money'.³⁵³

In this context, the social-imperialist truce disintegrated in due course. Roosevelt in 1943 had to issue a dramatic 'hold-the-line' order to prevent rapidly multiplying strikes from destroying his wage controls. The new National Wage Stabilization Board, established in December 1945, broke down within a few months' time under the impact of intense labour struggles.³⁵⁴ As the truce between industrial capital and organized labour which hitherto had underlay the Roosevelt offensive disintegrated, the universalist synthesis between internationalism and state intervention likewise fell apart. Increasingly a rentier attitude, socially conservative and passive in international affairs, again pervaded the thinking of critical layers of the American ruling class.

Policy-makers in Washington in the last year of the war began noticing the weakening of idealism which would continue until 1947. Showing a keen understanding of what was at stake, Sumner Welles in 1944 made a dramatic appeal to maintain the self-confident posture to domestic and international challenges that had characterized the Roosevelt offensive. 'The forces of reaction are again stirring', Welles wrote. 'The people of this country should learn that world revolution is not something they need dread, but rather something that can be made to rebound to their own benefit.'³⁵⁵ However, eloquent statements could not reverse the trend dictated by the class struggle and by the bourgeoisie's fear of labour's strength in the reconversion period. The diminishing relevance in such a situation of Roosevelt's universalism (or the New Deal, for that matter) was reflected in the removal from the Democratic ticket of his Vice President, Henry Wallace, whose 'Century of the Common Man' rhetoric increasingly irritated the propertied classes. The Southern oil speculators, town bankers, and big city bosses who had connived to get Harry Truman

³⁵³ Josephson, *Money Lords*, p. 322; corporate tax raise from Gabriel Kolko, *Wealth and Power in America. An Analysis of Social Class and Income Distribution* (New York, Praeger, 1965), p. 31.

³⁵⁴ Mills, *Government*, pp. 26, 30; Milward, *War, Economy*, p. 242.

³⁵⁵ Welles, p. 413.

the vice-presidential nomination, were catapulted into the government following Roosevelt's death. In one of the typical transitions that followed, Morgan partner and former Lend-Lease administrator Stettinius resigned as Secretary of State to be succeeded by James Byrnes, a South Carolinian close to the embattled textile interests in that state.

Under Truman and Byrnes, anti-communism became the unifying theme of American policy. In September 1946, Presidential assistant Clark Clifford delivered a memorandum to the President in which the new national security doctrine was formulated.³⁵⁶ In the same month, Wallace, demoted to the post of Secretary of Commerce in the Truman cabinet, was forced to resign because of his adherence to the offensive instead of the aggressive, but basically defensive, approach to the Soviet Union. 'Wallace was essentially pleading for a renewal of the Administration's invitations of 1945 to the war-decimated Russian economy to join a friendly game of economic competition with the American industrial mammoth and to play the game according to American rules'.³⁵⁷ Facing a backlog of popular demands both at home and abroad, however, the dominant tendency in the American ruling class in 1945-47 was neither inclined to moderacy nor capable of launching an offensive policy based on new compromises with the working class.

Atlantic Unity Against the Soviet Threat

In these circumstances a more restricted concept of Atlantic unity could again assert itself over the global universalism still espoused by Wallace and other New Deal veterans. A forerunner of such cold war Atlanticism had been Walter Lippmann's 1943 book, *US Foreign Policy*. 'There is a great community on this earth', Lippmann wrote, 'from which no member can be excluded and none can resign. This community has its geographical center in the great basin of the Atlantic. The security of this community turns upon the relations of the two great powers – Britain and

³⁵⁶ Daniel Yergin, *Shattered Peace. The Origins of the Cold War and the National Security State* (Harmondsworth, Penguin, 1977), pp. 244-245.

³⁵⁷ W. LaFeber, *America, Russia and the Cold War, 1945-1971*, 4th ed. (New York, Wiley, 1972), p. 38.

the United States. In this area and at this phase of historic time, they have the arsenals and the military formations necessary to the waging of the war. And therefore their alliance is the nucleus of force around which the security of the whole region must necessarily be organized, to which, when their alliance is firm, the other members of the community will in their own interest freely adhere.'³⁵⁸

Lippmann canvassed the likelihood that potential antagonism with the Soviet Union would ensure that an Atlantic capitalist alliance would be a more practical arrangement than any global New Deal.³⁵⁹ 'Once that potential antagonism is recognized by dissolving the alliance which exists in order to wage this war, one or all the three victors will inevitably move towards arrangements with the defeated powers. As this arrangement develops, the former victors will become competitors for the revival of power of their former enemies. For unable to enforce the disarmament of the vanquished, because they have now antagonized one another, they will see that the next best form of security will be to make allies of the rearmed vanquished.'³⁶⁰

This bold projection of a Cold War power configuration was increasingly corroborated by the resurgence of sphere-of-interest politics. The Soviet Union, single-mindedly devoting its diplomatic efforts to the establishment of a cordon of friendly states against any repetition of the German invasion, proved unwilling to subordinate its interests to the American Open Door scheme; but spheres-of-interest also were reemphasized between the Atlantic allies. To the extent that the British could recover any economic or political room to manoeuvre, they distanced themselves from earlier forced enthusiasms for an American Open World. At Yalta, the Atlantic Charter was reaffirmed in the Declaration on Liberated Europe, but it no longer reflected the thrust of events. Churchill this time did not yield on the colonial question. In a secret protocol on territorial trusteeships, the latter were agreed to be

³⁵⁸ Walter Lippmann, *US Foreign Policy. Shield of the Republic* (New York, Pocket Books, 1943), pp. 98-99.

³⁵⁹ *Ibid.*, p. 119.

³⁶⁰ *Ibid.*, p. 86.

applied only to League of Nations mandates, 'territories detached from the enemy as a result of the present war', and regions voluntarily seeking United Nations protection. This left the British and other Allied colonies outside the scope of the UN trusteeship system.³⁶¹

At Yalta and Potsdam, Roosevelt's universalism collided with the stubborn persistence of European spheres-of-interest, but the subsiding of the American offensive also undercut whatever activism might have been contemplated with respect to an Atlantic community. Hence, it was Churchill who took up the thread and came to America to propagate his Atlantic Union concept. In his famous 'Iron Curtain' speech delivered in Fulton, Missouri in March 1946, the British statesman added the atom bomb to the assets of Atlantic unity, but otherwise remained within the line of argument traditionally propounded by the Round Table. Explicitly referring to the 'fraternal association of the English-speaking peoples', his statement met with hostility on the part of universalists like Wallace but also irritated Stalin, who in an interview correctly pointed to the analogy between Anglo-Saxon chauvinism and racism.³⁶²

³⁶¹ Neumann, pp. 150-151, 157-158.

³⁶² Yergin, p. 177. Churchill's advocacy of the Atlantic Union concept in this period reflected his fear that the Labour government might drift to a neutralist position or give in too easily to demands for decolonization. In his much-cited three-circle theory, Atlantic relations came second to Commonwealth relations essential to the maritime liberal fraction. Against this 'Churchill option' in which Atlantic Union was a means to preserve the integrity of the British Empire, Wiebes and Zeeman distinguish a second option with its centre of gravity in the Foreign Office. This option, behind which the contours of the state-monopoly tendency are not difficult to discern, put a neo-colonial Commonwealth first and Europe second in an attempt to consolidate an independent role for Britain in the Cold War on the basis of its projected capacity to speak for the Commonwealth and for Europe. The 'Foreign Office option' was most influential at the time of Churchill's visit to the United States and again in the mid-1950s, when Eden took over from Churchill. At several junctures, the two options clashed, as when Churchill in late 1944 forbade Eden to go into a proposal made by Spaak concerning the formation of a Western European block. C. Wiebes and B. Zeeman, *'A Star is Born'.* *Militaire alliantievorming in de Atlantische regio, 1945-1948* (Mededelingen Subfaculteit Algemene Politieke en Sociale Wetenschappen no. 13, University of Amsterdam) 1983, pp. 31, 35, 37.

Soviet sphere-of-interest policy hardly warranted Churchill's advocacy of an Atlantic Union. Coupled to an illusionary idea of post-war reconciliation with liberal capitalism which took shape in the course of the war, Stalin's essentially defensive policy only corresponded obliquely with the world-wide upsurge of the forces of change haunting the imperialist leaders; yet served as a pretext for American-led counterrevolution. In the spring of 1943 Stalin dissolved the Comintern, a measure, according to its author, which was 'proper and timely because it facilitate(d) the organization of all freedom-loving nations against the common enemy'.³⁶³ As in previous changes of Comintern line, strategy and tactics were scarcely distinguished. Stalin preferred to adorn each tactical shift with the full paraphernalia of Marxism-Leninism and the Communist parties outside the Soviet Union duly followed suit. Therefore, although the political influence of these parties grew immensely due to their resistance record and the heroic struggle of the Soviet armies on the Eastern Front, the conciliatory policy towards the United States and Britain had the effect, as Claudin rightly observes, of 'spreading among the masses the illusion that equality and fraternity between nations were compatible with the survival of the principal imperialist states; the illusion that these states, by virtue of their being at war with their capitalist rivals alongside the Soviet Union, really intended to build an ideal world.'³⁶⁴ This, exactly, was the message Roosevelt was trying to get across, and American idealism, thus, found a paradoxical resonance in the Western Communist parties.

At the very level of international trade-union cooperation, the Soviet Union also found itself on the defensive. At the high tide of wartime Allied cooperation in December 1943, the TUC announced plans to hold a world trade-union conference for 1944. Its proposal to include the Soviet trade unions in the preparations for a new international trade-union organization led to the AFL's refusal to take part and ushered in the CIO. In the course of 1945, two conferences led to the foundation of the World Federation of Trade Unions (WFTU) in September. United Nations recognition of the new organization, however, was withheld after the AFL

³⁶³ Quoted in Claudin, *Communist Movement*, p. 22.

³⁶⁴ *Ibid.* p. 30.

galvanized British and American opposition.³⁶⁵ On the other hand, the Americans invested greater energy in reviving the old International Labour Organization (ILO), which was integrated into the United Nations framework. The influence of American idealism resulted in the adoption of priorities reflecting the value scale of bourgeois society like the selection of individual human rights as the central focus of ILO social policy at the 26th International Labour Conference in Philadelphia in 1944.³⁶⁶ More specifically, a corporatist format for international trade-union activity was proposed in 1943 by Bevin in reference to Article Five of the Atlantic Charter. ILO-coordinated industry-wide bargaining could serve to uphold previously established wage bargaining practices in the context of a liberal world economy.³⁶⁷ In fact, this idea was meant to facilitate the Atlantic extrapolation of the New Deal and its articulation with European bargaining practices at the international level. It would take until the Marshall offensive, before the AFL and the International Trade Secretariats (ITSS), which already were committed to the international bargaining practices envisaged for Bevin's ILO Industrial Committees, would be able to destroy the weak WFTU and impose their Cold War concept on the Atlantic trade-union movement in the context of a renewed American offensive.

³⁶⁵ Han Quast and Anet Bleich, 'Koude Oorlog in de Internationale Vakbeweging', *Cahiers voor de Politieke en Sociale Wetenschappen*, vol. 2, no. 1 (February 1979), pp. 14-16.

³⁶⁶ E. B. Haas, *Beyond the Nation-State. Functionalism and International Organization* (Stanford, Cal., Stanford University Press, 1964), p. 55. This is not meant to imply that human rights are to be rated low as a social goal, but only means to highlight its manipulation as an ideological weapon against the Soviet Union and communism.

³⁶⁷ *Ibid.*, pp. 158, 293.

6

The Marshall Offensive and Capitalist Restoration in Europe

1. Corporatist Stalemate in Liberated Europe

American world hegemony after World War Two served to generalize a new mode of accumulation in the North Atlantic area. The Roosevelt offensive, in which the forces supporting the Atlantic extrapolation of the New Deal first were welded into a stable coalition, created the general political conditions for this new era but without yet securing its economic substructure. This was not achieved until the subsequent Marshall and Kennedy offensives, which led to a concrete transformation of the European class structure along lines of the US model. The offensives tended to mobilize the elements least tied to specifically national class configurations and most susceptible to opportunities engendered by mass production and consumption in a highly internationalized context. Politically, the transformation of liberal internationalism into corporate liberalism was most conspicuous in the European Liberal parties and in Social Democracy, since even apart from concrete Atlantic allegiances and interests dating from the turn of the century, the self-confident approach to revolutionary challenges characterizing the Wilsonian-type offensives

most easily was inserted in the internationalism traditionally espoused by these parties.

In 1945, however, the temporary hegemony in the United States of a conservative, domestically-oriented configuration of the bourgeoisie was matched by narrowly national class compromises in Europe, in which there was little room for internationalism. On the European continent, the power of the working class and the general mood of change at the end of the war jeopardized the entire framework of capitalist relations of production. In such a situation, only those groupings on the Right that had cultivated a working-class base of their own could be trusted to handle the precarious give-and-take that was necessary to save capitalist production relations. This was not merely a matter of capitalists' calculations. Metropolitan and colonial trade and shipping had declined during the war, as had those branches of industry, like textiles, which had developed in the context of empire. Accordingly, the European liberal parties and liberal tendencies, traditionally associated with these activities, found themselves in an objectively weak position after the war. Having developed no working relationship with the working class beyond cash payment, they had to leave the task of reconstruction to the corporatist tendency in the bourgeoisie capable of working with the Socialists and Communists.

Visiting Western Europe in 1946, an American correspondent considered the degree to which religious loyalties had penetrated politics the most outstanding feature of the contemporary political situation. 'Movements close to the nationally prevailing Christian churches have emerged as a mainstay of new social integration all over Western Europe—with the one exception of England... In the Netherlands, Belgium, Denmark, and Switzerland, Christian parties had developed positive social action long before the war. And it could not exactly be called a surprise that Italian Catholicism was politically available when Fascism evaporated. But the ascendance of the Catholic Mouvement Républicain Populaire to controlling power in France is an unprecedented political success story.' Both in France and in Italy, moreover, the American observer was struck

by the 'remarkably smooth cooperation' between Socialists and Catholics.³⁶⁸

In Germany, the Christian Democrats soon became the favourite political formation of the Americans. Like the network of Goerdeler and Bosch, and the Protestant group of Bonhoeffer, a small Catholic underground had been active under the Nazi regime: the Walberberger Circle. This group drew its members mainly from Rhineland and Westphalia, and discussed postwar social relations in Germany in terms of a reconciliation between the classes. The areas mentioned had been described as a cradle of Christian ethics and international reconciliation by Fritz Thyssen in his book *I Paid Hitler*, and had been accordingly recommended as a pivot of a new post-Hitler Germany. With the separation of the Eastern half of Germany and its aristocratic traditions, the possibility of experimenting with more elastic methods of social control had been objectively enlarged. Traditionally, the Rhineland area as well as parts of Bavaria had been adverse to the Prussian system, and it was the Church, the only legal institution available at the end of the war, which served as the vehicle for capitalists and politicians from these areas to put their ideas into practice.³⁶⁹

Adenauer, it will be recalled, had traditionally been a proponent of reconciliation with France, and had actually been nominated president of a separate Rhineland republic favoured by France when socialist revolution threatened the integrity of Germany. Moreover, he had extensive ties both with American capital (through his marriage with a Zinsser daughter, of the Morgan/Dresdner Bank network, which made him a relative of McCloy and Lewis Douglas) and with German capital.³⁷⁰ The most important connection in the latter respect was his lifelong association with the Oppenheim bank in Cologne: first, through a friendship with the bank's partner, Louis Hagen; later, also with Robert

³⁶⁸ *Fortune*, October 1946, pp. 166-167.

³⁶⁹ R. Badstübner and S. Thomas, *Restauration und Spaltung. Entstehung und Entwicklung der BRD 1945-1955* (Cologne, Pahl-Rugenstein, 1975), pp. 93-94, 100-102; Hallgarten and Radkau, *Deutsche Industrie*, pp. 457-458.

³⁷⁰ Pritzkolet, *Das kommandierte Wunder*, p. 721.

Pferdmenges, who became a partner of the bank in the 1930. Both Adenauer and Pferdmenges had been close to Kurt von Schröder until 1933; while Pferdmenges also had ties with the Deutsche Bank, which Radkau takes as a clue explaining the major role of that bank's president, Hermann Abs, in West German affairs after the war.³⁷¹ Like Adenauer, Pferdmenges kept his distance from Nazism and actually was among those arrested after the 20 July affair. He became the key figure in the new CDU, organizing the new party in the Rhineland and setting up the financial fund for the conservative parties to improve their performance in the 1949 federal elections.³⁷²

This web of connections, to which others might be added (like Adenauer's relations with the Wehrhahn mining and grain merchant family), for the moment, however, were less important than the capacity embodied by the Christian Democrats to re-establish a hold on the working classes and restore the legitimacy of capitalist rule. Adenauer had extensively studied Catholic social doctrine in the 1930s, and although he was also influenced by liberal economic theory (Röpke), he took care to insert its teachings in a comprehensive doctrine of which the 'social' aspect was stressed repeatedly.³⁷³

In 1945, the capitalist class as a whole was on the defensive, and modernizers among the German manager class were ready to consider a degree of workers' control in order to save capitalist relations of production as such. On the ideological front, the corporatist bourgeoisie even went further. In the radical Ahlen programme of the CDU, they denounced Nazism as a form of state socialism. Displaying considerable boldness in this respect, CDU propaganda even claimed that its social doctrine went beyond Marxism.³⁷⁴

³⁷¹ Hallgarten and Radkau, pp. 451-452; cf. Pritzkolet, *Männer, Mächte, Monopole*, pp. 41-42, 50.

³⁷² Gerhard Braunthal, *The Federation of German Industry in Politics* (Ithaca, N.Y., Cornell University Press, 1965), pp. 111-112.

³⁷³ Badstübner and Thomas, pp. 176-177.

³⁷⁴ *Ibid.*, p. 187; Pritzkolet, *Das kommandierte Wunder*, p. 734.

Meanwhile, the SPD, the most powerful party on the Left, allowed itself to be incorporated in the Western occupation policy without claiming a share of power. Schumacher, its leader, was obstinate to both the Americans and the Russians. According to McCloy, he was 'one of the most effective anti-Communists in Germany', but in international affairs, his attitude according to Acheson was 'just the same as if he were a Communist'.³⁷⁵ In the US zone, in line with the prevailing attitude in the United States, no Socialists were allowed in the government bodies created by the military authorities. Only in the British zone were German administrative organs allowed, and in 1946, the Socialist, Victor Agartz, was made the head of the economic council of the British zone after protests over the background of the initial incumbent, rayon magnate and International Chamber of Commerce stalwart, Abraham Frowein.³⁷⁶

Very much in the same vein as the German Christian Democrats, the Italian DC, which had been one among several parties of comparable strength in the Badoglio coalition, tried to outflank the Communists in terms of proposed social reforms. In the context of national unity, they were able to become the leading party in the country within two years. The majority of the peasants and the urban petty bourgeoisie who voted for the DC in 1946, did so, Claudin shows, not because they were reactionary, since the DC programme was for all practical purposes as radical as those of the Left, but because DC radicalism bore the stamp of the Church whereas the others did not.³⁷⁷

In France, national reconstruction was supervised by a broad coalition ranging from the Gaullists to the Communists. This coalition was based on a broad acceptance of the thesis that, as the First Modernization and Equipment Plan of 1946 put it, 'in the years to come France will have

³⁷⁵ *Executive Sessions of the Senate Foreign Relations Committee* (Historical Series) (Washington, Government Printing Office, 1976). Quoted hereafter as *SFRC*, and volume number. Here vol. III/1, p. 529 and IV, p. 469.

³⁷⁶ Badstübner and Thomas, p. 135.

³⁷⁷ Claudin, *Communist Movement*, p. 366.

nothing to live on but the product of its labour'³⁷⁸, and found its common denominator in a high-pitched quest for the restoration of French *grandeur*. Upon a visit to an international business conference in the United States, the Nestor of the French state-monopoly tendency, Ernest Mercier, declared that France was not in need of American dollars. 'Money will not do the job of reconstructing France', he told his audience, 'only our own toil will do that—probably ten years of it'.³⁷⁹ A substantial segment of French bank capital was nationalized in order to centralize accumulation funds, and several industries and firms were placed under state supervision on account of economic collaboration during the occupation. In the same vein, a 'national solidarity tax' was levied on stockholders and a tax on illicit profits was enacted.³⁸⁰

In the Netherlands, too, a self-contained industrial reconstruction policy was undertaken which initially proceeded on the assumption of a mobilization of domestic labour-power resources only, even discounting income from Indonesia. A drastic monetary purge was carried through and a war capital-gains tax, together with a special personal wealth levy, were introduced in 1945.³⁸¹ A corporatist concept of control here was worked out in the circle of political and business leaders held as hostages by the Nazis near Eindhoven, and put into practice by the first post-war government composed of Christian Democrats, Socialists and independents. Unlike their Belgian and French counterparts, the Dutch Communists however were not included in the national reconstruction government.³⁸²

³⁷⁸ 'Monnet Plan, 1946', in S.B. Clough, Th. Moodie. & C. Moodie, eds., *Economic History of Europe: Twentieth Century* (New York, Harper & Row, 1968).

³⁷⁹ Quoted in *Fortune*, January 1945, p. 226.

³⁸⁰ CEPES, *Nationale Konjunkturpolitik in Europa 1945-1956* (Frankfurt, Europäische Vereinigung, 1958), pp. 123, 127.

³⁸¹ H. Baudet, M. Fennema et al., *Het Nederlands belang bij Indië* (Utrecht, Aula, 1983), p. 18; P. Lieftinck, *The Post-War Financial Rehabilitation of the Netherlands* (The Hague, Nijhoff, 1973), p. 16.

³⁸² Madelon de Keizer, *De gijzelaars van Sint Michielsgestel. Een eliteberaad in oorlogstijd* (Alphen, Sijthoff, 1979).

Britain had not been occupied, and capitalist relations were not in danger. Yet, as the conditions determining the policies of national unity were not national, but international, the same national corporatism was noticeable in Britain. The Labour government embarked upon a programme of social-welfare reform and a policy of cheap money to facilitate postwar re-conversion of industry. It secured the support of the TUC by rescinding in 1946 anti-union legislation dating from the aftermath of the General Strike. Significantly, the corporatist concept developed from the productive-capital point of view also made itself felt in the Conservative Party. Confronted with an upsurge of the Left of which the Labour election victory was only one instance, the Conservatives, not unlike the continental Christian Democrats, took pains to present themselves as contemporary, forward-looking, and even assumed a 'radical appearance'.³⁸³ This was mainly due to the programmatic activities of R.A. Butler, a state monopolist and board member of Courtaulds. While Churchill was concentrating on defending British imperial interests against American and Soviet designs, a Conservative 'Industrial Charter' was launched by Butler, Macmillan, and others. The Charter's corporatist and state-monopolistic concept reflected the conciliatory policies that a segment of the capitalist class at this juncture judged necessary, and in the prevailing climate even became a bestseller.³⁸⁴

In Belgium, industry emerged relatively unharmed from the war with control of the Congo intact as well. Although the attempt by Liberal finance minister Gutt to make his deflationary money reform the basis of a full-fledged liberal economic policy was thwarted, and the Pierlot coalition was brought down over the issue in February 1945, it seemed as if in Belgium the liberal-internationalist bourgeoisie, thriving on colonial profits (and with temporarily booming textile and steel industries as well), was largely able to avoid the corporatist conjuncture. The only major intervention in the economy on the part of the new Liberal-Socialist-

³⁸³ Bulmer-Thomas, *British Party System*, vol. 2, p. 179; Overbeek, 'Finance Capital and Crisis', p. 108.

³⁸⁴ Middlemas, *Politics in Industrial Society*, p. 418.

Communist government involved an ill-fated attempt to rehabilitate the coal mining industry.³⁸⁵

Contraction of American Involvement

The inward-looking American posture of the period was an aspect of basically defensive approach to working-class pressures. The large-scale privatization of federally financed plant and equipment, well as the magnitude of pent-up consumer demand would have seemed to make a Red Scare irrelevant. Yet, as domestically oriented small capitalists as well as rentier elements reinforced themselves in the profit-distribution process, the New Deal stalemate between capital and labour threatened to re-impose itself. In these circumstances, and following a strike wave in early 1946, anti-labour sentiment gained an upper hand, and a Republican majority was returned to Congress, elected on an anti-labour, anti-taxation platform. The Republican Congress quickly passed the reactionary Taft-Hartley Act which outlawed solidarity strikes, secondary boycotts, forbade trade-union political donations and required an anti-communist affidavit of trade-union officials.

The conservative turn on the domestic front interacted with a loss of impetus abroad. Key American projects, like the International Monetary Fund (IMF) and the World Bank, as well as the eventually abortive International Trade Organization (ITO) ran into the increasing sphere-of-interest compartmentalization of the world economy. Among managers, surveys during the war revealed that internationalism was fairly steadfast and, as a consequence of wartime industrialization, had even spread to the formerly isolationist areas the West and Midwest. It was recognized that US productive capacity, notably in the capital-goods sector, required developed foreign markets in order to avoid a major crisis and a deepening of state intervention. As Eakins has shown, anticipations of the Marshall Plan, although lacking the anti-Soviet aspect, had been formulated by the National Planning Association and the Committee for

³⁸⁵ *Fortune*, January 1947, p. 214; Nico Kerssemeeckers, *De houding, rol en invloed van de Belgische kolen-, ijzer- en staalindustrie bij het tot stand komen van de E.G.K.S.*, Unpublished paper, University of Amsterdam 1976, pp. 11-17.

Economic Development as early as 1944.³⁸⁶ American capital with its immense productive resources and mass production techniques, occupied an incomparable competitive position in the world economy. But to take advantage of its position, American industry required a drastic liberalization of the world market. At the end of World War Two, American firms operating abroad were confronted with 'discriminatory tax and labor laws, inability to withdraw profits, and the constant threat of expropriation', notably in Europe.³⁸⁷

The Bretton Woods system centring on the IMF was meant to provide American capital (and capitals matching their accumulation conditions) with an integrated circuit of capital internationally, but it was unclear how to begin to implement currency liberalization, when it seemed that the British Empire might suddenly break apart. During the debate in the US Senate on Bretton Woods, the isolationist opponents led by Senator Taft wanted to insert a clause requiring that any IMF member wanting to use the Fund's resources would have to remove all exchange restrictions first. The principal proponent of the new system, Senator Barkley, countered this demand by recalling that Britain had introduced the economic controls at a time when the country was 'all that stood between the rest of the world and Hitler' and by expressing his confidence that the British would do away with Sterling area controls in due course. 'No man who has been very ill is expected to get up and walk right away', he said.³⁸⁸

An international business conference assembled in New York at the close of 1944 had illustrated, at the private level, a comparable waning of American resolve. As *Fortune* reported, the Bretton Woods proposals were not opposed, but neither were they endorsed. Moreover, 'out of deference to the British, the report on cartels did little more than recommend further study'.³⁸⁹ The readiness to allow European affairs to be handled the

³⁸⁶ Cf. *Fortune*, October 1943, p. 22; David W. Eakins, 'Business Planners and America's Postwar Expansion', in D. Horowitz, ed., *Corporations and the Cold War* (New York, Monthly Review Press, 1969), p. 156 & passim.

³⁸⁷ *The New York Times*, September 21, 1947.

³⁸⁸ *The New York Times*, July 20, 1945.

³⁸⁹ *Fortune*, January 1945, p. 226.

European way reflected the awareness that the United States temporarily was not capable of underwriting any alternative.

In this context the Atlantic connection dating from the interwar years, with its centre of gravity in Germany and comprising a series of investment banks linked to the Rockefeller group and Dillon, Read, reasserted itself. In the summer of 1945, Winthrop Aldrich of the Chase Bank and president of the International Chamber of Commerce, visited Germany and succeeded in making his bank the correspondent institution of the newly founded Bank Deutscher Länder, the precursor of the eventual central bank of West Germany.³⁹⁰ McCloy, the American High Commissioner for Germany, was close to the Chase Bank as well, and would become its head in 1953. McCloy's deputy was B.J. Buttenwieser, of Kuhn, Loeb.³⁹¹ Among the American military authorities in Germany, Dillon, Read was represented by director William Draper, who first held the job of economic head of OMGUS, the American military government, and after 1952 became European head of the Mutual Security Administration. In the War and Navy Departments, Patterson, a Wall Street lawyer for US investors in Germany, and Forrestal, president of Dillon, Read, were the respective secretaries.³⁹²

In the period preceding the Marshall Plan, the old German hands in the American bourgeoisie exerted all their considerable influence against the spectres of German de-industrialization and neutralization. They lobbied strenuously against Soviet and French reparation demands in order to ensure that German industrial assets would be available to support the recovery of capitalist Europe. Their strategy was to make the heavy industries of the Ruhr a core of a new Western European economy: an idea first broached to Secretary Forrestal in 1945 by Ferdinand Eberstadt, a former Dillon, Read partner.³⁹³ John Foster Dulles, then a Republican

³⁹⁰ Werner Link, *Deutsche und amerikanische Gewerkschaften und Geschäftsleute 1945-1975* (Düsseldorf, Droste, 1978), p. 101.

³⁹¹ G. Baumann, *Eine Handvoll Konzernherren* (Berlin, Volk und Welt, 1953), p. 36.

³⁹² Baumann, *Atlantikpakt*, p. 36.

³⁹³ Link, *Gewerkschaften u und Geschäftsleute*, pp. 110-111.

advisor to the Democratic State Department (and capitalizing on the new weight of his party in Congress), vigorously endorsed the idea. Further, in January 1947, he proposed the unification of the Western European coal and steel basin as a bulwark against the Soviet Union.³⁹⁴ And in August 1949, Dulles declared during Senate discussion in closed session that 'if the treatment of Germany is such as to involve the Germans becoming more friendly with the Russians than with the West, we are wasting any money at all in Western Europe.' Germany, even if only its Western half, would have to be fitted into the structure of Atlantic integration rather than allow self-determination lead to a disintegration of the Western European capitalist economy. 'Russia has indicated her willingness to withdraw if we do the same, and we are not willing to do the same', Dulles declared on the same occasion.³⁹⁵

The eventual partition of Germany was explicitly envisaged in this light. In late 1946, Truman for the second time sent Herbert Hoover to Europe to assess the economic and food situation. Hoover's chief assistant, the German Weimar liberal, Gustav Stolper, in January 1947 put the question of feeding Germany after the loss of its Eastern half as a key priority in a memorandum to Hoover. A partisan of partition even at the cost of an open conflict with the Soviet Union, it was Stolper who drafted the eventual Hoover Report which recommended putting Germany on its feet by stimulating German exports and thus terminating the need for emergency aid.³⁹⁶

2. The 1947 Turning-Point

Beneath the surface economic geography of Europe a more fundamental problem resided in the prevailing class configurations carried over from the prewar period. If a Western Europe capable of withstanding the

³⁹⁴ D.F. Fleming, *The Cold War and Its Origins, 1917-1960*, 2 vols. (Garden City, N.Y., Doubleday, 1961), vol. 1, p. 434.

³⁹⁵ *Joint Hearings held in Executive Session before the Committee on Foreign Relations and the Committee on the Armed Services, United States Senate, on S. 2388 (Military Assistance Program 1949)* (Washington, Government Printing Office, 1976), p. 121.

³⁹⁶ Selection in Opitz, *Europastrategien*, pp. 1009-1013.

challenge of socialism was to be created and made part of an Atlantic economy in which the American mode of accumulation could be generalized, the restructuration of European class relations to resemble the US pattern was mandatory. This activist perspective, typically transcending the rentier outlook and reflecting the synthetic interests of internationally-operating finance capital instead, required the 'euthanasia' of class fractions associated directly with previous modes of accumulation. With respect to Germany, it was James Warburg who at this juncture specified the problem and advocated an offensive solution to it in a book called *Germany – Bridge or Battleground?*, published in 1947.

Germany, Warburg wrote, was the hub of the whole European economy, 'the largest single compact mass of skilled labor on the Continent'. It should be transformed from the 'present poor-house and plague-center', as he called it, 'into a powerhouse for a rapid reconstruction of Europe, without letting the powerhouse acquire too broad a permanent franchise and – above all – without letting the powerhouse ever again become an arsenal'. Demonstrating a solid grasp of the offensive approach to social revolution, Warburg argued that 'the Westward thrusting of Communism will not be stopped by any physical frontier. It can be stopped only by a planned, US-aided reconstruction so liberal and even revolutionary as to meet the challenge on its own grounds, and to strike the meaning from the accusation of American "dollar diplomacy"'. This offensive, the author estimated, would have to be directed at restoring German unity, which remained the key to the reconstruction of a viable European economy.³⁹⁷

Warburg premised this Wilsonian perspective upon the imperative of reshaping class relations in Germany. What needed restructuration, the banker argued, was the German ruling class, which had appropriated the fruits of German capitalism and used them for war-making. German respect for status positions served as a breeding ground for authoritarianism, and foreign military government in this respect hardly distinguished itself from previous forms of government. Therefore, Warburg proposed to intervene directly in the German class structure. 'If

³⁹⁷ James P. Warburg, *Germany – Bridge or Battleground?* (New York, Harcourt, Brace & World, 1947), pp. 2, 186, 247.

the German machine produces, as it has in the past, for an authoritarian state controlled by a Junker-industrialist clique, it will probably produce ultimately for war – no matter what limitations are imposed on it.’³⁹⁸

There was another factor, which both had determined the rise of the ‘Junker-industrialist’ clique in Germany and now constituted the basis for the corporatist stalemate, and that was the strength of the organized working class. The liberal-internationalist strategists in the American government like Will Clayton, Undersecretary of State for Economic Affairs, who played a key role in US post-war planning and in formulating the ambitious International Trade Organization (ITO) plan, were to find out for themselves that the corporatist, state-monopolistic policies pursued in Europe did not primarily derive from a positive programme, but rather were forced upon the ruling class in the absence of a viable alternative. Hence, when Clayton travelled to Geneva in April 1947 to press the American proposals for the ITO, he had to conclude that the less comprehensive General Agreement on Tariffs and Trade (GATT), which was simultaneously being negotiated in Geneva, was the best the United States could hope for in the face of the anti-colonial and Soviet challenges. After the Geneva conference Clayton toured Western Europe to assess the immediate needs and wishes of the Western European governments. His letters to Washington played an important part in the preparation of the Marshall Plan.³⁹⁹

By that time, the lack of real thrust in American policy compared the aggressive language of the President increasingly began working against the Administration. The Republican Congress in 1947 trimmed Truman’s modest foreign aid programme but at the same time charged his administration with being soft on Communism. The congressional mood, Barnett writes, was ‘characterized by a blend of economic isolationism and

³⁹⁸ Ibid., p. 201, cf. 166-167.

³⁹⁹ J. M. Jones, *The Fifteen Weeks. An Inside Account of the Genesis of the Marshall Plan* (New York, Harcourt, Brace & World, 1955), pp. 48, 121; Gabriel and Joyce Kolko, *The Limits of Power. The World and United States Foreign Policy 1945-1954* (New York, Harper & Row, 1972), p. 355.

political belligerency'⁴⁰⁰, while abroad, revolutionary situations in Iran and Greece (both in the British sphere-of-influence) and Communist-supported reconstruction with protectionist overtones in Western Europe threatened vital American interests. The threat of a breakdown now activated the state apparatus most directly involved, the State Department. As Jones writes, 'by the very nature of things the United States and the West were on the defensive in 1945 and 1946 and (Secretary) Byrnes' role was a defensive role. But it is highly doubtful that, given his relations with the President and the State Department staff, he could have played any other.'⁴⁰¹ Byrnes was replaced by General Marshall, the chief military officer of World War Two, but it was in fact Dean Acheson who ran the State Department under Marshall's nominal command.⁴⁰²

The new Secretary immediately expressed his concern over the trend towards financial conservatism dictated by the forces in Congress who at the same time wanted strong action against Communism. 'I have been much concerned at the budget cuts as they relate to what I am moving into in foreign affairs', he told the Senate Foreign Relations Committee in February 1947. Amounting in Marshall's opinion to a beginning of withdrawal, 'it will stir up a complete lack of faith in any pretensions we make to accept our responsibilities in the world.'⁴⁰³ In the same month, a British note communicating the intention to suspend aid to Greece and Turkey propelled the new foreign-policy leadership into action. The activists in the State Department within a few months were able to galvanize the critical mass of interests which had been developing in reaction to the haphazard incrementalism of the preceding period. The Greek crisis provided the opportunity for launching the Truman Doctrine and its programme of aid for the Greek counter-revolution Britain was forced to forsake; at the same time, it broke the limits imposed on foreign spending. If American dollars were used in the name of a comprehensive

⁴⁰⁰ Richard J. Barnett, *Intervention and Revolution. The United States in the Third World* (New York, World, 1968), p. 114.

⁴⁰¹ Jones, p. 105.

⁴⁰² *Ibid.*, pp. 100-101.

⁴⁰³ *SFRC*, vol. I, p. 15.

programme against the Soviet Union and Communism, a broad agreement between the traditional internationalists and the nationalists strong in the Republican Party was possible. The scenario for such a reconciliation had already been rehearsed by the architect of congressional bipartisanship, Senator Vandenberg, who urged Truman to 'scare hell' out of the American people and to 'mobilize facts' concerning alleged Soviet violations of the Potsdam Agreement in order to arouse public opinion.⁴⁰⁴

The Marshall Plan announced in June carried the new offensive further: by injecting purchasing power for innovating production into Western Europe it represented the first important step in exporting American accumulation conditions. This aspect of the Marshall offensive catered to the corporate-liberal fraction which likewise moved closer to power in the course of 1947. In early 1947, Averell Harriman succeeded Wallace as Secretary of Commerce, and the eventual Harriman Report on the implementation of the plan announced by Secretary of State Marshall in June was crucial in determining the Economic Cooperation Act of 1948. With Clayton, Harriman, and such members of the Harriman Committee as Paul Hoffman, back on centre-stage, corporate-liberal internationalism resumed its tenure in Washington.⁴⁰⁵

The establishment of American hegemony in the North Atlantic area was directed simultaneously against the spread of planned economy and social revolution beyond the Soviet-controlled areas in Europe and against the national, self-contained reconstruction programmes pursued by most Western European states in the immediate postwar period. These programmes, in which local Communist Parties participated, were judged unsuited for maintaining capitalist rule in the long run. 'Europe would have been Communistic if it had not been for the Marshall Plan', Marshall Aid administrator Paul Hoffman claimed in February 1950.⁴⁰⁶

At the same time, the Marshall Plan aimed at laying the material foundations for an Atlantic economy based on the generalization of

⁴⁰⁴ Jones, *Fifteen Weeks*, p. 122; *SFRC*, vol. I, p. 216.

⁴⁰⁵ Eakins, 'Business Planners', pp. 164-165.

⁴⁰⁶ *SFRC*, vol. II, p. 193.

Fordism. Through the Technical Assistance and Productivity Program, the complete inventory of Taylorism and Fordism, like merit rating, job classification, shift labour in continuous processes, and so on, was exported to Western Europe. The key component of Marshall Plan hardware deliveries in this context was the technology of continuous wide-strip mills for the steel industry. These advanced means of production were capable of producing large quantities of cheap sheet steel for automobiles and household appliances, and, thus, were instrumental in subordinating the traditionally reactionary steel industry to the system of relative surplus-value production, while at the same time consolidating the subordination of the US steel industry to the powerful automobile groups by cheap imports.⁴⁰⁷ Twenty years after their introduction in the United States, the wide-strip mills with American aid broke the cartel barriers which hitherto had prevented their installation in Europe. In 1939 Europe possessed only two such mills, with important restrictions their output imposed by their cartelized competitors;⁴⁰⁸ by 1953, in contrast, France, Germany and Britain each had three wide-strip mills, with others in Austria, Luxemburg, the Netherlands, and Belgium (two).

Hoffman, the former president of Studebaker and founder of the corporate-liberal vanguard, the Committee for Economic Development, intervened wherever policies contrary to the envisaged new production system threatened to be enacted, as for instance in the case of the original steel nationalization in Britain. Speaking to US Senators in closed session, he reassured them that the 1950 Schuman Plan for a European Coal and Steel Community was designed to facilitate the new Fordist mode of accumulation. 'Heretofore, the price has been too high and wages too low for people to buy the products of the steel industry to the extent that they buy the products of our steel industry here', Hoffman said. 'We take a ton of steel and put it in an automobile and you know how very few people

⁴⁰⁷ The first load of Dutch Hoogovens' new sheet steel output went straight to Detroit, Kees van der Pijl, *Een Amerikaans Plan voor Europa. Achtergronden van het ontstaan van de EEG* (Amsterdam, SUA, 1978), p. 182. On productivity programs, W.L. Buitelaar et al., *Ploegenarbeid in Nederland* (Amsterdam, Pegasus, 1977), pp. 51, 77-78.

⁴⁰⁸ Economic Commission for Europe, *European Steel Industry*, table 16, p. 18. On the British example, Overbeek, 'Finance Capital and Crisis', p. 106.

can afford to buy an automobile in Europe. So, if you start this process, raising wages and lowering prices, you get that great expanding market in Europe, and that will take care of this increased production. Henry Ford introduced us to that new principle, and, when he did so, he started a revolution that we are still benefiting by, and I think that the Schuman plan may have that result in Europe'.⁴⁰⁹

The American Unions Versus European Labour

Raising wages with these connotations required that in participating in the new mode of accumulation, the European working class limit itself to purely economic demands. Thus, in the context of a general confrontation with the Soviet Union, the Marshall offensive aimed at the elimination of revolutionary and anti-systemic ideologies in the Western labour movement. In this aim, the Atlantic corporate-liberal bourgeoisie found its privileged partner and relay in the Social Democratic parties, which under the impact of the American offensive would themselves undergo major transformation.

Yet, between 1947 and 1951, neither the international situation nor the domestic American class struggle were such as to generate a full-scale offensive. The social-imperialist aspect of the Marshall offensive was correspondingly disjointed; its constitutive elements were scattered over the four years in which, by leaps and bounds, the expansion of the American economy proceeded. A formal intervention aimed at preventing the trade unions from reaping the fruits of labour scarcity even was more or less avoided during the Korean War. In late 1950, a Wage Stabilization Board was installed to deal with pressures arising from war-induced full employment. In January of the next year, a wage and price freeze became effective. This time a slight increase of wages relative to cost of living did bring benefits to the workers, but then, in retrospect, controls hardly affected the trend of wages in the first place.⁴¹⁰

⁴⁰⁹ *SFRC*, vol. II, pp. 546-548; cf. Overbeek, p. 109.

⁴¹⁰ Mills, *Government, Labor*, p. 36.

As far as the two main American trade-union organizations were concerned, the offensive context in which they undertook their foreign activities contributed to the gradual convergence of their respective positions, even if important contradictions remained. Because of the McCarthyist witch-hunt, the CIO gradually divested itself of its radical heritage and democratic procedure. The CIO's eventual decision to withdraw from the WFTU, and its joint action with the AFL to establish the International Confederation of Free Trade Unions (ICFTU) in 1949, were largely the initiatives of leaders trying to claim a place for the industrial unions within the Democratic Cold War consensus. Opposition to this anti-Communist turn within the CIO was met by the abrupt expulsion of thirteen class-conscious unions at the 1949 Convention. As to the AFL, a sympathetic observer writes that since the bulk of the membership and leadership were not interested in or informed about international labour problems, 'a handful of AFL leaders, assisted by several of their staff, constituted the AFL foreign-policymaking elite'.⁴¹¹

Extending their own brand of economic unionism to Europe was a concern of both organizations, but as support activities in Europe were largely uncoordinated, a welter of trans-Atlantic connections was the result; through which unresolved conflicts between the two US unions became part of a wider set of political struggles. In the American zone in Germany, a conflict erupted over the issues of de-Nazification and anti-fascist trade-union organization between the AFL and the CIO, and between them and the 'New Dealers' in the American military government (OMGUS). German labour leaders in the United States had formed a German Labour Delegation in exile and obtained official recognition from the AFL. In April 1945, a Free German Trade Union Committee was launched in American-occupied Frankfurt. Due to the restrictions on political activity decreed by the Americans, this organization failed to be effective in moderating the influence of radical elements at the local and plant levels.

⁴¹¹ Roy Godson, *American Labor and European Politics. The AFL as a Transnational Force* (New York, Crane, Russak & Co., 1976), p. 51; Philip Foner, *American Labor and the Indochina War. The Growth of Union Opposition* (New York, International Publishers, 1971), p. 12.

The initial willingness of the New Dealers in OMGUS to allow radicals to support their de-Nazification effort was soon overruled by the American business cronies of General Clay. The AFL likewise exerted its influence to thwart the grassroots democratization movement, although it took a visit of AFL Vice-President Doherty to Germany to ensure that the American military authorities heeded the organization's wishes. As a result, the CIO and the WFTU were denied facilities in the American zone altogether.⁴¹²

Thus anti-fascist elements in the German working class and their sympathizers among the New Dealers in OMGUS were effectively frustrated at an early stage, but the mass basis for a 'moderate' alternative was not yet available. To remedy this situation, individual trade-union bureaucrats like Markus Schleicher, the president of the Free Trade Union Committee in the American zone, and Böckler in the British zone, were parachuted in by the military authorities to negotiate directly with the German employers.⁴¹³ These men took the lead in propagating the American pattern of trade-union organization. Upon his return from a trip to America, Schleicher told German workers' audiences in 1948 that they should be ready to discard the traditional German idea of workers' councils. Only then could they benefit from the type of national political influence that had so impressed him on his American tour.

The German labour movement's traditions could not be discarded with so easily, however, and the consolidation of economic trade-unionism in Germany was forced to absorb the council idea to a considerable extent. Indeed, it was precisely in order to stave off the dangerous socialization demand of the German Left, that the AFL began giving qualified support to the council idea. Eventually, the AFL formed a truly Atlantic bloc with the DGB to force the German employers' organizations and the US National Foreign Trade Council to accept the introduction of co-determination

⁴¹² Link, *Gewerkschaften und Geschäftsleute*, pp. 44, 52; Radosh, *American Labor*, pp. 326-328.

⁴¹³ Badstübner and Thomas, *Restoration*, pp. 40-41, 85-86.

(*Mitbestimmung*) in heavy industry, and in 1952, on terms much more unfavourable to labour, in the rest of German industry.⁴¹⁴

As the Marshall Plan got under way and the *de facto* partition of Germany became permanent, AFL intervention was also extended to supporting specific activities of the SPD, like the latter's undercover work in the Soviet zone. Significantly, the AFL already in 1947 had endorsed German rearmament.⁴¹⁵ The predominance of the AFL over the CIO ingredient in American trade-union intervention in Europe was based upon intransigent anti-Communism and this dovetailed with indigenous factors determining the resurrection of the German trade-union movement. The reformist tradition of the German trade unions, as well as the effectiveness of Free World ideology in a partitioned country, were complemented by AFL activity, not created by it. The claim of one of the AFL organizers, David Dubinsky, that the German trade unions would have 'gone Communist' in the absence of AFL intervention was an exaggeration; unless he meant that in the event of a series of developments linking the Greek Revolution with a popular front modification of one of the national coalition governments somewhere along the Mediterranean coastline, the weight of Atlantic liberal capitalism in Europe might have been critically reduced, ultimately involving Germany as well.

Such a critical juncture might have materialized in France, where the AFL was by all means an outsider. Given the resistance record of the Communist-led general trade-union organization CGT, AFL organizer Irving Brown considered the French situation to be 'not very encouraging'. Yet several contacts had been made with anti-Communist elements in the CGT, in particular with the Force Ouvrière (FO) group. Brown's strategy of encouraging opposition within the CGT still backfired at the 1946 CGT convention, but the Communists' growing difficulties in getting the French workers to support the 'battle for production' without

⁴¹⁴ Link, *Gewerkschaften und Geschäftsleute*, pp. 54-55, 73, 78; W. Müller Jentsch, 'Streiks und Streikbewegungen in der Bundesrepublik 1950-1978' in J. Bergmann, ed., *Beiträge zur Soziologie der Gewerkschaften* (Frankfurt, Suhrkamp, 1979), p. 37.

⁴¹⁵ Link, *Gewerkschaften und Geschäftsleute*, pp. 68, 88.

compensating political gains tended to create a more favourable climate for stirring the opposition forces. Brown eventually succeeded in establishing fruitful contacts in Socialist circles, which had been supported by various American labour organizations since the end of the war.⁴¹⁶

The radical tactics of the Christian trade unions, on the other hand, which persisted as long as the Communists were in the government and which had a distinct agent-provocateur quality, did not attract AFL support. The AFL's concern was not to promote just any anti-Communist working-class agitation, but rather to build 'AFL-type unions that would not only guide trade unionism in a stable craft direction, but would work to gather support for US foreign-policy objectives among European workers'.⁴¹⁷ The Christian unions therefore by default became the object of CIO attention, and relations between the CFTC (today's CFDT) and the CIO unions persisted well into the 1960s (and after the merger of the AFL and CIO in 1955).⁴¹⁸

The cleavages in the CGT had deep local roots, but were aggravated by the Marshall offensive and the machinations of the AFL. What the AFL contributed notably was the militant anti-Communism often lacking among older reformist trade-union leaders like Jouhaux, who were still committed to what Irving Brown derogatorily called the 'myth of working-class unity'. The AFL, therefore, expressly supported the forces working for a split, by-passing the leadership around Jouhaux which hoped to regain a majority within the CGT. The AFL wanted a rupture, not just with Communism, but with any form of class perspective. As in Germany, the break therefore was not just with Communism, but with indigenous working-class tradition in general. The Americans sponsored avowedly Atlanticist leaderships that were ready to discard the national heritage of the labour movement. The results of this strategy varied greatly. The split in the CGT, formal in November 1947, brought only a minority into the pro-American camp, a minority which moreover had not

⁴¹⁶ cf. Radosh, p. 366.

⁴¹⁷ Ibid., pp. 309-310; Godson, p. 99.

⁴¹⁸ J.P. Windmuller, 'The Foreign Policy Conflict in American Labor', *Political Science Quarterly*, vol. 82, no. 2 (June 1967), p. 231; Godson, pp. 101-102, 119.

succeeded in divorcing itself from the old reformist leadership, of whom several, but not all, followed Jouhaux into the CGT-FO.⁴¹⁹

Although hardly a weak link, American influence in the British Labour Party was reorganized and made more effective in 1947. In the autumn of that year, the editorial board of the journal *Socialist Commentary*, which had been the organ of the non-Communist German Left exiles in Britain, welcomed Oxford lecturer Anthony Crosland, Allan Flanders, a former TUC official, and Rita Hinden, who had set up the Fabian Colonial Bureau. While AFL organizer Jay Lovestone recruited many of his agents from the former exiles around *Socialist Commentary*, the journal in its new set-up became the mouthpiece of the right-wing of the Labour Party and developed a close collaboration with the *New Leader*, an anti-Communist American magazine which from 1950 on was sponsored by the CIA. Flanders, who was in the United States studying the American trade-union movement, contributed anti-Communist articles to both publications, while Denis Healey, the future Labour minister became London correspondent for the *New Leader* in 1954.⁴²⁰

The TUC leadership not only played a critical role in splitting the WFTU, but also propagated the American methods of scientific management that its representatives had become fascinated by in the course of Washington-sponsored junkets.⁴²¹ The ruling Labour Party, apart from playing a major part in shaping the institutional framework of Atlantic integration, complemented TUC activities on the European continent by supporting the pro-American split-offs in European Social Democratic parties. On the other hand, rank-and-file Labourist support for the Nenni majority Socialists in Italy in 1948 was vigorously suppressed.⁴²²

⁴¹⁹ J.D. Reynaud, *Les syndicats en France* (Paris, Armand Colin, 1963), p. 91; Godson, pp. 89, 118-119, 129.

⁴²⁰ *Radical Research Services, The Labour Party & the C.I.A. The secret funding of Labour leaders – the story the Sunday Times withdrew*, pamphlet, London n.d., p. 11.

⁴²¹ Middlemas, *Politics in Industrial Society*, p. 395.

⁴²² Bulmer-Thomas, *British Party System*, vol. 2, p. 165.

In Italy, the Americans failed to secure a majority in either the Socialist Party, or in the trade-union movement. They did, however, succeed in instigating defections from the main national trade-union centre, the CGIL. In October 1948, a confessional group walked out, and in early 1949 the new Social Democrats followed. The AFL supported the Italian Catholics; CIO support in Italy went to the Saragat Social Democrats and their union, the UIL.⁴²³ The Americans took pains to weld the various factions into a single whole, and *Fortune* in 1949 reported that 'one of the brightest phenomena of the current political scene is the weekly meeting of Christian Democrat, moderate Socialist, and liberal Republican labor leaders in the office of ex-bricklayer Tom Lane, labor attaché of the US Embassy in Rome and chief of ECA's labor division'.⁴²⁴ Ultimately, however, these disparate splinters were incapable of realizing unity beyond their anti-Communism and common dependence on US support.

In the Netherlands, the initially powerful unified trade-union organization, EVC, was pushed onto the defensive once the Marshall Plan got under way. The socialist union, NVV, which was discredited because of wartime collaboration but was subsidized by the AFL, successfully blocked negotiations for a merger. In turn, the NVV channelled funds to the French FO and, at the request of the Americans, sent propaganda teams to address German workers' audiences.⁴²⁵ In Belgium, finally, the AFL provided invaluable support to the Flemish section of the FGVB. The FGVB, in turn, initiated the proposal to convene a trade-union conference confined to the Marshall Aid countries. O. Bécu, the head of the Belgian dockers union who had worked for the American secret service during the war, became the head of the ICFTU in the mid 1950s.⁴²⁶

⁴²³ Windmuller, 'Foreign Policy Conflict', p. 231; Quast and Bleich, 'Koude Oorlog', p. 22.

⁴²⁴ *Fortune*, May 1949, p. 186.

⁴²⁵ Henk Sporken, 'Het Nederlands Verbond van Vakverenigingen: Ideeën, Bemoeiingen en Lotgevallen van een vakverbond in de 'Vrije Wereld' (1945-1950)', *Cahiers voor de Politieke en Sociale Wetenschappen*, vol. 2, no. 1 (February 1979).

⁴²⁶ Quast and Bleich, p. 23.

The trade-union Cold War was greatly facilitated by the overall reorganization of the international trade-union movement which was part of the Marshall offensive. Initially, it seemed that because of its membership in the WFTU, the CIO would be in the better position to influence international trade unionism, but while the CIO was still trying to get the Marshall Plan on the agenda of the WFTU, the AFL in January 1948 launched the initiative for a trade-union conference of Marshall countries. The conference was held in March of the same year and pledged full trade-union support for the execution of the Plan. In January 1949, a split in the WFTU further dismantled wartime trade-union unity. Following preliminary discussions between the CIO and the British TUC, the latter made a breaking point of its earlier proposal to suspend all WFTU activities pending a reformulation of the organization's goals.⁴²⁷

Another trajectory of the restructuration of the international trade-union movement along Atlantic lines grew out of the resistance of the International Trade Secretariats to their incorporation into the WFTU. The ITSs, as indicated already, had developed industry-wide international bargaining. They could be expected to favour the institutional and political climate of the ILO (which moreover had made a concrete proposal to incorporate ITS-style international bargaining into its structure) over the WFTU which boycotted the ILO until 1947. The failure of the WFTU to absorb the ITSs further reduced the need for Western European trade unions to come to terms with the WFTU at all.⁴²⁸

Welding together the reformist trade unions in the North Atlantic area, and isolating the Communist or class-conscious Socialist elements, were the most conspicuous achievements of the Marshall offensive with respect to the Western European working class. The rise of the ICFTU as the exclusive, anti-Communist trade-union international was the outcome of AFL predominance in the offensive. A more comprehensive offensive like Roosevelt's might have put the CIO in the forefront of the undertaking and

⁴²⁷ Ibid., pp. 26-27.

⁴²⁸ Haas, *Beyond the Nation-State*, p. 199; K. van Oene, 'Der Weltgewerkschaftsbund zwischen Einheit und Spaltung (1945-1949)' in W. Olle, ed., *Einführung in die internationale Gewerkschaftspolitik*, 2 vols. (Berlin, Olle & Wolter, 1978), vol. 1, p. 164.

even succeeded in subordinating the WFTU to American strategy. Thus, the defensive, 'negative' undertow of the Marshall offensive was reproduced by the prominence of the more conservative of the American trade-union organizations. Finally, through the purging and reorganization of the trade-union movement, an important step had been taken towards the restructuration of Western European labour relations to match the American pattern, opening the way to the further realization of an integrated circuit of capital in the North Atlantic area and the concomitant process of Atlantic class formation interacting with it.

3. The Realignment of the European Bourgeoisies

Universalism in the Marshall offensive was deflated to a Free World format. With respect to the Soviet Union, the wartime Grand Design was replaced by a policy of confrontation; with some important exceptions in Asia, the imperialist periphery largely remained untouched by the American offensive. The 'Atlantic' dimension of the Marshall offensive therefore indicated the limitations rather than the universalist potential of ultra-imperialist collusion. The re-emergence of the Atlantic Union concept worked out by Streit and Catlin between 1938 and 1941, and unearthed again by Churchill in 1946, should be understood against this background. Symbolically, Will Clayton, the 'unreconstructed Manchester liberal' who still in 1946 had declared that 'the people of the United States have accepted the fact that they are stockholders, whether they like it or not, in a corporation named the world'⁴²⁹, and who throughout the war had worked for liberal programmes of global scope, in 1949 became one of the leaders of the newly-founded Atlantic Union Committee together with Justice Owen Roberts and the Secretary of War, Wall Street lawyer Robert Patterson.⁴³⁰

The actual initiative to found a North Atlantic military alliance was taken by Ernest Bevin in 1948 following a series of preliminary defence treaties between Western European states. Bevin, although vigorously

⁴²⁹ *Fortune*, May 1946, p. 123; February 1947, p. 3.

⁴³⁰ I. Szent-Miklosy, *Development of American Thinking on an Atlantic Community, 1945 to 1962* (Ann Arbor, Mich., University Microfilms, 1962), pp. 64-65.

supporting the counter-revolutionary policy of Churchill in Greece, nevertheless until 1947 subscribed to the Foreign Office strategy advocating a special relationship with Europe as a means to bolster the independent role of Britain in the Cold War.⁴³¹ Acceptance of the Marshall Plan, however, led to the demise of this option for the moment, and it was Bevin himself who, following the Prague coup in early 1948, urged negotiations on some form of formal Atlantic cohesion of a political nature. 'There should be held, very privately, either in Washington or at some point in Europe, consultations between the UK, France, Italy, and the Benelux countries for the purpose of exploring what steps all may take collectively, or in groups, to prevent the extension of the area of dictatorship', Bevin proposed to US Ambassador Lew Douglas. American observers were sceptical about Bevin's intentions, since they considered the Prague take-over as a defensive move to prevent the defeat of the Left in Western Europe from spilling over to the Soviet sphere-of-interest. Yet in March, Marshall accepted the British proposal to begin secret tripartite talks (with Canada the third party) on an Atlantic security system.⁴³² After a year of negotiations, in which the British were able to remove an all too conspicuous US-Canadian draft provision regarding 'indirect aggression' by invoking known French unwillingness to subscribe to overtly anti-democratic arrangements, the treaty establishing the North Atlantic Treaty Organization (NATO) was concluded in April 1949 in Washington.⁴³³

The blockade of Eastern Europe was an integral counterpart to the Marshall offensive in Western Europe. The Foreign Assistance Act of 1948 commissioned the Marshall Plan Administrator in Europe to refuse delivery of American goods to producers planning to trade with European countries not participating in the Plan. Through the Export Control Act of

⁴³¹ Wiebes and Zeeman, *A Star is Born*, p. 44. Cf. chapter 5 on British foreign policy options.

⁴³² *Ibid.*, pp. 122, 133-134.

⁴³³ C. Wiebes and B. Zeeman, 'The Pentagon negotiations March 1948: the launching of the North Atlantic Treaty', *International Affairs*, vol. 59 no. 3 (Summer 1983), p. 359. Official NATO history prefers the autumn of 1948 as the starting date of the preliminary negotiations.

1949 and the Battle Act of 1951, with its additional provisions against non-obliging partners (which McCloy in Germany was having a hard time to bring in line), an effective embargo was established, coordinated through the Consultative Group Co-ordinating Committee (COCOM).⁴³⁴ Linking West Germany firmly to the Atlantic economy was a constant concern of American policy-makers in the period before its inclusion in NATO in 1955. Secretary of State Acheson in 1951 estimated that the Schuman Plan was useful in this respect as well, since it would 'pull Germany, certainly Western Germany, into economic relationship with Europe. It will tie it in and lay a foundation which will allay fears that Germany might come loose and go off on an independent or pro-Russian policy'.⁴³⁵

Another dimension of the Marshall offensive was supposed to be the reinforcement of the weak links of the 'free world' economy amongst the underdeveloped countries. Significantly, however, of the series of American projects launched in the period, only one was meant to cover the world at large. Point Four, so named for being the fourth of a number of items announced by Truman in his Inaugural Address of January 1949, was an assistance programme to underdeveloped countries. It was meant, according to its author, 'to enable [the underdeveloped countries] to help themselves to become growing, strong allies of freedom'. For this role, they needed both to emancipate themselves from European colonialism and to stop short of socialism; Point Four accordingly had 'nothing in common with either the old imperialism of the last century or the new imperialism of the Communists'.⁴³⁶

When Point Four was enacted in 1950, its budget was ten and a half million dollars less than the minimum requested and, even with subsequent accretions, it remained extremely cheap compared to comprehensive assistance plans like Marshall Aid. Moreover the programme went on stream when the offensive international posture of

⁴³⁴ Th. A. Wolf, *US East-West Trade Policy. Economic Warfare Versus Economic Welfare* (Lexington, Mass., Heath, 1973), pp. 47-54; cf. on McCloy's problems, *SFRC*, vol. III/2, p. 62.

⁴³⁵ *SFRC*, vol. III/1, p. 19.

⁴³⁶ Harry S. Truman, *Memoirs* (Garden City, N.Y., Doubleday, 1956), vol. 2, p. 230.

the United States was already giving way to a sphere-of-interest stance. Nevertheless, Point Four provided a valuable model at later junctures when the United States intervened in the periphery of European imperialism or reached for indigenous support beyond the military dictatorships in its own hemisphere. As Senator Fulbright declared in closed Senate discussions, comprehensive, formal assistance programmes were government-directed, tying the Americans in with 'many governments and governmental activities which we might hesitate to support under other circumstances.' Point Four style assistance, on the other hand, was cheap and allowed direct contact with people, giving them a 'forceful impression that we... are interested in them as people and are working directly with them.'⁴³⁷

Finally, the Marshall offensive coincided with an increase in domestic real-capital formation and a sharp improvement of the US trade balance.⁴³⁸ Point Four, too, was conceived with an eye to sustained full-capacity operation of metropolitan industry. 'It has been estimated', Truman wrote in his memoirs, 'that an improvement of only two percent in the living standards of Asia and Africa would keep the industrial plants of the United States, Great Britain and France going at full tilt for a century just to keep up with the increased demand for goods and services.'⁴³⁹ By the time of its promulgation, however, this grandiose project had lost its basis in both the growth of American production and the supposed unity of purpose between the neo-colonial and colonial powers.

American free-trade policy was only briefly interrupted when the Republican Congress in 1948 adopted a bill considered protectionist at the time. It was promptly repealed when the Democrats regained control of both houses in the November election.⁴⁴⁰ The embargoes against Eastern

⁴³⁷ *SFRC*, vol. III/2, pp. 103-104; cf. p. 161.

⁴³⁸ S. Menshikov, *The Economic Cycle: Postwar Developments* (Moscow, Progress, 1975), p.43.

⁴³⁹ Truman, *Memoirs*, vol. 2, p. 238.

⁴⁴⁰ R.E. Baldwin, 'The Political Economy of Postwar U.S. Trade Policy', *The Bulletin* (Graduate School of Business Administration, New York), 1976, no. 4, p. 16.

Europe and the relatively weak effort at penetrating the dependencies of European imperialism lent free-trade policy its markedly Atlantic accent. Free trade was an important element in the requirements placed before the recipient Marshall states by Undersecretary Clayton at the Paris conference in September 1947. Clayton's list, consisting essentially of a promise of regional self-sufficiency in four years, trade liberalization, and steps to achieve monetary and financial stability, which was repeated by the respective US ambassadors to each of the sixteen governments, showed the weight of Washington attached to the liberalization aspect. At the same time, it testified to the narrowing of the wartime global scope to Atlantic dimensions. The United Nations agencies, notably the Economic Commission for Europe which had been constituted not long before, had to be by-passed in implementing Clayton's seventh point: the creation of a permanent organization to execute the plan.⁴⁴¹

This requirement in the prevailing context reflected the liberal offensive thrust rather than a wish for European integration in the federalist sense. Discussing the need to make Western Europe immune 'against the appeals of Communism or any other ism', Hoffman told the Senate Foreign Relations Committee in early 1950 that living standards were momentarily held down to allow a high of investment. But then, 'we know that there is no possibility of Europe becoming the kind of an economy that will make it a great factor of strength in the Atlantic community unless we break down barriers between those seventeen political subdivisions with which we are working... so that you can have a single market, or something close to it, in which you can have large-scale manufacturing because you have a large market in which to sell'.⁴⁴²

The Marshall offensive sharply terminated the period in which concessions had been made to state-monopolistic patterns of international trade and payments. These restrictions had been tolerated to allow the European states to stabilize class relations during the precarious end-of-war period, a tolerance arising from absence of American capacity to

⁴⁴¹ Ernst H. van der Beugel, *From Marshall Aid to Atlantic Partnership* (Amsterdam, Elsevier, 1966), pp. 79-82.

⁴⁴² SFRC, vol. II, pp. 183-184.

underwrite an alternative policy. Now that the United States was on the scene, holding the keys to economic policy by its contribution to the modernization of European economy and control of equivalent sums of local currency as counterpart funds for US aid, the pressure was increased to dismantle state-monopolist structures. Drawing a dark picture of German autarky policies before and during the war as an extreme variety of the inefficiencies of these structures, Hoffman declared that 'unless something can be done to crack [the compartmentalization of the German economy], the enduring quality of our work will be present.'⁴⁴³

The balance of private versus public consumption of aid was one the more complex problems of the Marshall Plan. Ideally aid was supposed to be directed towards the private sector, with maximum stimulus to American exporters or overseas industrial subsidiaries.⁴⁴⁴ At the same time, however, heavy investment was necessary to ensure construction of the infrastructure for the rise of productivity and the lowering of overall energy and raw material costs. This could only be accomplished through the capitalization of state companies, like power utilities.⁴⁴⁵ In some cases, as in France, Marshall Plan appropriations to the state sector even outstripped those to private capital. Accordingly, there was an in-built contradiction in the Marshall Plan between the aim of tearing down the vestiges of the state-monopoly tendency and the necessary recourse to state intervention in order to achieve the more fundamental aim of developing the infrastructure for the new Fordist mode of accumulation in Europe.

As far as monetary relations were concerned, an Agreement on Multilateral Monetary Compensation was concluded in late 1947. To this agreement, only the future EEC Six (with the Anglo-American 'Bizone' in Germany for the future Federal Republic) were permanent parties. The remaining countries of the Organization of European Economic

⁴⁴³ Ibid., p. 184.

⁴⁴⁴ 'Three-fourth of the funds for Europe flow through (private) business channels', *The New York Times*, August 29, 1948.

⁴⁴⁵ European Cooperation Administration, *The International Flow of Private Investment 1945-52* (Doc. E/2531, UN Depository Library, Amsterdam, 1954), p. 15.

Cooperation (OEEC), the club of Marshall aid recipient states, were only loosely associated. This arrangement, meant to enlarge the credit margin in mutual trade, was succeeded by two Intra-European Payments Agreements. In these agreements, at the prodding of the Marshall Plan authorities, elements like mutual capital aid, drawing rights from a common fund, and comparable arrangements were introduced. This time all OEEC countries participated, but the drawing rights were entirely dependent on American credit, and capital aid by better-off European states to poorer ones was also reimbursed by the Marshall Plan. These arrangements, therefore, reflected American preferences rather than the desire on the part of the European bourgeoisie to liberalize their payments arrangements.

In June 1950, the European Payments Union (EPU) was established. An American loan served as the initial contribution to the clearing-fund. Although this new set-up implied a major step forward to an IMF-like structure, the EPU was still very much tinged by the state-monopolistic approach. As Tew notes, it resembled Keynes's Clearing Union more than the IMF proper.⁴⁴⁶ At this juncture, however, American concern was still concentrated on the revival of international trade. This was seen as the precondition for the new assembly-line methods of production to make a real breakthrough in Europe. Hence the Americans made the important concession of allowing the dollar to be discriminated against if the European nations would resume mutual trading on a multilateral payments basis. In this way, the Western European countries could lay the foundations for a domestic corporate-liberal synthesis and could build up their 'welfare states' without having to meet American competition directly.

Reorientation of European Liberalism

The Marshall Plan allowed the liberal-internationalist bourgeoisie in Europe with a background in either the colonial or the Eastern European circuit of money capital to restructure their interests in a wider Pax

⁴⁴⁶ Brian Tew, *International Monetary Cooperation 1945-67*, 9th ed. (London, Hutchinson, 1967), p. 109.

Americana. For this fraction, the Free World literally was the last resort; otherwise, it was bound to disintegrate. By subscribing to the Marshall offensive and the Atlantic Union concept, however, the liberals once again helped clear the way for a mode of accumulation different from their own. For the concept guiding class formation of the European bourgeoisie henceforward would tend toward the corporate liberalism dominant in the USA. At the same time, the actual hegemonic concept would still shift between a liberal emphasis elicited by world market opportunities created by the American offensives, and a state-monopolistic emphasis noticeable when Atlantic class formation passed through the intermediate sphere-of-interest phases as American economic expansion and political activism contracted.

In all Western European countries under the impact of the Marshall offensive, the liberal bourgeoisie strongly reasserted its influence in the new Atlantic context. Liberal parties reinforced their position by entering the government or occupying key posts; but within other parties as well, notably Christian Democracy, the shift to liberalism was also manifest.

In France, the capital market was rehabilitated by rescinding previous measures prejudicing securities owners, floating state loans, and lowering the capital-gains tax and (in 1949) the tax on speculative trade. State income diminished drastically after 1948, and the accompanying deflationary economic policy attempted to mutually adjust the ongoing modernization and equipment plan and the owners' interests. Marshall Plan counterpart funds to a considerable extent were used for the Monnet Plan.⁴⁴⁷

Liberal parties in the IVth Republic first entered the government in January 1947, under the Socialist Prime Minister Ramadier. In this cabinet, the last in which Communists participated, the Radical Party had two posts (Justice and Vice Prime Minister); the UDSR, Pleven's party, one (Veterans) held by Mitterrand (in 1946, the UDSR already had briefly occupied a Vice Prime Minister post). Also in January 1947, Herriot, the

⁴⁴⁷ Monnet, *Mémoires*, p. 320; CEPES, *Nationale Konjunkturpolitik*, pp. 117-127.

liberal leader, became President of the National Assembly. In November, René Mayer of the Radical Party became Minister of Finance. Mayer introduced a deflationary money reform, the Mayer Plan, but attempts to make him Prime Minister were unsuccessful until 1953.⁴⁴⁸ In the subsequent, short-lived Marie cabinet, the first led by a Radical, Mayer was Minister of Defence; in 1949, he would be the parliamentary rapporteur on the NATO treaty.

The second major instance of the resurgence of liberalism in France was the premiership of H. Queuille, from September 1948 to November 1949. It was Queuille, acting as his own Minister of Finance until January, who succeeded in carrying through the major financial and monetary adjustments required by the Marshall Plan over the protests of the Socialists.⁴⁴⁹ In the quick succession of governments in France that followed, the Radicals and the UDSR alternated in power, with Queuille and Plevén taking turns as Prime Minister three times between July 1950 and January 1952. In a moment, we shall come back to the actual capital groups involved in the liberal Atlantic turnabout.

In Germany, it was only in 1949 that a first Federal government was formed. The liberal Free Democratic Party, the FDP, had several cabinet posts, the most important of which, that of Vice Chancellor and, significantly, Economic Cooperation (i.e., the Marshall Plan), were occupied by the party's Chairman, Blücher. The party remained in the government until 1956. The liberal fraction had a traditional stronghold in the textile industry. As far as support for the Atlantic Union concept was concerned, the managers of German subsidiaries of US firms should be mentioned as well. W. Bauer, a textile industrialist and a former associate of Goerdeler's, was president of the German branch of CEPES, a European study and pressure group of liberal capitalists. Vice-president of this body was Otto Friedrich, head of the Phoenix rubber company. Phoenix was 25% owned by the Firestone concern of the USA, and thus sought to enhance its competitive edge *vis-à-vis* Michelin of France. Friedrich

⁴⁴⁸ De Tarr, *French Radical Party*, p. 85.

⁴⁴⁹ *Ibid.*, pp. 159-164.

according to Braunthal was an ardent follower of Erhard's neoliberalism and was rated by *Fortune* as 'the German equivalent of a Paul Hoffman'.⁴⁵⁰

Furthermore, from the bastions of inter-war liberalism, like Thyssen, AEG, and the Dresdner Bank, several representatives came to the fore as supporters of the Atlantic Union concept. H. Dinkelbach, a director of the Vereinigte Stahlwerke and considered by *Fortune* to be an exponent of the managerial revolution, was appointed head of the Ruhr trusteeship by the Allies. Kurt Birrenbach, chairman of the board of Thyssen after the Vereinigte Stahlwerke had been dismembered, actually took the initiative in Germany to collect signatures for the 1954 Declaration of Atlantic Unity (a gesture of Atlantic solidarity to which we shall come back later). The eventual eleven undersigned were liberal politicians and Düsseldorf bank director and politician, F. Etzel; most prominent was Karl Blessing, 'the most orthodox of all orthodox bankers' according to Sampson; former collaborator of Schacht, director of Unilever and in 1958, president of the German central bank.⁴⁵¹

The key institution after the war channelling US investment funds to German industry was the Kreditanstalt für Wiederaufbau, a quasi-bank established in 1948. Its directors were Erhard, Schirner of the Deutsche Bank, Blessing, future Federal President Lübke, and the conservative politician, Seeböhm. It was alternatively headed by Hermann J. Abs and O. Schniewind. Of Abs, Pritzkolet writes that he embodied what remained of German creditworthiness in the eyes of foreign capitalists and governments in these crucial years. In 1953, he put his signature under the London debt agreement by which the Federal Republic undertook to fulfil the obligations of previous German governments. Abs's career, as noted briefly in Chapter Two, started with a banker's job in the Merton group, after which he joined the Deutsche Bank. There he continued to play a prominent role while this institution developed into a major prop of Hitler's Thousand Year Reich. After the war, his relations with the

⁴⁵⁰ Braunthal, *German Industry*, p. 51; *Fortune*, March 1952, p. 152; cf. Opitz, *Europastrategien*, p. 1045.

⁴⁵¹ Sampson, *Anatomy of Europe*, p. 151; *Fortune*, March 1952, p. 162; September 15, 1967, p. 98.

Metallgesellschaft and his command post in the Deutsche Bank were complemented by directorships in Shell, AKU, Solvay, Phoenix rubber, the German Libby-Owens, and other firms. Abs was chairman of the German-American Economic Association, of which Brinckmann, of the former Warburg bank and the German affiliate of Standard Oil, was vice-chairman.⁴⁵²

Otto Schniewind had been on Goerdeler's cabinet list in 1943. Privately engaged in insurance and real-estate financing, he was also connected with Felten and Guillaume of the AEG group. Like Abs, Schniewind remained committed to Goerdeler's strategy of carving out a German-dominated European sphere-of-interest as part of an Atlantic Partnership rather than to the Schachtian 'comprador' position implied in the Atlantic Union concept. In the Bizonal Economic Council, Schniewind was responsible for finances. In the early 1950s, he became chairman of the board of the third biggest West German bank, the Commerzbank.⁴⁵³

As elsewhere in Europe, bank capital in Germany was on the defensive right after the war. High collateral requirements and compulsory deposits imposed on the banks temporarily kept them from cashing in reconstruction profits, but after 1951 German banks increasingly succeeded in eliminating government controls. The deconcentration measures after the war did not include a separation of functions, and, when in 1956, the original big banks merged again into their former selves, they would soon recapture their central, controlling position in the German economy again. The new central bank, established one year later and headed by Blessing, refrained from interfering with banking business for all practical purposes. 'Few, if any, attempts (have) been made over the 1957-70 period to make any direct restriction of bank lending'.⁴⁵⁴

⁴⁵² Pritzkolet, *Das kommandierte Wunder*, p. 751; *Männer, Mächte, Monopole*, pp. 35-36, 38; Baumann, *Konzernherren*, p. 23.

⁴⁵³ Opitz, *Europastrategien*, p. 1052; K. Pritzkolet, *Auf einer Woge von Gold. Der Triumph der Wirtschaft* (Wien, Desch, 1961), p. 165.

⁴⁵⁴ Weston, *Banking*, p. 90.

In Britain, the modernizing liberals willing to trade the Empire for a position as junior partner in the new Pax Americana were hardly in a position to profit from the American offensive. Although the devaluation of the pound in 1949 prejudiced the position of the City and the position of the colonialists had been eroding as a consequence of the 1946 American loan and Indian independence, international affairs, geared to a militant Cold War line under Bevin, in the Conservative Party remained the domain of the maritime-liberal fraction led by Churchill and Eden, who were soon to return to power again. On the domestic front, the concessions envisaged by Tory corporatists and laid down in Butler's Industrial Charter of 1945 were rescinded in the 1949 manifesto 'The Right Road for Britain', and Butler and his tendency were curtailed in their freedom of action. With liberal tenets replacing the state-monopolistic and democratic elements in the Conservative doctrine, the architect of the post-war Tory organization, Lord Woolton (linked by an insurance directorship to the Atlanticist Liverpool group) in May 1947 concluded an agreement which formalized the electoral coalition with the National Liberals.⁴⁵⁵ The Conservative Party clearly sought to capitalize on the pervasive internationalist liberalism of the period. In a foreword to the party programme for the 1950 elections, Winston Churchill wrote that the party was 'giving expression to the spirit of liberalism with its sense of progress, tolerance and humanity which has spread so widely throughout our island and indeed throughout the world'.⁴⁵⁶

The British Liberal Party mustered all its forces in an attempt to dominate the opposition against the planning policies of Labour. Their number of candidates was the highest since 1917, but the mere consolidation of their nine mandates showed that the Tories, and not the Liberals, were the main beneficiaries of the liberal trend. Since the imperialists headed by Churchill still held the reins however, the power of the Tories in 1951 led to a restoration of reactionary liberalism, culminating in 1956 in a last try at empire. Only after the Suez debacle, could ELEC members Macmillan and Eccles, and the younger Tory modernizers, Heath and Maudling, take power under a corporate-liberal

⁴⁵⁵ Middlemas, p. 419; Bulmer-Thomas, vol. 2, p. 183.

⁴⁵⁶ Quoted in Bulmer-Thomas, vol.2, p. 185.

concept. Their liquidation of British imperial interests and reorientation of the British economy towards the emerging Atlantic circuit of finance capital fitted into corporate strategies pursued from the early 1950s on by Unilever, ICI, and Lloyds bank.⁴⁵⁷

In Italy the Liberal Party PLI was included in the De Gasperi government of 1948. In this coalition government of Christian Democrats, the Atlanticist split-off from the Socialist Party, PSDI, the PRI (modernizing liberal) and PLI, which replaced the previous national reconstruction coalition, the Liberal Luigi Einaudi embarked upon a deflationary economic policy to the detriment of industry.⁴⁵⁸ Already in 1946, the nationalized banks had restored their capacity to operate as private investors by the creation of a new investment bank, Mediobanca. Next to bank capital, the textile and steel industries were prominent bulwarks of support for the liberal Atlantic Union concept in this period. The textile capitalist and head Confindustria, the employers' organization, A. de Micheli, typically saw the expansion of Italian capital in the perspective of a joint operation with American capital, with both economies supplying their excess assets. Rather than channelling Italian labour reserves into domestic industry, De Micheli proposed that the agricultural surplus population of Italy should be sent to Africa, followed by Italian and American capital: 'For as US and Italian capital flows into Africa it will bind that continent solidly into the Western Alliance'.⁴⁵⁹ Another stronghold of Atlantic liberalism was the private steel firm, Falck. B. Falck in a *Fortune* survey of Italian business opinion advocated that the 'nations of the West (should) extend the rule of liberty from the internal political

⁴⁵⁷ Lloyd's Bank through chairman (and British ambassador to the USA from 1948 to 1952) Sir Oliver Franks and director Lord Balfour was prominent in various Atlantic and European pressure groups; so was ICI through Sir Paul Chambers and Lord McGowan. Unilever financed the first Bilderberg conference in the early fifties. Rebattet, *The European Movement*, p. 24 & passim; Peter Thompson, 'Bilderberg and the West', in Holly Sklar, ed. *Trilateralism. The Trilateral Commission and Elite Planning for World Management* (Boston, Mass., South End Press, 1980). Additional material from the works of Sam Aaronovitch quoted already.

⁴⁵⁸ Jean Meynaud, *Les partis politiques en Italie* (Paris, Presses Universitaires de France, 1965), p. 112; Kolko and Kolko, *Limits*, p. 371.

⁴⁵⁹ *Fortune*, October 1955, p. 184.

field to the external international order.' The Falck family also played a role in challenging the federalist European movement in Italy. In 1950, Senator E. Falck founded a short-lived National Committee of ELEC in Italy; when Duncan Sandy's, Churchill's son-in-law, sought to rally the anti-federalist liberals in Italy, he also was brought into contact with E. Falck.⁴⁶⁰

In the Netherlands, the Liberal Freedom Party, PVDV, in January 1948 restructured upon the return to the Liberal camp of a group led by the pre-war Minister of Finance and champion of deflation, Oud, who had joined the renewed Socialist Party directly after the war. With their new People's Party for Freedom and Democracy (VVD), the Liberals for the first time since the war entered the government. Dirk Stikker became Minister of Foreign Affairs. It was Stikker, who, as we shall see, succeeded in making the tumultuous transition from colonialism under British supervision to Atlantic alliance in 1949.

The liberal bourgeoisie subscribing to the Atlantic Union concept was grouped around shipping, banking and industry in Rotterdam and Amsterdam. Unilever's Paul Rijkens took the initiative for the first Bilderberg Conference, of which Prince Bernhard was made the chairman. E.H. van der Beugel, holding several directorships in important industrial companies and banks of a liberal profile, like the NHM and S.G. Warburg in London, succeeded Retinger as Secretary of the Bilderberg group. J.H. van Roijen, Dutch Ambassador to the United States, was an adviser to Unilever, and C.L. Patijn, a Socialist MP, was a member of a family interested in that company. The Dutch Society for International Affairs (NGIZ), which organized the Atlantic liberals into a permanent forum, was led by J.L. Heldring of the Amsterdam shipping family.⁴⁶¹

In Belgium, it took until 1949 before the Liberal Party again participated in the government. After the fall in 1947, of the national coalition with the

⁴⁶⁰ Ibid., p. 189; Rebattet, p. 240.

⁴⁶¹ R. de Bruin, *Les Pays-Bas et l'Intégration européenne 1957-1967* (thèse de doctorat, Paris 1978), pp. 69-72; F. Baruch, *Grote macht in klein land. Een beeld van het monopoliekapitaal en zijn invloed in Nederland*, 2 vols. (Amsterdam, Pegasus, 1962), passim.

Communists, the Christian Democrats at first made a coalition with the Socialists, since the public debate over the wartime role of King Leopold III complicated cabinet formation with the Liberals, who were opposed to the King's return. The liberal bourgeoisie in Belgium in this period manifested itself in ELEC, of which Paul van Zeeland, Prime Minister and SOFINA director, was Chairman. L. Sermon, of the Banque de Bruxelles group; Roger Motz, chairman of the liberal party and linked to the Société Générale; L. Camu, vice-president of the Belgian central bank; wartime Fascist, V. Leemans (Electrofina); and the Catholic, E. de la Vallée Poussin (construction) were members. Baron Boël was president of the European ELEC. Van Zeeland, Poussin, G. Eyskens, A. Gilson, Auguste de Schrijver (the head of the Christian-Democratic pressure-group *Nouvelles Équipes Internationales*) and Henri Fayat, a future state secretary for foreign affairs under Spaak, were the Belgian signatories of the 1954 Declaration of Atlantic Unity.⁴⁶²

The Context of Decolonization

At first sight, it may seem somewhat tendentious to speak of the general dominance of European liberalism in the Marshall period. Only in the Low Countries did the traditional liberal parties actually increase their electoral base, while elsewhere they either lost ground in elections (as in France, Italy and Britain) or failed to gain votes comparable to their pre-war strength (as in Germany). Liberal resurgence accordingly was not a mass phenomenon in party terms. Yet, the American offensive powerfully fostered liberalism in the sense of pervasive awareness that society was in need of an internationalist, essentially private-individualist turn of class relations if it was to withstand the challenge of socialism.

But it did so by restructuring the previous liberal internationalism rather than consolidating it. Through the Marshall offensive, the Pax Americana was imposed on the economic ruins of the defunct Pax Britannica in Europe. This in turn required the euthanasia of residual class fractions related to the pre-war accumulation and profit-distribution structures and

⁴⁶² Rebattet, p. 6; Mommen, *Belgische bourgeoisie*, passim. The full list of signatories in Szent-Miklosy, *Atlantic Community*, p. 222.

colonialism; and thus, a struggle to eliminate or restructure the political parties hitherto expressing the interests of these fractions. Paradoxically, the new liberalism in a number of cases found its most stubborn opponent in the Liberal parties, which were often still the domain of the 'old' middle class. The German FDP until 1956 was a right-wing small entrepreneur party; in France, this category was represented by Pinay's Independents, while the Radical Party at the time was more urban and oriented to big capital (Mayer) and, subsequently, to the corporate-liberal technocracy (Mendès-France).⁴⁶³

The link between class formation and Liberal prominence on the one hand, and the Marshall offensive on the other, has to be analysed against the background of a fundamental restructuring of the liberal-internationalist bourgeoisie itself in the context of the restructuring of the world economy. This can be illustrated for the Netherlands, where because of the coincidence of Atlantic alliance and the decolonization of Indonesia, its impact was greatest.

The American liberal offensive in the course of 1947 included diplomatic recognition of Sukarno's Republic in April and an invitation for Indonesia to attend the International Trade Conference in Havana in August. Among Dutch capitalists in Indonesia, opinions as to how to deal with the nationalist challenge were divided. Strong industrial capitals catering to consumer demand in Indonesia, like Unilever and Heineken, as well as the strongest among the plantation interests, were in favour of a neo-colonialist compromise pacifying both the Americans and the Indonesian bourgeoisie led by Hatta. The smaller planters, dependent on primitive exploitation relations and government trade channels, joined by the rentier class and the conservatives in the Netherlands, wanted strong action. This division extended well into the Liberal party. Oud and his Rotterdam constituency, with its background in trade, shipping, and industry, and Stikker, director of Heineken and NHM, subscribed to the neo-colonialist solution as part of the Atlantic Union concept. In Amsterdam, however, the party was strong among bank and stock-

⁴⁶³ Projektgruppe Parteiensystem, 'Bundesrepublik Deutschland' in J. Raschke, ed., *Die politischen Parteien in Westeuropa* (Reinbek, Rowohlt, 1978), pp. 96-97; De Tarr, p. 86.

exchange employees dependent on Indonesian ventures for their livelihood and fervently in support of conservative colonialism.⁴⁶⁴

Under the influence of its powerful Amsterdam chapter and like-minded parts of the membership, the VVD in 1948 successfully campaigned on a platform of colonialist reaction. Yet, when the party entered the cabinet, Stikker, the champion of neo-colonialism who had kept in close touch with the conciliatory industrialists all along, became Minister of Foreign Affairs. It was Stikker who succeeded in having the NATO treaty ratified in the Dutch parliament in spite of American threats to suspend Marshall Aid to the Netherlands because of Dutch colonial aggression in Indonesia. Dutch recalcitrance was considered counterproductive by the Western powers after a massacre of 8000 Indonesian Communists by the Nationalists in September 1948 had reassured them about Sukarno's ultimate intentions. Thus, following the second military campaign undertaken by the Dutch in December, international isolation undermined the position of the hard-liners in the government. Stikker and Ambassador Van Roijen now were allowed to bring the negotiations on Indonesian independence to a conclusion. In the meantime, the assurance, obtained from Acheson directly, that Marshall credits to the mother country would not be affected in any event, enabled Stikker to convince the Right of the need to enter NATO.⁴⁶⁵

In the course of a few years, the modernizing liberals thus triumphed over the reactionary rentier interests, and at the economic level, the strongest capitals were able to survive independence. Dutch industry in Indonesia, notably Unilever, actually embarked upon a programme of large-scale expansion following independence. HVA, the largest estate owner in Indonesia, although slow in accepting the compromise with the bourgeois forces in the Indonesian independence movement, adapted to

⁴⁶⁴ Chris van Esterik and Kees van Twist, *Daar werd iets grootsch verricht* (Weesp, Heureka, 1980), pp. 56-58, 64-68; J. Bank, 'Rubber, rijk, religie. De koloniale trilogie in de Indonesische kewestie 1945-1949' in P.W. Klein, G.N. van der Plaat, eds., *Herrijzend Nederland* ('s Gravenhage, Nijhoff, 1981), pp. 590.

⁴⁶⁵ D. U. Stikker, *Memoirs*, quoted from the German edition, *Bausteine für eine Neue Welt* (Wien, Econ, 1966), p. 137.

changed circumstances by settling in Ethiopia in 1951, obtaining highly favourable conditions for exploiting labour on its sugar plantations. Thanks to the support he Americans gave to Haile Selassie's repressive regime, the original link between colonial cash-crop enterprise and Dutch rentier interests could be restored, reorienting the international outlook of the class fractions involved accordingly.⁴⁶⁶

The reorientation also allowed the articulation of Dutch liberalism with state-monopolistic elements carried over from the interwar situation. In the 1930s, a group of Rotterdam economists in the liberal Protestant party CHU were criticized by orthodox liberal internationalists like Colijn and by the shipping magnate and NHM banker, Heldring, for their willingness to contemplate the introduction of a measure of state intervention in the existing liberal order. Several members of this group, notably P. Lieftink, finance minister after the war, joined the newly founded Social Democrat Party (PvdA) after a comprehensive 'people's party' had proved unattainable. During the war, another member of the group, A. van Rhijn, together with Paul Rijkens of Unilever, worked out a blueprint for a corporatist social-economic council which eventually was established in 1950. In wartime London, Rijkens at the same time advocated Dutch membership of a future Atlantic trade bloc.⁴⁶⁷

Unilever, Rotterdam industry and banking, and Philips were able to use the support for this concept to their advantage, and their most important representative, H.M. Hirschfeld, became the Dutch Commissioner for the Marshall Plan. Hirschfeld had remained at the helm of the Dutch Ministry of Economic Affairs during the war, steering a compromise course between resistance to the Germans as practiced by the liberals (the Ruys shipping family, Kessler of Hoogovens, Stikker, and Twente textiles) and active collaboration on the other (Fentener van Vlissingen of AKU). Next to prominent liberal internationalists like Delprat (Twentse Bank, shipping) and J.E. Ruys, Hirschfeld and a score of representatives from the Unilever-

⁴⁶⁶ Robin Murray, 'Draketanden. HVA en de ontwikkeling van het imperialisme', in F. Crone and H. Overbeek, eds., *Nederlands kapitaal over de grenzen* (Amsterdam, SUA, 1981), pp. 98-101; Bank, pp. 60, 67; Van Esterik and Van Twist, p. 70.

⁴⁶⁷ Bode, 'De Nederlandse bourgeoisie', p. 46; Van der Pijl, *Amerikaans plan*, p. 189.

Philips orbit were the undersigned of the 1954 Declaration of Atlantic Unity.⁴⁶⁸

French colonial capital also was engaged in a process of restructuring, but French imperialism was not as easily subordinated to American hegemony. Yet, the capitalists surviving colonial reorganization likewise became the core of the liberal fraction supporting the Atlantic Union concept. Since in Indo-China the independence movement was Communist-led, even the biggest capitals had to resist decolonization. Clearly, the Michelin rubber plantations could not be repatriated, and control of them had to be balanced against military action. Bankers were in a more comfortable position. Henri Claude has shown that the Banque de l'Indochine was able to shift the bulk of its investments from South-East Asia to Western Europe, the Western Hemisphere, and Africa. The bank's South-East Asian assets, which still in 1931 represented 80% to 90% of total assets, by 1953 were reduced to about 18%.⁴⁶⁹ In the process, however, the Indochine group was compelled to join forces with the Schneider group, thus linking with another axis of restructuring: the Eastern European/ Atlantic one. After World War Two, Schneider and its powerful holding, the Union Européenne, through which it controlled a wide array of economic assets in Eastern Europe, had to face their definitive loss.

The single most important family associated with the new combination were the Giscard d'Estaings, of whom Valéry Giscard was to become the most illustrious representative.⁴⁷⁰ Giscard's uncle, J. Bardoux, already combined a prominent political role in the Third Republic with several directorships in the Indochine group. Valéry's father, Edmond Giscard d'Estaing, was prominent in the ICC, president of the French ELEC, and actually was in the forefront of the struggle with the federalist tendency in the French European Movement which broke out in late 1950. He was among the undersigned of the 1954 Declaration of Atlantic Unity, and,

⁴⁶⁸ Szent-Miklosy, *Atlantic Community*, p. 222.

⁴⁶⁹ Quoted in J. Baumier, *Les grandes affaires françaises* (Paris, Julliard, 1967), pp. 173-174.

⁴⁷⁰ Unless indicated otherwise, factual material on the French bourgeoisie has been taken from the works of Henri Claude referred to already.

from 1964 to 1966, he was president of the Comité France-Amérique—a body propagating friendly relations with the United States. Valéry Giscard married the granddaughter of Eugène Schneider, thus complementing the economic links between the two groups. His brother, Olivier, was on the board of a whole series of French subsidiaries of American firms such as IBM, Traylor, McCann-Erickson, Gibbs-Hill France, and was also a member of the Comité France-Amérique. When in 1959, a European institute of business management was set up at Fontainebleau as a subsidiary of the Harvard Business School, it was led by Olivier Giscard d'Estaing. G. Héreil, President of Simca (then owned by Chrysler), led the drive for contributions to make this enterprise possible.⁴⁷¹

The orientation of this fraction of the bourgeoisie was characterized by the appreciative identification of a liberal-international economy with American hegemony. At the time of the Marshall offensive, the president of the Banque de l'Indochine, Minost, even entertained the idea of inviting American direct investment in the French colonies to bolster the French position there, an idea which he discussed in 1949 with F. Charles-Roux of the Suez Company, Henri de Wendel, and Hervé Alphand, future ambassador to the USA.⁴⁷²

Nonetheless, the sections of the French bourgeoisie aspiring to a corporate-liberal synthesis could not accept the subordination to American interests. They opposed reactionary colonialism, but preferred working out an active neo-colonial policy to silent surrender. The Marshall offensive in this respect activated the forces in France wanting to modernize the colonial sphere-of-interest rather than forcing the Open Door on the French empire. This policy was launched by the first Pleven cabinet, and its execution was entrusted François Mitterrand, who remained in office also during the subsequent Queuille cabinet of 1951. Mitterrand, who later judged this period 'the major experience of my political life', used his powers to lay the foundations of a more viable relation between and its overseas possessions. Boldly replacing the French Communist Party as the privileged interlocutor of African nationalists like

⁴⁷¹ *Fortune*, September 15, 1967, p. 96; Sampson, *Anatomy of Europe*, p. 110.

⁴⁷² Hervé Alphand, *L'étonnement d'être. Journal 1939-1973* (Paris, Fayard, 1977), p. 212.

Sekou Touré, Modibo Keita and Houphouët-Boigny, and attacked by the French Right for supposedly delivering Africa to the Communists, Mitterrand in fact conducted a moderate policy which sought to reconcile an enlightened imperialism, styled after the Pax Americana, with vested French economic interests in the colonies. The experiment was cut short when the Queuille government was brought down in the late summer of 1951 and reactionary imperialism increasingly became the dominant tendency.⁴⁷³

Having been unable to penetrate the French colonial empire in the Marshall offensive, the Americans now set about depleting the power of the French by first exhorting them to fight to the finish the Communist insurgents, and then outflanking both by imposing a puppet of their own, Ngo Dinh Diem. In 1956, E. Giscard warned against the American go-it-alone strategy, expressing concern over the 'rising tide of misunderstanding and ideological hatred (which swept) through the underdeveloped nations while the Atlantic world remains hesitant, apprehensive, or divided'.⁴⁷⁴

Finally, in regards to Belgium, its giant Congo colony was not in danger from either nationalism or American attempts at imperialist redistribution. Congolese nationalism was a phenomenon of a later decade, and during World War Two the United States had secured an agreement guaranteeing the supply of uranium and other rare earths of military value from the Congo. The Belgian colonial interests had nothing to fear from the State Department, and Lazard Frères participated in the Union Minière, the Belgian mineral monopoly.⁴⁷⁵

Liberalism within Christian Democracy

In Germany, the Marshall offensive fostered liberalism in a different way. For the German bourgeoisie, the restructuration of capital resulted from

⁴⁷³ *Le Crapouillot*, no. 59, special issue entitled 'Le vrai Mitterrand', 1981, pp. 27-28.

⁴⁷⁴ Quoted in *Fortune*, January 1956, p. 152; cf. Dulles on the US attitude towards the French war in Vietnam, *SFRC*, vol. VI, p.5.

⁴⁷⁵ *Fortune*, November 1952, pp. 175, 182.

the 'decolonization' of its Eastern European dependencies and the amputation of its own Eastern territories. The Marshall offensive both confirmed and compensated the expropriation of German capital in the East, which made for its strong ideological effect. The example allows US to analyse the role of 'liberals' in the dominant Christian Democratic parties in those countries.

After the D-Day landings, meetings of German capitalists began to make preparations for the postwar situation.⁴⁷⁶ The key personality emerging from these preparatory groupings of German business was Ludwig Erhard. During the war, Erhard had been given the opportunity to set up his own Institute for Industrial Research and from an early date he had worked out proposals to skim off excess purchasing power by monetary reform.⁴⁷⁷ Erhard's prestige in Germany was a function of American influence, and the Marshall offensive catapulted him into prominence. His orthodox liberalism, turned into a theoretical doctrine in the best of German traditions but also particularly functional for a society seeking ways to divest itself of the comprehensive economic order of Fascism and state monopolism generally, was widely acclaimed abroad. Carl Friedrich, the political scientist who was a member of McCloy's staff in Germany and who was the naturalized brother of the rubber manufacturer, Otto Friedrich, did much to popularize Erhard's 'neo-liberalism' in the USA. *Fortune* almost ran out of hyperboles describing his liberal virtues.⁴⁷⁸ Significantly, however, Mendès-France in a comment on one of Erhard's publications, argued that German recovery did not result from the classical liberalism Erhard espoused, but on the contrary rested on a synthesis with state intervention.⁴⁷⁹ What was a useful pretence in Germany, in other words, should not be taken too literally in a country where Monnet and the Plan modernizers were having a hard time pressing a degree of state intervention on a colonialist, Malthusian and rentier-spirited capitalist class.

⁴⁷⁶ I. F. Stone, *The Truman Era* (New York, Vintage, 1973), pp. 18-19; Badstübner and Thomas, p. 95.

⁴⁷⁷ Opitz, *Europastrategien*, pp. 1035, 1046.

⁴⁷⁸ Braunthal, p. 51; Baumann, *Konzernherren*, p. 63.

⁴⁷⁹ Quoted in Ludwig Erhard, *Wohlstand für Alle* (Gütersloh, Signum, 1962), p. 166.

As Badstübner and Thomas observe, 1947 saw a change of priorities in the German bourgeoisie. Until then, the crucial issues in economic policy in West Germany had been those concerning the ownership of the means of production. As working-class pressure for structural reform relaxed due to the changed international configuration and the acceleration of the American Atlantic offensive, his concern, which still had been prominent in the recently formulated Ahlen programme of the CDU, receded into the background. The former emphasis on socialization as a means for preventing economic concentration now shifted to free competition as the favoured method of achieving deconcentration.⁴⁸⁰

At the 1947 party conference of the Christian Democrats, the Ahlen programme was still at the centre of attention. A year later, at the second party conference, it was Ludwig Erhard who gave the main speech (on the merits of the market economy). This is all the more striking when one realizes that Erhard, by the time he became director for Economic Affairs of the Economic Council of the combined Western zones of Germany in 1948, was not even a member of the party (which he formally became only in 1949!).⁴⁸¹ Braunthal, too, mentions the liberal turn of 1948, identifying (in addition to Erhard) Etzel, H. Böhm, and A. Müller-Armack as the main CDU advisers in this respect.⁴⁸² It should be remembered that explicit liberalism in the CDU was primarily supported by the minority Protestant membership. Its counterweight was the Catholic majority in the CDU and notably, its partner, the Christian Socialist in Bavaria, which sponsored corporatism and the notion of a Christian Europe united against Bolshevism.⁴⁸³

The major policy decision marking the liberal turn was the monetary reform. A segment of the German rentier class, remembering the course of events following World War One, had seen to it that their holdings were titles to industrial property rather than money. The Frankfurt Stock Exchange even had been reopened in late 1945, quoting securities of

⁴⁸⁰ Badstübner and Thomas, p. 271.

⁴⁸¹ Ibid., pp. 272, 299.

⁴⁸² Braunthal, p. 97.

⁴⁸³ *Projektgruppe Parteiensystem*, pp. 81, 84.

ninety-five firms, practically all of which were bankrupt at the time.⁴⁸⁴ This apparently odd state of affairs was to become highly profitable to those who had placed their trust in industrial over primitive accumulation, for with the currency reform, the small savers were wiped out.

A first German initiative for monetary reform was considered too respectful to these small savers by the Allied authorities, and a new measure, based on a 10/1 exchange rate of old for new currency, was dictated instead. Erhard, who had studied the matter for years, hypocritically spoke on behalf of the indignant small savers, but in reality he was in favour of the shock treatment in this matter.⁴⁸⁵ The DM-balance law of 1949 more particularly allowed industrial entrepreneurs to depreciate old and war-damaged plant and equipment anew at a book value to be established by the owners. The net result of these drastic measures was to 'reclaim Western Germany to free and capitalist ways of business', as *Fortune* commented.⁴⁸⁶

By 1947, liberal capitalists and ideologues in the German bourgeoisie accepted Atlantic integration as the new state of affairs even if this implied the definitive loss of Eastern Germany for capitalism. Ernst Matthiessen, formerly stock-exchange director of the Dresdner Bank, spoke for the bankers' and stockbrokers' community when he declared in November 1947 that Marshall Aid compensated for the loss of Eastern Germany. Gustav Stolper, the influential liberal who had accompanied Herbert Hoover on his German tour, echoed this idea when hailing the emergence of an Atlantic Community in his 1948 book *German Realities*. Criticizing the lack of courage which had made the Americans accept Russian theses on the capitalist nature of Fascism and picturing German capital as a mass of small shareholders who could not possibly have influenced the course of events, Stolper argued that from now on, Western

⁴⁸⁴ *Fortune*, January 1946, p. 228.

⁴⁸⁵ K. Pritzkolet, *Gott erhält die Mächtigen. Rückblick und Rundblick auf den deutschen Wohlstand* (Düsseldorf, Rauch, 1963), pp. 164-169; Hallgarten and Radkau, p. 453 note 25a.

⁴⁸⁶ *Fortune*, September 1948, p. 115.

Europe would import its foodstuffs from overseas markets rather than from Eastern Europe.⁴⁸⁷

Actual private American investment did not materialize in the Marshall Plan period. Yet, the changes in economic policy made at this juncture were important to facilitate investments made later, as was explicitly recognized by Erhard and other liberals.⁴⁸⁸ At the private level, the American Chamber of Commerce in Germany was revived in 1949; the German-American Capital Commission, meant to attract US capital, operated from 1951 to 1953. In these bodies, firms traditionally active in the Atlantic economy were represented. Link enumerates those present at a meeting of the Capital Commission in 1952: on the German side, AEG, Robert Bosch, the Rheinisch- Westfälische Bank (Deutsche Bank) as well as representatives from the chemical industry (Menne); on the American side, General Electric, National City Bank, Standard Oil, NJ, and Armco, Thyssen's partner in continuous rolling.⁴⁸⁹

With big capital again discussing matters of mutual interest, those German capitalists who after the war had been imprisoned by the Allies because of their support of Hitler's terror regime were duly exonerated. In January 1951, Krupp was released on McCloy's orders and the confiscation of his property, judged 'repugnant to American concepts of justice', was recinded.⁴⁹⁰ German emigrants played their part in cementing the new friendship bonds: Carl Friedrich's role was referred to already, and Grewe mentions Professor Heinrich Kronstein of Georgetown University, a Jew who had fled Germany in the 1930s but who now propagated the 'new' Germany in the United States. In April 1953, Kronstein, who according to Grewe 'turned Georgetown into a bridgehead for connections with Germany' saw to it that the visiting Adenauer was given a honorary degree by this university. Sympathetic interest in West Germany was also supported by the American Council on

⁴⁸⁷ Selection in Opitz, *Europastrategien*, pp. 1018, 1026, 1033; Badstübner and Thomas, p. 265.

⁴⁸⁸ Link, *Gewerkschaften und Geschäftsleute*, p. 122.

⁴⁸⁹ *Ibid.*, pp. 135-143, 227-228.

⁴⁹⁰ *Fortune*, February 1956, p. 107.

Germany, a prominent member of which was Eric Warburg, who eventually became head of Brinckmann, Wirtz & Co., the Warburg family bank.⁴⁹¹

The prominence of Atlantic liberals in the Marshall period, whether of laissez-faire or of corporate-liberal inspiration, did not go uncontested. The very fact that the underlying capitalist class structure remained essentially unaltered and even proved capable of resisting the transformation towards an Atlantic framework to a considerable extent, worked to sustain German animosity against the Anglo-Saxon creditor states along lines reminiscent of the reaction against Versailles. A major incident of this kind occurred in January 1948 when J.F. Semler, the Economic Director of the Bizone at the time, sharply criticized Allied policy. When Semler was promptly dismissed, Adenauer protested, declaring that the intended restoration of German economic sovereignty was being mocked by the measure and warning the Allies that they ran the risk of making Semler the most popular man in Germany.⁴⁹²

The Americans were aware of the delicate balance of class forces in West Germany. The halt called to the initial democratic radicalism of the American military government, which sought to completely eradicate National Socialism from a naive, 'Progressivist' vantage-point, was not motivated solely by concern over immediate economic interests involved in, say, German heavy industry, but reflected a more fundamental concern over the ability of the present ruling stratum in Germany to hold the line. It was Dulles's conviction that the full restoration of German sovereignty was necessary to allow Adenauer to stay in power. Only in this way could the attraction of Polish border concessions made by the USSR and the promise of German reunification be resisted.⁴⁹³ The resentment on the part of German leaders, even those who were favourable to American influence, on being treated as 'a totally beaten adversary' is brought out

⁴⁹¹ Wilhelm G. Grewe, *Rückblenden. Aufzeichnungen eines Augenzeugen deutscher Außenpolitik von Adenauer bis Schmidt* (Frankfurt, Propyläen, 1979) pp. 161-162, 169.

⁴⁹² K. Pritzkolet, *Die neuen Herren. Die Mächtigen in Staat und Wirtschaft* (Vienna, Desch, 1955), p. 103.

⁴⁹³ *SFRC*, vol. VI, p. 660.

by Grewe, the chief negotiator on the issue of restoring sovereignty, in his memoirs and reproduced the fundamental hesitations of the Goerdeler group with respect to the unconditional surrender issue.⁴⁹⁴ American policy therefore had to steer a middle course between bolstering the hegemony of the German bourgeoisie and inserting it in a wider Atlantic framework. In 1949, this was brought out by the Petersberg Agreement, which bound West Germany to the process of integration in Western Europe by making her accept the International Ruhr Authority in exchange for quasi- sovereign membership of the OEEC.⁴⁹⁵

In Italy, the liberal current in the Christian Democratic party was a product of the incorporation of the pre-Fascist Liberal Party membership disaffected by their leadership's support for Mussolini. Still, it remained until the Marshall offensive before the liberal tendency in the DC could rise to prominence. At the DC Congress in November 1947, the centrist coalition with the PSDI, PRI and PLI was adopted, paving the way for the De Gasperi/Einaudi government.⁴⁹⁶

In the other countries, liberals in non-Liberal parties likewise reinforced their position. In the Netherlands, their new prominence was reflected in the appointment of the Catholic, J.R.M. van den Brink, linked to AKU and the Amsterdamse Bank, to the post of Economic Affairs in the same cabinet in which Stikker became Foreign Secretary for the Liberal party. In Belgium, Paul van Zeeland was the seminal figure in this respect.

At this point the question may arise whether the liberals subscribing to the Atlantic Union or Euratlantic concept were a new 'comprador' bourgeoisie, comparable to the Schacht group in pre-war Germany? This latter group, it will be recalled, was labelled comprador because it (a) was entirely dependent on foreign interests compensating for its backward domestic power base, and (b) hence developed a reactionary political programme. In the Europe of the Marshall Plan, things were not so simple. The bourgeoisie in Europe welcoming the introduction of

⁴⁹⁴ Grewe, *Rückblenden*, p. 146.

⁴⁹⁵ Badstübner and Thomas, p. 395.

⁴⁹⁶ Meynaud, *Les partis politiques*, p. 112.

American production and work methods did so because of their promise in revolutionizing productivity and living standards. As an American historian observes, the United States 'more subtly rewarded a generation of centrist "Atlantic" European leaders. . . who found the American preferences rational and humane.'⁴⁹⁷ If they appreciated US assistance in combating the socialist challenge, they did so principally from a 'flexible', enlightened perspective, and it was the American offensive which in turn allowed them to do so.

On the other hand, there were the colonial capitalists, who did represent backward relations of production. In the face, however, of American pressures for restructuring the peripheral dependency relationship towards a neo-colonialist pattern, the ranks of colonial capital were split. One segment, comprising the elements least capable of adapting to the formal independence of the colonies, gravitated to a defensive, indeed reactionary position; the other, more flexible segment, composed of the major mineral, commercial and industrial capitals operating in the colonies, took a more positive view. In the greatly changed world situation, the new Pax Americana offered a much more viable protective shield for their activities broad than the crumbling colonial empires, and even provided fresh opportunities for expansion and geographic restructuring.

At the time of the Marshall Plan, therefore, support for American hegemony represented the more enlightened, long-term capitalist view, even among the colonial capitalists, although the complete subordination of national interests to the United States which characterized advocacy of the Atlantic Union concept had a distinct comprador quality. Throughout the era of Atlantic integration, however, the community of interests which existed between the liberal fraction (whether associated with colonial capital or with the original 'liberal' industries like textiles) and the modernizing corporate-liberal fraction in Europe allowed it to be part of a hegemonic bloc deriving its legitimacy from the rise in living standards. It

⁴⁹⁷ Charles S. Maier, 'The politics of productivity. Foundations of American international policy after World War II', *International Organization*, vol. 31 no. 4 (Autumn 1977), p. 263.

was only after Atlantic integration collapsed during the crisis of the early 1970s and the United States resorted to a unilateralist policy in response to it, that the liberal 'American fraction' within this bloc slipped into a marginal quasi-comprador position. In an Italian study, this process is analysed as the disintegration of a hegemonic 'Euro-American party', exposing the hitherto incorporated 'American party (in Italy)' as a comprador appendix of the Nixon-Kissinger policy and American capital.⁴⁹⁸

In 1947-50 Europe, however, the Marshall offensive synchronized ruling-class hegemony on an Atlantic level by undermining the specifically national class configurations and bolstering the liberals in those parties in which they were active: the centre parties from reconstructed Social Democracy to the Liberals. As *Fortune* commented in 1952, 'on the whole, the present governments of Western Europe are – and ought to be – to Americans' liking'.⁴⁹⁹ However, by that time powerful forces undermining American activism and working against subservience to US hegemony were making themselves felt. Whether this developed from resentment over the occupation, or from revived colonial ambitions, the process of class formation in the North Atlantic area for a decade would develop in the context of centrifugal tendencies until the Kennedy offensive in 1960 made a renewed attempt to once more unite the West against Communism.

⁴⁹⁸ Club Turati, *Il partito americano in Italia* (Milan, Club Turati, 1975).

⁴⁹⁹ *Fortune*, September 1952, p. 212.

7

The Kennedy Offensive and the New Liberalism

1. Centrifugal Tendencies in the 1950s

As the 1944-47 period saw the shift from universalism to Cold War, so the 1950s saw the re-emergence of sphere-of-interest politics and rivalry in the context of Atlantic integration. 1950 indeed was a turning point in several respects. Interacting with a slackening of real economic expansion, trade policy lost its liberal impetus, as the Democrats proposed peril-point clauses in trade legislation.⁵⁰⁰ Meanwhile, as productive capital started losing ground in the profit-distribution process from 1950 on, and rentier incomes in due course improved relatively to corporate income, the offensive international posture the United States had hitherto adopted lost part of its domestic *raison d'être*.

The decreasing pressures for internationalization of American capital were reciprocated by mounting obstacles to US penetration in Europe.⁵⁰¹ Following the restoration of their hegemony through American intervention, the European bourgeoisie tended to adopt postures reflecting their prewar orientations. Although important preconditions for a fundamental restructuration of European class relations towards the corporate-liberal pattern had been created by the Marshall offensive, the narrowness of markets and the obstacles posed by exchange controls and

⁵⁰⁰ Baldwin, 'U.S. Trade Policy', p. 16.

⁵⁰¹ *SFRC*, vol. II, pp. 264, 251, 356.

non-convertibility constrained the export of US capital to Europe.⁵⁰² The overall political climate was captured by the influential National Security Memorandum 68 when it stated that 'there are indications of a let-down of United States efforts under the pressures of the domestic budgetary situation, disillusion resulting from excessively optimistic expectations about the duration and result of our assistance programs, and doubts about the wisdom of continuing to strengthen the free nations as against preparedness measures in light of the intensity of the cold war.'⁵⁰³

Against this background, General Eisenhower was elected President of the United States in 1952. With the new Republican government, the shadow of Herbert Hoover again seemed cast upon the stage, waving his deflationary programme in one hand and the policy of accommodating German nationalism in the other. Domestically, bank and oil capital were reinforced as part of a general shift towards rentier forms of accumulation. George Humphrey, the chief strategist of the Cleveland Hanna group, was put in charge of the Treasury, and the abandoning of economic controls was one of the Eisenhower cabinet's first measures. Government enterprises were sold or closed down, almost up to the sale of the Tennessee Valley Authority, which Eisenhower personally favoured but ruled out as 'going too far'.⁵⁰⁴ Rentiers profited from lowered tax rates or provisions. According to an OECD study, between 1954 and 1962 no changes in the direct tax rates were made, but as Kolko writes, 'since the 1952 tax law, a rapidly growing number of special provisions have been created that apply to relatively small groups among the wealthy but add up to a cumulative trend towards legal tax avoidance'.⁵⁰⁵ An important provision here was the 4% dividend credit, a tax deduction introduced by the administration in 1954 to combat taxation 'injustices'.⁵⁰⁶ As part of the

⁵⁰² Philippe Zarifian, *Inflation et crise monétaire* (Paris, Éditions Sociales, 1975), p. 148.

⁵⁰³ *A Report to the National Security Council by the Executive Secretary on United States objectives and programs for national security* (Washington, NSC, April 14, 1950) (NSC-68), photocopy of the original document, p. 31.

⁵⁰⁴ C. N. Degler, *Affluence and Anxiety, 1945-present* (Glenview, Ill., Scott, Foresman, 1968), p. 87; on Humphrey, cf. *Fortune*, May 1947, p. 94.

⁵⁰⁵ Kolko, *Wealth and Power*, p. 44; cf. B. Hansen (with W.W. Snyder), *Fiscal Policy in Seven Countries 1955-1965* (Paris, OECD, 1969), p. 476.

⁵⁰⁶ Lundberg, *The Rich*, pp. 403, 423.

same movement, bank capital was structurally favoured by the 1956 Bank Holding Company Act, an important step in demolishing New Deal bank legislation. The 1956 Act allowed holding companies owning one bank to own other companies as long as these were active in the financial or fiduciary sphere. In principle, the measure returned to the banks the right to operate as holdings, although it would take until the late 1960s before the functional division into money-dealing in fictitious capital was completely undone.⁵⁰⁷

US oil companies in this period were particularly pampered. The so-called depletion allowance, a 30% tax deduction, was originally introduced to stimulate oil prospecting by small companies during World War One, and later generalized for all types of land ownership by Treasury Secretary Mellon. Its wide range of application notwithstanding, 80% of this ground rent levied on the taxpayer accrues to oil and gas companies, who are the owners of one-quarter of all privately owned land in the United States.⁵⁰⁸ Within three months of taking office, the Eisenhower administration dropped the federal claim to the US three-mile off-shore zone, leaving it to the coastal states, which effectively meant company control. Two months later, the zone beyond the three-mile limit was placed under Federal jurisdiction, but at the same time, it was parcelled out to private bidders for exploration.⁵⁰⁹

Foreign policy meanwhile, became the domain of John Foster Dulles, whose Germanophilic outlook retained the mark of his interwar experiences and interests. Discussing Soviet peace proposals in closed sessions with the Senate Foreign Relations Committee soon after taking office, Dulles argued the need for restraint. 'We need to have policies which we can live with for some time', he declared, 'rather than policies which would so exhaust us that there would be an internal collapse,... what Stalin talked about in "Our Strategy and Tactic"'. (Stalin) said the moment for the decisive blow will come when the imperialist powers are so divided among themselves and have so exhausted themselves in a

⁵⁰⁷ Domhoff, *The Powers That Be*, p. 47.

⁵⁰⁸ Solberg, *Oil Power*, pp. 9, 74, 77; Lundberg, *The Rich*, pp. 442-443.

⁵⁰⁹ Solberg, p. 165.

struggle beyond their power that they have fallen into virtual bankruptcy. Now, that is one of the dangers that we have got to look out for.'⁵¹⁰

The recognition of their basically defensive position in the light of slackening US industrial performance did not turn the ruling group into moderates. On the contrary, Dulles in particular often displayed a bellicose aggressiveness. To many, the Secretary of State was the very embodiment of American Cold War foreign policy at its worst. But as with Truman in 1945-46, the aggressive rhetoric and, occasionally, behaviour, only apparently contradicted the fundamentally conservative and non-universalist tendencies of the administration. This generally defensive posture, in turn, reflected the tendential regression reminiscent of the interwar years, in which an Atlantic circuit of money capital connected autarkic industrial blocs in a gradually hardening spheres-of-interest context. In the 1950s, threats had to make up for the absence of any positive plan for the world. 'Strategically, it was a defensive age', Calleo observes, 'even if the tactics were often aggressive'.⁵¹¹

With respect to the periphery, the anti-communism and anti-colonialism which in the Marshall Plan had been depicted as a transcendent Free World strategy, now degenerated into rivalry as short-term considerations became the sole point of reference. At least until 1956, European colonial powers actively sought to reinforce and recapture imperial positions, encouraged by the defensive posture of the United States. In some cases, as in the Suez affair, the susceptibilities of Middle Eastern and African countries were taken into account by US policy-makers for tactical reasons. Broadly speaking, however, there was no comprehensive effort on the part of the United States to actively create viable social relations in the underdeveloped world which would secure its dependence on metropolitan capitalism in a post-colonial era.

Dulles preferred 'exerting our influence quietly' in matters concerning colonialism, rather than upsetting the status quo by grand announcements

⁵¹⁰ *SFRC*, vol. V, p. 315.

⁵¹¹ David Calleo, *The Atlantic Fantasy: The U.S., NATO, and Europe* (Baltimore, Md., Johns Hopkins University Press, 1970), p. 45.

in the universalist tradition.⁵¹² In Asia, support for dictators was justified by the immediacy of the Communist threat, which in his opinion precluded any attempt to include moderate elements in the local power structure. 'They are not the people, under normal circumstances, that we would want to support', Dulles confided in 1953, speaking of Syngman Rhee, Chiang Kai-Shek, and their fellow autocrats. 'We would be trying to get somebody else, but in times like these, in the unrest of the world today, and the divided spirit, we know that we cannot make a transition without losing control of the whole situation. Now, that is my philosophy.'⁵¹³ This philosophy also entailed a certain accommodation of European colonialism; but as the colonial powers became more and more entangled in their attempt to suppress the struggle for national independence, it became increasingly clear that imperialism might lose control of the whole situation. It would wait until the advent of the Kennedy regime before a further attempt was made to construct a viable neo-colonial order.

With respect to Germany, the relative contraction of American involvement allowed the forces working for the restoration of full sovereignty, including rearmament, to reassert their prominence. A strong Western Europe fitted into the general trend towards fiscal economy in American policy as well. The French proposal for a European Defence Community in late 1950 was the first result of American pressure to rearm the Western half of Germany. 'Out of (its) ratification', Dulles told US Senators, 'will come a substantial German force which will be the greatest shield that we could get, and. . . with that in creation we can gradually cut down our aid.'⁵¹⁴ Hence his much publicized threat of an 'agonizing reappraisal' of American military commitments to Europe if EDC failed to be ratified, and the temporary suspension of military aid to France and Italy on account of their hesitations. As it proved impossible to press the EDC on the French, however, West German rearmament eventually was accomplished by including Italy and the Federal Republic in the group of the Brussels Treaty, renamed Western European Union, and, seven

⁵¹² *SFRC*, vol. VIII, p. 157.

⁵¹³ *SFRC*, vol. V, p. 387.

⁵¹⁴ *Ibid.*, p. 323.

months afterward, by making Western Germany a member of NATO (May 1955).⁵¹⁵ French concern over the renewed ascendancy of Germany, which it had initially tried to contain by launching the Pleven Plan for an EDC, was alleviated by formal WEU control of the level of German armaments.

In the sphere-of-interest configuration resulting from the loss of impetus in American policy, supranational Western European integration could make strides. The contradictory impulses towards, on the one hand, the adoption of the Fordist accumulation model implicit in the Marshall Plan, and, on the other, the tendency towards US disengagement, led to a growing discrepancy between American liberal preferences for European integration and the actual contents of the process. Between the Schuman Plan and the establishment of EEC and Euratom in 1957-58, the abortive EDC project testified to the temporary interruption of the transformation of the European class structure towards a corporate-liberal pattern and to the resurgence of the unreconstructed liberal-internationalist bourgeoisie, revealed most dramatically by the Suez affair. The EDC still represented a compromise between American Cold War entrenchment and 'classical' Franco-British imperialism (which eventually accounted for its failure); the EEC, however, represented a compromise between French and West German strategies for adjusting to the requirements of mass production and to the reorientation towards an Atlantic circuit of finance capital, albeit still from a sphere-of-interest vantage-point which eventually would propel the internationalist bourgeoisie into action.

In the early 1950s, there was another cause of anxiety for the Atlanticist bourgeoisie, and that was the thaw in the Cold War. Neutralist statements by elder statesmen and related incidents in West Germany, if often merely staged in order to activate the forces in the West working for German rearmament and sovereignty,⁵¹⁶ yet added to the growing impression in the United States that 'an alarming reduction in the degree of realism in

⁵¹⁵ Duco Hellema, *Frontlijn van de Koude Oorlog. De Duitse herbewapening en het Atlantisch Bondgenootschap* (Amsterdam, Mets, 1984), ch. 4.

⁵¹⁶ Cf. the notice taken in the US Senate of statements in favour of German neutrality by former Chancellors Brüning and Luther in June 1954, *SFRC*, vol. VI, p. 677.

the thinking about Russia'⁵¹⁷ was in full progress in Europe. This was not limited to Germany either. In sharp contrast to the previous situation with its inspiring array of 'governments to the Americans' liking', it was noted in late 1953 that due to the conciliatory moves of Stalin's successors, 'in every Western government there were officials who acted or prepared to act as though the Soviet menace were actually on the wane'.⁵¹⁸

Atlantic Unity Under Stress

In 1952, Joseph Retinger, who had brought together liberal capitalists in wartime London and had assisted in forming ELEC, contacted Paul Rijkens, president of Unilever, to discuss ways of reversing the trend to open rivalry between America and Western Europe. Rijkens took Retinger to Prince Bernhard of the Netherlands, whom they knew from their war days in London. With Paul van Zeeland, then Belgian prime minister and first chairman of ELEC, a plan was drawn to assemble one leading bourgeois politician and one Social Democrat from each Western European country in order to have a catalogue their criticisms of American policy in the presence of selected representatives from the other side of the Atlantic. When the proposal was sent to the United States, the 1952 election campaign in full swing, and nothing came of the plan for the moment. Yet it testifies to the importance attached to the project by its initiators that they did not want it to become a partisan issue; Eisenhower's suggestion to use the idea in his campaign was firmly rejected by the Dutch Prince.⁵¹⁹

It took two more years before the Americans accepted the invitation to confer near Arnhem at the Bilderberg Hotel (after which the subsequent conferences would be named). The hesitant American reaction and the fact that ultimately a collaborator of Eisenhower future senator, C.D. Jackson, and W. Bedell Smith, head of the CIA, were the men who secured

⁵¹⁷ Drew Middleton, 'NATO Changes Direction', *Foreign Affairs*, vol. 31, no. 3 (April 1953), pp. 427-428.

⁵¹⁸ H. Fish Armstrong, 'The Grand Alliance Hesitates', *Foreign Affairs*, vol. 32, no. 1 (October 1953), p. 48.

⁵¹⁹ Klinkenberg, *Prins Bernhard*, p. 309; Rijkens, p. 137.

American participation, testify to lack of enthusiasm for Europe among the American ruling class at the time. Rather than discussing Atlantic arrangements in a positive way, the US mood was sceptical of the efforts being made in Europe to confront Communism. The American bourgeoisie in majority seemed to support the McCarthy campaign—which in turn raised anxieties amongst the European elite. Actually, it was Eisenhower's awareness of European reactions to McCarthyism which prompted his support for the eventual Bilderberg Conference.⁵²⁰

The Conference was held in May 1954. It was paid for by Unilever and the CIA. Its agenda catalogued the leading topics of Atlantic discord: (a) Communism and the Soviet Union; (b) Dependent regions and overseas peoples; (c) Economic policy and economic problems; (d) European integration and the European Defence Community. According to Rijkens, a very frank discussion bordering on an open row took place. Rather than constituting an all powerful secret Atlantic directorate, Bilderberg served, at best, as environment for developing ideas in that direction, and secrecy is necessary for allowing the articulation of differences rather than keeping clear-cut projects from public knowledge. In this sense, Bilderberg functioned as the testing ground for new initiatives for Atlantic unity.⁵²¹ The presence of the Social Democrats was functional in order to orient these initiatives to the modernizing elements in the Western European class structure and insert them in a Fordist compromise from the start.

A few months following the first Bilderberg Conference, the rejection of EDC by France greatly widened the gulf between the NATO partners. In an attempt to reverse the tide, a Declaration of Atlantic Unity was made public on 4 October 1954. It was a symbolic and propagandistic action meant to counter a further deterioration of Atlantic relations rather than offering a practical way out of the impasse. On the American side, the

⁵²⁰ Rijkens, p. 139. On US scepticism as to the handling of communism in Europe, cf. Dulles's statements in *SFRC*, vol. VI, p. 37.

⁵²¹ Rijkens, pp. 141, 143; Klinkenberg, p. 310; Thompson, 'Bilderberg and the West'. An example of the conspiracy approach is Bernt Engelmann, *Hotel Bilderberg. Tatsachenroman* (Munich, Bertelsmann, 1977).

signatories of the Declaration included Will Clayton, Christian Herter, Lewis Douglas, Thomas Finletter, Averell Harriman, John McCloy, Owen Young, Henry Ford II, and other magnates of Wall Street and industry. Several of these men had occupied leading posts in Democratic administrations, and the signature of Harry Truman further enhanced the Democratic coloration. Eisenhower himself was in favour of the Bilderberg initiative, but the dominant sphere-of-interest orientation in his cabinet prejudiced official support for Atlantic unity. Alone in the administration, Nelson Rockefeller favoured a more closely integrated Atlantic Union, but the concept was considered premature by Secretary Dulles, and Rockefeller's approach to Atlantic unity retained marked federalist and sphere-of-interest aspects.⁵²²

The Declaration of Atlantic Unity clearly could not reverse the centrifugal trends of the period, which after 1954 developed along two interrelated axes: NATO nuclear strategy and the approach to the imperialist periphery. As far as the military aspect was concerned, the reduction of federal expenditure by the Eisenhower administration, interacting with the slack industrial performance and the general contraction of US international activism, led to an emphasis on nuclear retaliation in American strategy. A conflict over the massive retaliation doctrine in the Joint Chiefs of Staff was decided in favour of Admiral Radford in 1954, and Generals Maxwell Taylor, Ridgeway and Gavin, who advocated a more flexible strategy and a greater Army role, had to vacate their posts. In July 1956, Radford carried his approach into the realm of Atlantic relations by proposing a US troop reduction in Europe which then could be compensated for by 'a demonstrable superiority in retaliatory means'.⁵²³

The major European powers reacted to the Radford doctrine by stepping up their nuclear programmes, both to meet US competition and to

⁵²² Szent-Miklosy, p. 180; Catlin, *Atlantic Commonwealth*, p. 49.

⁵²³ C. A. Kelleher, *Germany and the Politics of Nuclear Weapons* (New York, Columbia University Press, 1975), p. 43. On service rivalry in the US armed forces, Alan Wolfe, *The Rise and Fall of the 'Soviet Threat': Domestic Sources of Cold War Consensus* (Washington, IPS, 1979), ch. 5.

underwrite their imperialist positions militarily. In May 1957, Defence Minister Strauss secured parliamentary support for a policy of nuclear armament by the Federal Republic. In the same month, Britain exploded its first hydrogen bomb in the Pacific. France had been working on a nuclear capacity since World War Two, and according to subsequent American newspaper disclosures had already agreed with Germany to store German nuclear warheads on French soil.⁵²⁴

De Gaulle's *coup d'état* in June 1958 entailed a prompt cancellation of nuclear cooperation. After offering the Germans cooperation in the conventional field only, De Gaulle sent a memorandum to Eisenhower and Macmillan, challenging the American nuclear monopoly in NATO on the grounds that it was no longer effective. Referring explicitly to the situation in South-East Asia, De Gaulle judged the existing structure of NATO inadequate to the effective defence of the West, and in particular, to French interests. Hence he proposed to create a triumvirate within NATO consisting of the United States, Britain and France, to deal with nuclear matters. Finletter interprets De Gaulle's memorandum as 'a last desperate effort to persuade the United States to work with its allies in dealing with the problems of Southeast Asia'. To Spaak, the French President declared in 1959 that a supplementary agreement concerning Africa should be attached to the North Atlantic Treaty.⁵²⁵

Rivalry in the periphery was indeed recognized as a major cause for the discord between the North Atlantic allies. 'One fact which had not been sufficiently appreciated in 1949', Spaak recalled later, 'became crystal clear in 1956: it is very difficult for Powers to act as allies in one part of the world while they are locked in violent conflict in another.'⁵²⁶ In the report of the Three Wise Men (Pearson, Lange and Martino: the Foreign

⁵²⁴ Duco Hellema, 'De Bondsrepubliek en de proliferatie van atoomwapens', *Tijdschrift voor Diplomatie*, vol. 6, no. 11 (July 1980), p. 736; the newspaper accounts were C.L. Sulzberger's in *The New York Times* in 1964, 1965 and 1977, cf. H.W. Kahn, 'Strauss und der Griff nach der Atommacht', *Blätter für deutsche und internationale Politik*, vol. 24, no. 10 (October 1979), pp. 1207-1209.

⁵²⁵ Th. K. Finletter, *Interim Report on the U.S. Search for a Substitute for Isolation* (New York, W.W. Norton, 1968), p. 56; Spaak, *Memoirs*, p. 323.

⁵²⁶ Spaak, *Memoirs*, p. 259.

Secretaries of Canada, Norway and Italy), submitted to the North Atlantic Council in December of that eventful year, imperialist rivalries were considered a more acute danger than socialism. 'NATO has not been destroyed, or even weakened, by the threats or attacks of its enemies', the Report stated. 'It has faltered at times through the lethargy or complacency of its members: through dissension or division between them; by putting narrow, national considerations above the collective interest.'⁵²⁷

As the decade moved to a close, planning for Atlantic unity clearly focussed on the two chief areas of discord. Among offensive-minded US politicians, it was increasingly recognized that the challenge of socialism was shifting from Europe to the underdeveloped periphery. 'I do feel', Chester Bowles told Senators upon his return from a UN tour in 1957, 'that the battle of the next ten years is going to be economic, basically, and political and it is going to take place in Asia and Africa.'⁵²⁸ In a *Foreign Affairs* article, John F. Kennedy articulated this impression by advocating a return to universalism, based on a flexible approach to the Soviet Union and on Atlantic cooperation in fostering economic development in the periphery. Instead of the rigid two-camp attitude, the United States should be ready to 'accept partial gains in order to undercut slowly the foundations of the Soviet order'. The demands of the national bourgeoisie in the underdeveloped world should be met half-way in order to stabilize an increasingly vulnerable world economy. The United States, Kennedy estimated, should 'strike a realistic balance between the legitimate appeals to national self-determination which pulsate through the uncommitted world and the gravitational pulls towards unity which grow from the technological and economic interdependence of modern states.'⁵²⁹

It was former Secretary of State Acheson who in a book published in 1958 emphatically warned against American unilateralism in meeting the revolutionary challenges in the Third World. American leadership in

⁵²⁷ Quoted in Finletter, pp. 40-41.

⁵²⁸ *SFRC*, vol. IX, p. 452.

⁵²⁹ John F. Kennedy, 'A Democrat Looks at Foreign Policy', *Foreign Affairs*, vol. 36, no. 1 (October 1957), pp. 47, 46.

rallying the underdeveloped world against Communism was necessary, but not enough. 'A principle which is as fundamental as it is disregarded, is that in the organization and maintenance of power, relations with states which are closest geographically and in interest and purpose are the most important', Acheson wrote. 'Primacy must be given to maintaining confidence and trust in these relations. In our case, these states are those of the Western Hemisphere and Europe. Here lies the Central Power which will support—if it is to be supported at all—a non-Communist world system. To say this is not to minimize the importance of Asia and Africa; but if the center is not solid, relations with the periphery will not supply strength.'⁵³⁰ The attraction exerted from a unified Atlantic bloc meanwhile would not be limited to the underdeveloped periphery: In Eastern Europe, too, its effects would be felt. But Atlantic unity was necessary to give sufficient weight to the Western position in this respect. 'Without American association with Western Europe, independent national life in Eastern Europe cannot revive'.⁵³¹

Primarily because of the nuclear controversy, an Atlantic Congress was convened in London in 1959, attended by key advocates of a more flexible nuclear strategy like Henry Kissinger. Actual discussions however centred on economic rather than military matters, thus bringing out the spread of an awareness that the challenge of Communism had come to reside particularly in the area of rival development models for the newly independent nations in the periphery. Summarizing the contents of the Atlantic Congress Report adopted at the Conference, Szent-Miklosy says that a central element was the recognition that economic welfare had to be exported beyond the Atlantic area. The Report recommended economic expansion and further trade liberalization, which would require a combined development of European economic integration and Atlantic integration. 'The attainment of internal strength, as well as the development of the newly emerging nations, must be viewed with a sense

⁵³⁰ Dean Acheson, *Power and Diplomacy* (New York, Atheneum, 1962), p. 72.

⁵³¹ *Ibid.*, p. 84.

of urgency because of the Communist countries and their shift in emphasis to the economic front in the Cold War'.⁵³²

The Suez affair, however, had destroyed the essentially Anglo-American basis for the hitherto prominent Atlantic Union concept. The ultra-imperialist assumptions underlying that concept created opportunities for the Soviet Union to challenge classical European and the new American imperialism and endangered the allegiance of the newly independent states in the periphery. The eventual second Declaration of Atlantic Unity which resulted from the Congress accordingly left the Atlantic Union and Euratlantic concepts behind, adopting, instead, a posture which left more room for European independence in the overall framework defined by Atlantic unity. Within the Atlantic unity movement, the pragmatic line ready to subscribe to the emerging Euramerican/Atlantic Partnership concept thus triumphed over Streit's group, which had developed a dogmatism which was no longer relevant. In 1961, the moderates merged into the Atlantic Council of the United States.⁵³³

Of the concrete recommendations made at the London Congress, very few materialized in their originally proposed form, but several became policy by a detour. The proposal to restructure the OEEC into a new Organization of Atlantic Economic Cooperation (OAEC) was rejected by the neutral capitalist countries, (like Sweden, Switzerland), who feared an implicit association with NATO. The OECD eventually became the compromise between these conflicting ambitions, retaining, however, the concern for coordinating metropolitan economic policy towards the periphery. Another idea originating from the London Congress was the proposal made in late 1961 by Herter, Clayton and Ball to liberalize trade and to coordinate development aid policies on the basis of an Atlantic Partnership (the 'Giant Step' programme), which, as Kennedy declared at a press conference in January 1962, had served as the basis for his Atlantic Partnership proposal.⁵³⁴

⁵³² Szent-Miklosy, pp. 136-138.

⁵³³ Ibid., p. 238; Catlin, *Atlantic Commonwealth*, p. 42.

⁵³⁴ Szent-Miklosy, p. 159; *Fortune*, February 1961, p. 71.

Due to the formation of the EEC and the prominence of fractions of the European bourgeoisie oriented to the continent, concern for Atlantic unity gravitated from Europe to America again. While at the time of the first Bilderberg Conference, the European initiators still had had to press the United States to participate, now the Americans in the context of a new universalist offensive were recruiting the European bourgeoisie and activating the elements favourable to Atlantic unity.

State Monopolism Revived

In Europe, the establishment of the EEC led to the emergence of a corporatist pattern of class relations comparable to the situation immediately after the war. Then, the inclusion of Communists in governments of national unity and the prominent role of Christian Democrats and conservative nationalists had been functional in keeping the social fabric of capitalist society intact. The Marshall offensive had liberated the European capitalist class from this constraint, but in its aftermath, particularist and retrograde concepts of control reasserted themselves.

In Germany, Erhard's anti-cartel law was shipwrecked in Federal parliament in 1953 which simultaneously enacted a tax reform aimed at stimulating dividend payments.⁵³⁵ In France, too, the subsiding of the American offensive saw the resurgence of protectionism and cartel practices, mocking Pinay's anti-cartel legislation of 1952.⁵³⁶ In Britain, the backlash against the modernization policy implicit in the Labour nationalizations took shape as a virulent campaign against the latter. Prominent in this campaign were the Iron and Steel Federation and Aims of Industry Ltd., a lobby dominated by family capitalists and headed at the time by Lord Perry of Ford, I.D. Lyle of Tate & Lyle, and J.A. Rank of

⁵³⁵ Braunthal, pp. 236-270; H. Rondi, 'Die Grossen werden noch grosser. Das Kartellrecht reguliert den Konzentrationsprozess', *Blätter für deutsche und internationale Politik*, vol. 24, no. 7 (July 1979), p. 873.

⁵³⁶ Ehrmann, *Organized Business*, p. 387; *OECD Economic Survey: France* (Paris, OECD, February 1974), p. 13.

the firm of the same name.⁵³⁷ In the Netherlands and Italy, real accumulation within certain limits was favoured by state economic policy; but in Belgium, where conservatism was strongest, rentier interests had absolute priority.⁵³⁸

The failure of the EDC plan, the Suez crisis, as well as Soviet successes in space and in the Third World, contributed to a reorientation in Western Europe towards a resumption of the social and economic transformation initiated by the Marshall Plan. As Spaak explained, Nasser's decision to nationalize the Suez Canal Company had brought out the 'definite lack of esteem for the great European nations'⁵³⁹ and the EEC was established to shore up the power of Western Europe again. Between 1957 and the early 1960s, when the Kennedy offensive sought to reestablish Atlantic unity, the European states passed through a phase of accelerated restructuration in the direction of a Fordist mass-market mode of accumulation; due to the absence of active American involvement, however, the liberalism this entailed was restricted by the sphere-of-interest configuration prevailing in the North Atlantic area. As an autonomous European initiative, the formation of the EEC put American hegemony to the test. This time, moreover, the epicentre of the restructuration of class relations lay well within the capitalist class; the Communists no longer were part of the intricate web of compromises necessary to make the transition.

The need to keep the working class under control while allowing the necessary 'euthanasia' of subordinate class fractions associated with pre-war patterns of capital accumulation and colonial enterprise again led to

⁵³⁷ Middlemas, p. 427; Aaronovitch, *Monopoly*, p. 124.

⁵³⁸ CEPES, *Nationale Konjunkturpolitik*, p. 41. The Netherlands showed the highest rate of domestic fixed capital formation of the countries under review in the 1950s, cf. United Nations, *The Growth of World Industry* (New York, UN, 1963). In Italy, the modernization policy included the important Sinigaglia plan meant to provide Italian industry with cheap steel, and ENI, the state energy trust. Before 1957, deflationary policy prevented the investment programmes to develop their full potential however, CEPES, p. 244; J. B. and R. Proctor, 'Capitalist Development, Class Struggle, and Crisis in Italy, 1945-1975', *Monthly Review*, vol. 27, no. 8 (January 1976), pp. 23-24.

⁵³⁹ P.H. Spaak, 'The West in Disarray', *Foreign Affairs*, vol. 35, no. 2 (January 1957), p. 189.

an essentially temporary nationalism and corporatism, meant to shore up the legitimacy of the various governments and cement transitional inter-bourgeois class alliances needed to combat both the working class and the reactionary imperialists. In all of Western Europe, the unity of the bourgeoisie necessary for raising the rate of exploitation and accumulation of capital in order to allow its insertion into the emerging Atlantic circuit of finance capital was most easily achieved by appealing to nationalism. As Simon Clarke has written, “‘Nationalist’ policies with regard to particular capitals tend to improve the terms on which ‘national’ capitals are integrated into the world circuit of capital rather than to resist that integration’.”⁵⁴⁰

The most dramatic example of such a process of transitional nationalism was Gaullism, which George Catlin, the British advocate of Atlantic Unity, still feared in 1969 might engender ‘a great chauvinist counter-revolution against the entire internationalist endeavour built up since 1914’.⁵⁴¹ The centralization of the government structure in France, accompanied by a devaluation of the role of Parliament and a gerrymandering operation inflating the countryside vote, made the formation of a unitary ruling-class party possible. The Gaullist UNR profited most from the new two-ballot system by offering the catch-all government ticket in the countryside. The liberal parties, Radicals and UDSR, went down in the process, and the Left was seriously reduced. In the Radical Party, the breakthrough of Mendès-France and the group of Servan-Schreiber, who triumphed over Mayer (expelled from the party in 1955) and also outmanoeuvred Edgar Faure, who was linked to the Boussac textile interests, reflected the rise of a corporate-liberal concept. But the Radicals lacked the dramatic outsider position of De Gaulle, and Mendès-France hardly made a Bonapartist candidate. Only the Christian Democrat MRP was able to survive the first, corporatist phase of the De Gaulle regime lasting until 1962. Within the Gaullist party, a liberal tendency headed by Chaban-Delmas (who incidentally had been a Radical deputy from 1946 to

⁵⁴⁰ Simon Clarke, ‘Capital, fractions of capital and the state: “Neo-Marxist” Analysis of the South African State’, *Capital & Class*, no. 5 (Summer 1978), p. 62

⁵⁴¹ Catlin, *Atlantic Commonwealth*, p. 34.

1951) functioned to capture part of the liberal vote for the UNR and its successors.⁵⁴²

For the French bourgeoisie, the reinforcement of executive versus parliamentary power was rational because it allowed French capital to obtain direct access to the government in its effort to secure an independent basis for capital accumulation in metropolitan France compensating for the loss of its empire. The state-monopoly tendency in the bourgeoisie was prominent in advocating this shift of power. Léon Noël, director of Rhône-Poulenc and Esso Standard, in his booklet *Our Last Chance* of 1956 had argued against the impediments which the existing parliamentary system in France posed in the way of an active economic policy beneficial to capital accumulation. Under De Gaulle, Noël became president of the Constitutional Council.⁵⁴³

Claude traces Gaullism straight back to the state monopolism of the 1930s represented by Mercier and Tardieu. As a concept of control in the circumstances of 1958, it combined authoritarianism and nationalism with the need to restructure French capital and the class structure in which it operated to the requirements of the new Fordist accumulation pattern. The most prominent supporter of the Gaullist concept of control in the French bourgeoisie capital were Rothschild—through Roger Frey (RPF treasurer and from 1959 on, minister in various departments) and Georges Pompidou—and Paribas—through Emmanuel Monick (its president from 1959 to 1962, who in 1945 already had co-authored a book with Debré recommending the installation in France of a 'Republican Monarch').⁵⁴⁴ Gaullism was also supported by the steel industry and the Indochine group, but from a different point of view. The Indochine bankers, supported American hegemony first of all, yet rallied to De Gaulle

⁵⁴² Gwendolyn M. Carter, *The Government of France* (New York, Harcourt, Brace & World, 1967), pp. 52, 63; De Tarr, pp. 86, 182-183.

⁵⁴³ Claude, *Le pouvoir et l'argent*, p. 74.

⁵⁴⁴ Ibid., pp. 66-70; Claude, *Histoire, réalité et destin*, p. 55. Another prominent capitalist with both nationalist convictions and Atlantic connections of a sphere-of-interest nature dating from the interwar years was Pierre André, president of Esso Standard and director of the CFP, who in 1953 founded a national committee to defend the integrity of the French empire, Ehrmann, p. 416.

because his government created the conditions for raising the rate of exploitation in France. Their orientation towards the Atlantic economy gave them a new interest in the competitiveness of the French economy, but it took until the Kennedy offensive before their political leader, Valéry Giscard d'Estaing, would be appointed to the key Ministry of Finance.

The alliance of all fractions of the bourgeoisie except the die-hard colonialists was essential. Although the basic concept of control underlying the Gaullist experiment was designed around the needs of big capital, accommodation was also made to the situation of small capital. One example was Pinay, the representative of small capital, who led the Gaullist government until 1960. In 1959, a tax reform meant to reduce 'the excessive burden on incomes other than wages and salaries', a tax credit on dividends and a rise in the corporate profit tax combined to prop up the position of farmers and small capital in the profit-distribution process. Their income share improved in 1960, for the first time in a decade, and again in 1962, and so did rentier incomes.⁵⁴⁵ These examples testify to how the need for intra-bourgeois compromise paid dividends to a declining class at the price of helping to create the conditions of its further demise in a subsequent stage. In the other countries, the initial EEC period likewise witnessed the political resurgence of small capital. Small capital represented a powerful political factor within Christian Democracy, and it was largely within the Christian parties (in the Netherlands, three separate parties at the time) that the class compromise between small and big capital, complemented by a corporatist approach to labour, actually took shape. The protectionist and otherwise regionalist aspects of the EEC in its early stages, on the other hand, tended to alienate the liberals and Liberal parties.

In West Germany, the arch-liberal Erhard had argued strongly against the supranational approach to European integration. 'The best form of European integration that I can imagine does not rest on the creation of new offices and forms of administration or expanding bureaucracies,' he wrote later, 'but rests first of all on the re-establishment of a free

⁵⁴⁵ Hansen, *Fiscal Policy*, pp. 152-154; cf. Granou, *Bourgeoisie financière*, p. 66.

international order, which is expressed best and completely by the free convertibility of currencies. Convertibility of currency self-evidently includes full freedom and the free flow of commodities, services, and capital'.⁵⁴⁶ The liberal Free Democrats voted against ratification of the EEC and Euratom treaties because of their protectionist character; in 1957, the party already had left the second Adenauer government. The changes in the German class structure in the meantime had led to a crisis in the FDP. As American influence receded, the militant free-world ideology degenerated into reactionary nationalism, in which the former Nazi general, von Manteuffel, played a role of his own. In 1956 this led to a conflict over the role of former Nazis in the party, and the election of a new leadership behind E. Mende and Walter Scheel, both committed to the corporate-liberal synthesis and ready to align the party more closely to the positions of the 'reformed' SPD of Willy Brandt.⁵⁴⁷

In Italy, the Liberal PLI and the modernizing liberal party PRI both were excluded from the government in the period 1958-62. In the Netherlands and Belgium, the Liberal parties did participate in the government during this period, but the conservative orientation represented by the Christian Democrats (in the Netherlands more particularly by the Catholic party KVP) was hegemonic. In both countries, the renewal of the alliance between Christian Democrats and Liberals following the ratification of the EEC and Euratom treaties was preceded by exclusively Christian Democratic governments (the Beel cabinet of 1958-59 in the Netherlands and the Eyskens II cabinet in the second half of 1958 in Belgium).

Britain remained outside the EEC, but not outside the process of restructuration towards a corporate-liberal synthesis. When Eden resigned in 1957, Butler was widely expected to takeover, but to strike a balance with the financial interests and the upper-class imperialists, Macmillan, heir to the publishing firm and married to a daughter of the highest aristocracy, prevailed, and with the blessing of *The Times* and of Churchill

⁵⁴⁶ Erhard, *Wohlstand*, p. 167.

⁵⁴⁷ Projektgruppe Parteiensystem, p. 101; D. Wagner, *FDP und Wiederbewaffnung. Die Wehrpolitische Orientierung der Liberalen in der Bundesrepublik Deutschland 1949-1955* (Boppard, Boldt, 1978), p. 39.

himself.⁵⁴⁸ Butler instead got the Home Office in the Macmillan cabinet, in which Sandys, Churchill's son-in-law and proponent of European Movement, became Secretary of Defence.

The transition Britain was about to undergo was made palatable to the British bourgeoisie by a careful policy of influencing the profit-distribution process to the benefit of strata that were at the same time cut down to size in structural terms. In 1957, the Parker Tribunal exposed the behind-the-scenes policy-making of the merchant bank to community of the City. It thus contributed to transferring the powers for conducting economic policy to the government, but Macmillan's cabinet compensated the groups involved by strongly favouring rentier incomes, which emerged as 'the most rapidly growing sector of personal income since 1957'.⁵⁴⁹ The Rent Act of 1957 brought windfall profits to landlords, and the City itself was accommodated by the raising of the bank rate in order to prop up the pound. Macmillan, who according to Bulmer-Thomas 'found it useful to assume the pose of aristocratic grandeur to balance the essential liberalism of his views',⁵⁵⁰ personally intervened whenever fractional interests threatened to block the smooth transition towards a corporate-liberal class compromise on which he intended to base the reorientation of British capitalism. In March 1957, he forced the engineering federation EEF to give in to trade-union demands; and when the Chancellor of the Exchequer, Thorneycroft, wanted to intensify the deflationary policy embarked upon in 1957, he again intervened and replaced Thorneycroft by Heathcoat Amory, who changed economic policy to one of raising purchasing power.

At the level of the Atlantic economy, the establishment of the EEC was accompanied by a shift from commercial to financial American penetration. The European Payments Union of 1950 enlarged the purchasing power of the member states and thus favoured trade in the first place. American exports to Europe benefited from it, while dollar

⁵⁴⁸ Bulmer-Thomas, vol. 2, pp. 231-232.

⁵⁴⁹ R.J. Nicholson, 'The Distribution of Personal Income in the U.K.', in J. Urry and J. Wakeford, eds., *Power in Britain* (London, Heinemann, 1973), p. 49.

⁵⁵⁰ Bulmer-Thomas, vol. 2, p. 235.

investments were seriously hampered. Internally, EPU was modified several times in order to reinforce the gold or dollar content of the periodical settlements among the participant states.⁵⁵¹

In December 1958, the European Monetary Agreement, originally signed in 1955, finally came into effect. Its purpose was to maintain European monetary cooperation after the restoration of convertibility of the major currencies (achieved on 28 December). Yet numerous obstacles remained and in mid 1960 the IMF still had to declare that 'time was running out on (the) supposedly temporary post-war currency restrictions' and to urge further liberalization.⁵⁵² In September 1957, Britain had limited the use of sterling for financing foreign trade to sterling-area trade. This prompted London-based banks to use US dollars for financing those transactions for which the use of the pound no longer was allowed. This combination of convertibility and restrictions acted as a spur to the development of a foreign currency money and capital market in Europe, the 'Eurodollar' market, which eventually would develop into the pivot of the post-Atlantic world economy.⁵⁵³

The major difference between the European Monetary Agreement and the European Payments Union in terms of liberalizing the flow of capital in an Atlantic context was that mutual credit through the clearing union was eliminated and that all settlements were to be made in US dollars. The EPU, after having encouraged American commercial expansion towards Europe when the European currencies still functioned as counterpart to the dollar, by the late 1950s had turned into an obstacle to the direct role of the dollar as an international means of payment, and to direct American investment.⁵⁵⁴ The shift from commercial to financial penetration was confirmed by the formation of the EEC. The new Common Market dramatically changed American prospects for expansion in this respect. This was recognized by American capitalists, and one instance of how

⁵⁵¹ Tew, *Monetary Cooperation*, p. 116.

⁵⁵² *The New York Times*, June 2, 1960.

⁵⁵³ Gerd Junne, *Der Eurogeldmarkt. Seine Bedeutung für Inflation und Inflationsbekämpfung* (Frankfurt, Campus, 1976), p. 31.

⁵⁵⁴ Zarifian, *Inflation*, p. 157; Tew, p. 122.

they reacted may be briefly cited as an illustration. At a conference of the American Management Association in February 1958, a number of prominent EEC officials and American businessmen were gathered to inform those present about their chances in dealing with a united Western Europe. In his contribution to the conference, George Ball, a Lehman partner and advocate of Atlantic Partnership, who had close ties with Monnet and the existing ECSC establishment, explained the nature of the change by pointing to the deteriorated trade position of American capital. The OEEC, Ball explained, had taken measures with the aim of liberalizing dollar imports from 1955 on, but these had only materialized for raw materials, selected foodstuffs, and a restricted number of capital goods items. Now the Common Market External Tariff was added to the handicaps already existing. The tariff was the average of the various national tariffs which hitherto had been operative. But tariffs had been highest in countries to which the USA exported relatively little, and low in the case of countries like the Netherlands and Germany, with which the USA had extensive trade relations. On balance, therefore, the enlargement of the European market implied a worse situation for US exports.

‘There is only one way in which this problem may be minimized’, Ball argued. ‘If Congress should pass a sufficiently liberal Trade Agreements Act, the US Government will negotiate, not with individual European nations, but with the Community as a whole. Through such negotiations it may be able to effect substantial reductions in the external tariff on items that are important to American business.’ In the meantime, there was only one category of American firms for which the negative effect of the external tariff was offset by the advantages of the enlarged European market: firms owning production subsidiaries within the EEC. Accordingly, the advice which Ball offered to American capitalists was to follow their example and reap the fruits of the first harvest. ‘An American firm planning to exploit the Common Market may well lose an opportunity if it does not move quickly.’⁵⁵⁵

⁵⁵⁵ George W. Ball, ‘The European Economic Community’ in *American Management Association*, ed., *The European Common Market – New Frontier for American Business* (New York, AMA, 1958), pp. 46, 49.

Eventually, it was Ball himself who as Under-Secretary of State would help execute the trade liberalization he recommended. Liberalization was intended to allow the intra-company division of labour to assume Atlantic dimensions and thus overcome the compartmentalization still hampering the full development of an Atlantic circuit of finance capital. For the moment, however, lack of American liberalizing initiatives tended to work in favour the regional consolidation of the modernizing state-monopoly tendency in Europe and to its bolstering by the massive wave of tariff-hopping US direct investment.⁵⁵⁶

French-German rapprochement in the early 1960s was meant to have been the culminating point in the sphere-of-interest policies pursued by the state-monopolistic European leadership. In actual fact, the conclusion of the Franco-German treaty on 22 January 1963, one week after the French veto on British EEC membership, no longer reflected the real relationship of forces prevailing at the time. Corporate liberals, profoundly aware that Atlantic integration remained essential to the continued growth of European finance capital, were alarmed that the Franco-German Treaty might be interpreted as a renunciation of Atlantic unity. In March 1963, a declaration was made public in which Abs, Siemens, Overbeck of Mannesmann, Thyssen director Birrenbach, the German employers' organizations BDI and BDA, and the association of German bank capital expressed concern over the anti-Atlantic element in the Treaty, together with Atlanticist politicians from all parties: Brentano, Mende, Erler, Brandt, and Heuss.⁵⁵⁷ These men rather than the group around Adenauer which had concluded the Treaty with France, represented the new centre of power in West Germany. This was not lost on the Americans. 'As Adenauer's tenure comes to a close, De Gaulle's influence on German policy is likely to decline', State Department adviser Robert Bowie wrote in *Foreign Affairs*. 'The successors of the Chancellor...

⁵⁵⁶ The importance of distinguishing between direct investment between closed economies and direct investment in a liberalized context, which allows intra-company division of labour and thus represents a higher form of internationalization but also further distinguishes corporate liberal from state-monopolistic international concepts was brought to my attention by Jeremy Beale.

⁵⁵⁷ Link, *Gewerkschaften und Geschäftsleute*, pp. 147, 231 note 7.

do not seem inclined to lend themselves to De Gaulle's purposes. Their handling of the Franco-German treaty is an encouraging sign.⁵⁵⁸

2. Kennedy's Grand Design

The 1960-65 period would see the third American offensive of the type analysed in this study. The activist turn of US foreign policy, sustained by a half-decade of exceptionally high domestic growth and a concomitant reassertion of the corporate-liberal synthesis in American class relations, acted as a spur to corresponding social transformations in Western Europe and gave them a markedly liberal bent. If Kennedy's name most appropriately identifies the new offensive, this does not mean, however, that the new President or his administration actually effected the change. Kennedy rather fitted into a wider trend towards activism provoked by the formation of the EEC, the rise of Third World nationalism, and the successes of the Soviet Union.

In 1958 the first signs of a reversal of the protectionist tendency in American trade policy became apparent, although the ensuing negotiations with the EEC over mutual tariff reductions were still hampered by the very limited tariff-cutting authority Congress had granted the Executive in the 1958 renewal of the Trade Agreements Act.⁵⁵⁹ In domestic economic policy, the Eisenhower administration likewise seemed to explore untried paths when, in response to the crisis developing from January 1960 onwards, it stepped up military and government purchases, thus accelerating countercyclical forces and stimulating industrial production.⁵⁶⁰

More fundamentally, after half a decade of slow growth and unimaginative policies, social tensions were inexorably building up. The generation born in the war years was reaching maturity and the civil

⁵⁵⁸ Robert R. Bowie, 'Tensions Within the Alliance', *Foreign Affairs*, vol. 42, no. 1 (October 1963), p. 61.

⁵⁵⁹ J.B. Evans, *U.S. Trade Policy. New Legislation for the Next Round* (New York, Vintage, 1967), p. 7; Baldwin, 'Trade Policy', pp. 19-20.

⁵⁶⁰ Menshikov, *Economic Cycle*, p. 40.

rights movement was gathering force in the South. From several quarters, proposals for a social-imperialist articulation of domestic reform and a foreign-policy offensive were forthcoming. On the eve of the election, Whitney Griswold, a veteran of the Council on Foreign Relations, argued that the remedy for the unfavourable international position of the United States lay in the domestic realm, and more particularly in what he called 'unfinished social and economic business'. 'One way to strengthen our foreign policy', Griswold wrote, 'is to get on with that business'.⁵⁶¹

A few years before, the social-imperialist imperative had been formulated in an influential report co-authored by W. W. Rostow. In a chauvinist tone heralding the future excesses of the new leadership, the report stated that 'The United States is now within sight of solutions to the range of issues which have dominated political life since 1865. The farm problem, the status of big business in a democratic society, the status and responsibilities of organized labour, the avoidance of extreme cyclical unemployment, social equity for the Negro, the provision of equal education opportunity, the equitable distribution of income—none of all these great issues is fully resolved; but a national consensus on them exists within which we are clearly moving forward as a nation.' The authors urged the authorities to undertake foreign involvement all the more vigorously, because with so many accomplishments at home, 'we run the danger of becoming a bore to ourselves and the world'.⁵⁶² Rostow himself was to play a crucial role in averting this danger, 'A classic example of the militarized liberal'⁵⁶³, Rostow was to become prominent among those 'New Mandarins' criticized by Noam Chomsky, whose 'high mood of confidence and self-righteousness' and 'keen sense of control over events'

⁵⁶¹ A. Whitney Griswold, 'Wormwood and Gall. An Introspective Note on American Diplomacy', *Foreign Affairs*, vol. 39, no. 1 (October 1960), p. 39.

⁵⁶² Quoted in R.A. Packenham, *Liberal America and the Third World. Political Development Ideas in Foreign Aid and Political Science* (Princeton, N.J., Princeton University Press, 1973), pp. 114-115.

⁵⁶³ Chester Bowles, *Promises to Keep. My Years in Public Life, 1941-1969* (New York, Harper & Row, 1971), p. 345.

would lead the United States into the Vietnam War and keep it there until it came out on knees.⁵⁶⁴

Although an early supporter of Senator McCarthy, Kennedy the late 1950s had compiled a liberal record which made him an adequate executor of any social-imperialist programme. In closing weeks of the Presidential campaign, Kennedy's brother Robert was able to obtain the release of Black leader Martin Luther King, imprisoned for four months for a traffic offence. Duly publicized, this even implied a commitment to the emancipation of the black population after the election as well. With respect to organized labour, Kennedy campaigned for a 'repeal of the anti-labor excesses which have been written into our labor laws'.⁵⁶⁵ To his domestic reform program, the new President added the concept of meeting the socialist challenge by a flexible, but basically offensive approach outlined in his 1957 *Foreign Affairs* article. Kennedy, Williams writes, 'persistently reiterated the classic goals of the old Progressive Movement: reform at home to improve and save the system coupled with the necessary and righteous extension of American power abroad'.⁵⁶⁶

These goals, updated to fit the particular requirements of the early 1960s, were reflected in the composition of the Kennedy cabinet. The Secretary of Labour, lawyer Arthur Goldberg, not only had a background in the CIO mass-production trade-union movement, but also supported its Atlantic extrapolation through his directorship of the American Committee on a United Europe (ACUE). The appointment of the labour-friendly soap manufacturer Mennen Williams as Assistant Secretary of State for African Affairs also had the aspect of mobilizing organized labour for expansion abroad. With Under-Secretary Bowles, whose millions had been earned in

⁵⁶⁴ Chomsky traces these characteristics straight to the Wilson era, when social critic Randolph Bourne detected them in an 'earnest group of young liberals, who direct their course by an opportunist programme of state socialism at home and a league of benevolently imperialistic nations abroad'. Quoted in N. Chomsky, *American Power and the New Mandarins* (Harmondsworth, Penguin, 1969), p. 9.

⁵⁶⁵ Quoted in Degler, *Affluence*, pp. 106-107.

⁵⁶⁶ William Appleman Williams, 'The Large Corporation and American Foreign Polity', in D. Horowitz, ed., *Corporations and the Cold War* (New York, Monthly Review Press, 1969), p. 102.

the advertising business and whose previous government career likewise had been consistently devoted to smooth relations with organized labour, Williams was the main advocate of an offensive programme of support for moderate nationalism in the Third World, irrespective of the short-term consequences for Atlantic relations.⁵⁶⁷

At the same time, Kennedy was keen to secure the support of the traditional East Coast centres of Atlanticism. Following his narrow victory, he turned to Robert Lovett, who had been Assistant Secretary of State and Secretary of Defence at the time of the Marshall Plan and the Korean War respectively. Lovett, the son of the general counsel to Harriman's Union Pacific, and married to the daughter of Brown Bros. senior partner James Brown, was a 'power broker who carried the proxies for the great law firms and financial institutions' and as such was the counterweight to the less solidly established liberals like Bowles and Adlai Stevenson.⁵⁶⁸ Lovett gave Kennedy a list of 'right people' for key cabinet posts. The choice of Ford executive McNamara, who had served under Lovett in World War Two, at Defence, did not literally represent the penetration of Ford into the Kennedy cabinet, but was still highly significant in other aspects. First, in the light of the shift to productive capital in the accumulation pattern of the early 1960s, Detroit was decisive in the competition with the EEC and in the confrontation with the socialist world. Secondly, McNamara represented the technocratic element associated with the new prominence of the rationalization of production. McNamara had been one of a team of 'Whiz Kids' at Ford which rehabilitated the company after having lagged behind General Motors since the late 1920s. Under Henry Ford II, the company once again became a pioneer of social organization, setting the pace of the new technocratic arrogance that would in due course spill over to the international policies pursued by the Kennedy administration. Hence, McNamara was not a 'Ford' man in the capital-group sense, but very much so in a 'Fordist'

⁵⁶⁷ David Halberstam, *The Best and the Brightest* (Greenwich, Conn., Fawcett-Crest, 1973), p. 273; Roger Hilsman, *To Move a Nation. The Politics of Foreign Policy in the Administration of John F. Kennedy* (Garden City, N.Y., Doubleday, 1967), p. 35; Rebattet, p. 305.

⁵⁶⁸ Halberstam, pp. 11-15.

sense, although the Atlantic orientation of Henry Ford II in this respect may be mentioned as well.⁵⁶⁹

For the handling of the intricate problem of the declining dollar Kennedy chose Douglas Dillon as Secretary of the Treasury from Lovett's list after David Rockefeller (and Lovett himself) had turned down the offer. The new prominence of West Germany in the EEC and its projected role in an Atlantic Partnership help explain the presence of Dillon, Read and Rockefeller-group representatives in the Kennedy cabinet, and accounts for the element of continuity with the previous administration. Although the universalist concept guiding the Kennedy policy differed from the sphere-of-interest concept of the Eisenhower administration, the power equation between the United States and West Germany had not changed. Kennedy was averse to German nuclear ambitions, and the American activism in this respect tendentially undermined the position of the proponents of a German *Alleingang* like Strauss. Isolated by the pervasive Atlanticist trend, they were replaced by proven Atlanticists in 1962-63. Making American influence effective in Germany, however, required that the new weight of the German economy in the North Atlantic context was reckoned with in the choice of cabinet personnel as well.

The relative decline of Britain, both in economic power and in terms of its role in Atlantic unity, contrasted to the ascendancy of West Germany in both respects. It also sheds light on the prominence of Chase men (Dillon, too, was a director of Chase Manhattan) in the Kennedy administration where otherwise Morgan men might have been expected to predominate. (The Chase Manhattan Bank, incidentally, had risen to the first place among US banks in the 1950s, whereas its rival, the Morgan Bank, was in trouble after having merged with the Guaranty Trust in 1959). Kennedy and Lovett obviously thought that Dillon's experience in negotiating with the European states on trade liberalization was an asset in handling the precarious relations with the Atlantic allies on this score.⁵⁷⁰

⁵⁶⁹ Ibid., p. 271.

⁵⁷⁰ Perlo, *Hochfinanz*, pp. 189-190; *Fortune*, April 1959, pp. 115-116.

Dean Rusk, a Southerner and President of the Rockefeller Foundation, was selected as Secretary of State. Rusk, according to Halberstam, was expected to be a low-profile Secretary of State, allowing Kennedy and his advisors to give foreign relations a greater personal imprint. Under-Secretary Bowles, however, became the target of attack from the traditional East Coast establishment looking over the shoulder of 'low profile' Secretary Rusk. By mid 1961, Bowles had become concerned over US policy with respect to Cuba and South-East Asia, and in a memorandum of June of that year he presented a synthesis of his ideas about a better course. In this memorandum, he argued the need to drop the militarist elements in US foreign policy and adopt a consensus-seeking policy instead. Bowles's recommendations to outflank rather than frontally attack Castro and the Soviet Union were in line with Kennedy's own preferences, but his rejection of colonialist Portugal and racist South Africa as Free World allies was not compatible with American imperialist interests. The most critical passage in Bowles's memorandum concerned Germany. Although he repeated the familiar argument on an Atlantic community, he openly contemplated the possibility of allowing Germany to unite on its own terms, become a neutral, and even associate itself with the Soviet Union.⁵⁷¹

The memorandum did not fail to mobilize his opponents, and in the press stories began to appear suggesting Bowles's dismissal. In November 1961, in spite of Kennedy's personal assurances, Bowles was replaced by George Ball. Ball, too, opposed the militarist stand in South-East Asia, but mainly because 'he feared... that it was going to divert America from its prime concern in the world, which was the European alliance'.⁵⁷² Also in November, Averell Harriman became Assistant Secretary of Far Eastern Affairs. In the spring of 1963, he would take George McGhee's post as Under-Secretary of State for Political Affairs.

Thus by 1963 a cabinet well qualified for supervising the expansion of real capital, for dealing with the working class, and for guiding the policy of Atlantic Partnership along a path compatible with the interests of the

⁵⁷¹ Bowles, p. 348.

⁵⁷² Halberstam, p. 597; Bowles, pp. 352-359.

major economic interests involved, had definitely established itself. Its support in the traditional East Coast power-centres and in the industrial Midwest seemed secure. There was one section missing from the traditional universalist class coalition, however, and that was the South.

In this region, important changes both in terms of class structure and in political outlook had taken place between the Marshall offensive period and the Kennedy years. By the early 1960s, traditional free traders in the cotton and textile industries had joined the traditional protectionists, small oil and gas drillers and coal mining. Gradually, the small-town and rural conservatism of the traditional Democratic homeland, with its strong attachment to the white English-speaking Atlantic connection, gave way to the radical rightism that grew popular in the expanding and industrializing Southern cities and was sponsored in particular by the new rich. Their hatred of 'socialist' state intervention and of taxes for expensive foreign adventures had put a stamp on Southern thinking. 'By 1962', Lerche writes, 'the South had earned—and was apparently quite proud of—the distinction of being the most anti-foreign aid region of the United States'.⁵⁷³

The centrepiece of Kennedy's Atlantic Partnership strategy, the 1962 Trade Expansion Act, could no longer depend on the votes of Southern Democrats. Although the Kennedy offensive functioned to mobilize what remained of support for internationalism, the liberalization programme was burdened by an oil quota system drafted by oil Senators Robert Kerr and Lyndon Johnson (now Vice-President) to which was added a voluntary quota system for the cotton-textile industry established in two stages in 1961 and 1962, and compensatory tariff protection for the glass and lumber industries.⁵⁷⁴

Kennedy's concern over the weakness of his coalition had prompted him to seek the confidence of the New York legal and banking establishment, but also led him to reach for support amongst the formally pro-Nixon camp. In October 1961, John McCone, a new rich and ultra-conservative

⁵⁷³ Lerche, *Uncertain South*, p. 59.

⁵⁷⁴ Baldwin, 'Trade Policy', p. 21; Solberg, pp. 205-209.

shipbuilder from California, was appointed head of the CIA. McCone had been Secretary of the Air Force under Truman, chairman of the Energy Commission under Eisenhower, and had directorships in California banking and later also joined the ITT board. Kennedy chose McCone, according to Hilsman, 'to make the conservatives in business, in industry, the military, and Congress feel that their foreign and defense policy interests would be represented'.⁵⁷⁵

On the other hand, the recruitment of support from the new rich did not negate the liberal element in the Kennedy administration. Prominent among those continuing to keep the President and his 'leftist' associates under fire was Texas oil millionaire H.L. Hunt. Of Hunt, Lundberg writes that 'the violence of the diatribes in his subsidized radio programs—carried to 331... stations—led many observers to see them as having at least helped nurture the mood for the assassination of President Kennedy'. Of Johnson, on the other hand, Hunt in 1964 said that he 'wouldn't mind seeing him in there for three terms'.⁵⁷⁶ If in the meantime the Vietnam war had not been decided upon by the remaining liberals in Washington, this wish might well have been fulfilled.

'Liberalism' at home, embodied in such programmes as the 'War on Poverty' which particularly infuriated conservatives, was in fact necessary to allow the offensive turn of foreign policy. The outward thrust of the Kennedy policy was based firmly in domestic reforms and expansionary measures, even if it was often left to his successor to win final congressional approval. In his own lifetime, Kennedy succeeded in having passed an improved minimum wage, low-cost housing projects and urban renewal, as well as a \$900 million public works programme.⁵⁷⁷

Employment was still recovering from the 1958 and 1959/60 recessions when Kennedy came to power. At first, the new administration refrained from substantial state intervention and seemed to continue the passive attitude of its predecessor, allowing unemployment to rise again in 1961.

⁵⁷⁵ Hilsman, p. 571; cf. p. 46.

⁵⁷⁶ Lundberg, *The Rich*, pp. 51, 57.

⁵⁷⁷ Degler, *Affluence*, p. 120.

By 1962, however, capital accumulation accelerated and employment opportunities improved accordingly. Early in the year, the administration intervened in the labour relations area by establishing wage-price controls. These 'guideposts' were part of a general activist turn in the Kennedy administration's economic policy. As usual, controls were particularly effective in restraining the trend of wages only. Price policies, as part of the reassertion of the Fordist emphasis in capital accumulation, were intended to favour finished consumer products industries over basic industries like steel, with which the Kennedy administration fought a pitched battle.⁵⁷⁸ The steep rise in the US Index of Consumer Research, measuring consumer optimism, from 1960 through 1965, as well as its counterpart in actual expenditure and the production trends for automobiles and household appliances (underpinned by sustained investment in fixed capital), corroborated the administration's policies.⁵⁷⁹

The Atlantic Partnership Concept

By 1960, both at the elite and the popular levels, the interest in Atlantic unity was again on the rise in the United States. In *Foreign Affairs* all aspects of the eventual Kennedy offensive were discussed in detail from 1959 on, while propagandistic activities included the choice of Atlantic federation as the debating topic in American high schools for the scholastic year 1960-61.⁵⁸⁰ In the Presidential election, both candidates had to formulate a position on the issue of Atlantic unity. Nelson Rockefeller in June 1960 proposed a North Atlantic Confederation, and this was reiterated in a joint statement by Rockefeller and Nixon in July. Rockefeller's position, however, was not typical of the Republican party at the time: Nixon in fact had been forced to adopt the internationalist stance at Rockefeller's prodding, much to the dismay of Eisenhower (who felt that the Rockefeller dictate 'seemed like a repudiation of his eight years in

⁵⁷⁸ Ibid., pp. 122-123; Mills, *Government*, p. 41.

⁵⁷⁹ G. Katona, B. Strumpel, and E. Zahn. *Het psychologisch klimaat van de economie in de Verenigde Staten en West-Europa* (Utrecht, Aula, 1974), p. 87; Aglietta, *Capitalist Regulation*, p. 98, diagram 4.

⁵⁸⁰ Streit, *Freedom's Frontier*, pp. ix-x.

office') and conservative Republican leader Goldwater.⁵⁸¹ The offensive contents of Atlantic federal unity envisaged by Rockefeller—i.e. that it should serve as the launching ground for a 'worldwide union of the free'⁵⁸²—had a much longer tradition in the Democratic Party. At the outset of the Presidential campaign of 1960, the Democrats adopted a platform which promised 'a broader partnership' in the Atlantic Community, transcending NATO.

To Roosevelt, Atlantic unity had been the precondition for American universalism to be brought to bear on the British Empire and peacefully shift imperialist hegemony to the United States; to the architects of the Marshall offensive, Atlantic unity meant the contraction of the previously projected global dimensions of this transition to the US-dominated Free World, pitted against the Soviet orbit. Faced with new challenges in the underdeveloped world, Kennedy again took up the universalist concept. But to accommodate Western European ambitions, and more specifically, to allow the ongoing process of class formation in the area to sustain the modernizing, corporate-liberal thrust which already was an aspect of the formation of the EEC, rather than simply reactivate commercial liberalism, the US offensive sought to enlist active Western European support for its Grand Design on a more equitable, 'ultra-imperialist' basis. This was the Atlantic Partnership concept.

If Atlantic unity was to be reemphasized, the most urgently needed revision of policy had to involve defence and, more particularly, the nuclear field. At the December 1960 NATO ministerial meeting, Secretary Herter, following earlier suggestions by General Norstad, NATO commander in Europe, proposed the formation of a seaborne NATO deterrent consisting of submarine and surface ships armed with Polaris missiles. '(Herter) called it a concept rather than a proposal because the Eisenhower administration was in its last weeks... and it would be for the Kennedy administration to make the proposal, if any.'⁵⁸³ Herter's

⁵⁸¹ Collier and Horowitz, p. 342; Streit, *Freedom's Frontier*, p. 57.

⁵⁸² Nelson A. Rockefeller, *Unity, Freedom, and Peace. A Blueprint for Tomorrow* (New York, Vintage, 1968), pp. 145-146; Catlin, *Atlantic Commonwealth*, p. 45.

⁵⁸³ Finletter, p. 86.

'concept' was a last-ditch attempt to satisfy West German demands, taking British and French nuclear capacities for granted. Strauss had visited the United States and discussed Polaris missiles with Secretary of Defence Thomas Gates in June. In December 1960, Stikker, who was about to become Secretary-General of NATO, in a private letter to former Secretary of State Acheson warned that if the NATO nuclear force proposal was not put into effect, the Germans would go it alone. Stikker knew what he was talking about, since the Norstad plan had first been discussed, with Spaak, Adenauer, and the general present, in Stikker's lake resort in Italy.⁵⁸⁴

Kennedy's position on the Norstad/Herter legacy, renamed Multilateral Force (MLF), was the one formulated by H. Van Buren Cleveland when he wrote that 'the MLF made sense in terms of American interests precisely because it was not a step toward the sharing of nuclear control, but rather a way of channelling Europe's—and especially Germany's—nuclear interests and energies away from the development of independent nuclear forces.'⁵⁸⁵ The American aim was to reconstruct a world configuration of forces in which the United States again commanded a central, mediating position and as far as the attitude towards a military role for Germany was concerned, there was even the hint of a re-emergence of the wartime coalition between the Soviet Union and the United States, spurred on by German nuclear ambitions. In an *Izvestia* interview, Kennedy declared his opposition to a West German nuclear capability, and his refusal to allow a military reaction to the construction of the Berlin Wall likewise reflected a determination not to activate German militarism. Comparing the new American attitude with the policies of the previous period still adhered to by men like Adenauer, Kennedy's National Security Assistant, McGeorge Bundy, claimed that 'among the allies..., we are the moderates'.⁵⁸⁶

⁵⁸⁴ Stikker, p. 388; Kahn, 'Strauss und der Griff', pp. 1211-1212.

⁵⁸⁵ H. Van B. Cleveland, *The Atlantic Idea and Its European Rivals* (New York, McGraw-Hill, 1966), p. 56.

⁵⁸⁶ McGeorge Bundy, 'Friends and Allies', *Foreign Affairs*, vol. 41, no.1 (October 1962), p. 20; W.G. Carleton, 'Kennedy in History: An Early Appraisal' (1964) in A.D. Donald, ed., *John F. Kennedy and the New Frontier* (New York, Hill & Wang, 1966), p. 202.

The first partner the United States turned to in the new Atlantic offensive was Great Britain. Here, as we have seen, Harold Macmillan's rise in the Conservative Party corresponded to the breakthrough of the corporate-liberal synthesis as the hegemonic concept for British capitalism; a trend that was reinforced in 1960 with the appointment of Edward Heath as Lord Privy Seal with Foreign Office responsibilities. Macmillan now embarked upon a full-scale policy reorientation towards the EEC, and it became Heath's task to bring British policy in line with the thrust towards Atlantic and liberal European unity emanating from the United States. In August 1961, the House of Commons approved a motion supporting Britain's application for EEC membership.⁵⁸⁷

This fitted the profile of a British role in Atlantic Partnership as it was envisaged by the American administration. In the joint statement made public following Kennedy's first meeting with Macmillan in April 1961, there was not a trace of the former Anglo-Saxon chauvinism, the 'fraternity of English-speaking peoples' or the special relationship. 'We have talked as partners', Kennedy and Macmillan let it be known, 'but with a full awareness of the rights and interests of the other nations with whom we are closely associated.'⁵⁸⁸ In 1962, the Kennedy administration withdrew the American offer, made by its predecessor, to supply the British with Skybolt air-to-ground missiles. This left the United Kingdom without a delivery system for its nuclear bombs, since a British ballistic missile had failed to get off the ground. Instead, in December 1962, Kennedy and Macmillan concluded an agreement at Nassau by which Britain acquired three nuclear submarines plus Polaris missiles. This force, including the nuclear warheads, was subsequently placed under NATO, (read American) command. Only in a national emergency, were the British entitled to use this force by themselves.⁵⁸⁹ In the communiqué

⁵⁸⁷ Bulmer-Thomas, vol. 2, p. 249.

⁵⁸⁸ A.M. Schlesinger, Jr. and Albert Schweitzer, eds., *The Dynamics of World Power. A Documentary History of United States Foreign Policy 1945-1973*, 5 vols. (New York, Chelsea House, 1973), here vol. I (R. Dallek, ed.), p. 687. Cited hereafter as *Documentary History*, I.

⁵⁸⁹ A.E. Jefremow, *De Europese veiligheid en de crisis van de NAVO* (Amsterdam, IPSO, 1976), vol. 2, p. 75; R.C. Mowat, *Ruin and Resurgence, 1939-1965* (New York, Harper & Row, 1968), pp. 344-345, 350.

issued after the Nassau agreement, in which Kennedy also for the last time emphasized the need for Britain's admission to the EEC, there were no references the Anglo-American fraternal relations either.⁵⁹⁰

Still, the revival of interest in Atlantic unity, which according to Beloff was 'the most striking feature of the discussion' during the first year-and-a-half of the Kennedy administration, inevitably worked to reactivate the 'orthodox' protagonists of Atlantic Union as well. Streit's *Union Now* was republished in combination with an autobiographical account, and in the course of 1961, enthusiasm about the future of Atlantic unity seemed to leave Kennedy's careful calculations behind. In *Foreign Affairs*, the chairman of the Senate Foreign Relations Committee, Fulbright, drew the picture of Great Britain, Canada, and the United States 'moving toward full participation' in European integration in order to establish the 'inner community' of a prospective world system.⁵⁹¹

In early 1962, therefore, the administration elaborated its concept of Atlantic unity in greater detail. 'It is not our intent to join the European Common Market', Secretary of State Rusk declared in an address on February 22. '...We look to a partnership between the United States and an increasingly unified Europe. The organs of Atlantic cooperation which are at hand—in NATO and the OECD—are the active instruments of that partnership'.⁵⁹² The Partnership concept had already been emphasized the previous month in a speech by the President on the Trade Expansion programme. 'An integrated Western Europe, joined in trading partnership with the United States, will further shift the world balance of power to the side of Freedom', Kennedy stated before Congress. Whatever reticence might have existed on the degree to which Atlantic unity was to be formalized, it was abandoned in the debate over its projected economic foundation, the proposed Trade Expansion Act. Requiring for its Congressional approval 'an unparalleled campaign to sell (the administration's) ideas', and eventually burdened by the escape clauses

⁵⁹⁰ *Documentary History*, I, p. 745.

⁵⁹¹ J.W. Fulbright, 'For a Concert of Free Nations', *Foreign Affairs*, vol. 40, no. 1 (October 1961), p. 17.

⁵⁹² *Documentary History*, I, p. 720.

already referred to, the Act granted Kennedy negotiating authority 'greater than ever before and incomparably greater than that under which the Dillon Round negotiators were struggling'.⁵⁹³

Significantly, one of the provisions of the Act aimed at completely liberalizing the market for technologically advanced equipment. Under the so-called 'Dominant Supplier Provision', the President was authorized to reduce to zero the tariff on products in which 80% of capitalist world trade was accounted for by the exports of the United States and the EEC combined, assuming British membership. This provision by its Atlantic demarcation aimed at the establishment of an integrated circuit of finance capital, including the intra-company division of labour aspect, at the North Atlantic level. As far as the American side was concerned, 'the passage of the Trade Expansion Act of 1962 represent(ed) in many ways a halt and partial reversal of the protectionist trend of the 1950's'.⁵⁹⁴

George Ball, Under-Secretary of State and one of the architects of the Trade Expansion programme, in April outlined the notion of an Atlantic Partnership more explicitly. In late 1961, together with Christian Herter and Will Clayton, Ball had proposed to make an Atlantic Partnership the basis for trade liberalization and the coordination of development aid. Now he repeated the advice. Ball stressed the value of the newly-formed OECD for coordinating economic policy between the North Atlantic states and for jointly organizing their intervention in the underdeveloped world via aid programmes. These two goals replaced the trade liberalization objective advanced by the original OEEC and reflected the structural growth of state intervention as well as the projected widening of the international circuit of finance capital beyond the North Atlantic area.⁵⁹⁵ On 4 July, finally, the President made his famous statement that the United States was 'ready for a "Declaration of Interdependence"', and was

⁵⁹³ Quotes from Baldwin, 'Trade Policy', p. 22, and Evans, *U.S. Trade Policy*, p. 7. Kennedy statement in *Documentary History*, I, p. 712.

⁵⁹⁴ Baldwin, p. 21; Evans, pp. 7-8.

⁵⁹⁵ Ball's statement in *Documentary History*, I, pp. 722, 726-728; cf. Max Beloff, *The United States and the Unity of Europe* (New York, Vintage, 1963), p. 137.

'prepared to discuss with a United Europe the ways and means of forming a concrete Atlantic partnership.'⁵⁹⁶

Concentrating the decisive military assets in American hands in the meantime was a crucial aspect of the Partnership concept. Both in defence spending and in the actual application of military force abroad, the Kennedy offensive reached unprecedented level of peace-time standards. The US defence budget for the first time since the Korean War broke the \$50 billion ceiling in 1962 (measured in 1960 dollars); more than one-third of all US armed intervention abroad in the period 1946-75 fell in the 1961-65 offensive.⁵⁹⁷ While the nuclear role of Western Europe was to be trimmed, a major sales drive was launched to supply the European armies with advanced weapons. Strangely, the contours of an emerging Atlantic military-industrial complex were thrown into relief by the establishment of the World Wildlife Fund in 1961 under the sponsorship of Prince Bernhard of the Netherlands. Next to the Dutch Prince, who as Inspector-General of the Dutch armed forces was in a position to influence arms purchases, such renowned friends of the animal world as the directors of Northrop and Lockheed, (and Lockheed agent for Europe, Fred Meuser) joined the new organization. Henceforward, this dimension of the Atlantic bond would increasingly conflict with the civilian-economic dimension expressed in the rise of a corporate-liberal bourgeoisie, interested in utilizing military research for establishing a technologically advanced infrastructure for supporting an autonomous internationalization of capital. Whereas the bourgeoisie associated with the latter tendency responded positively to the Partnership policy and even looked beyond it, the Atlantic liberals involved in US arms deals with Europe perforce remained committed to a much more subordinate Atlantic Union concept,

⁵⁹⁶ *Documentary History*, I, p. 742.

⁵⁹⁷ F. Vilmar, *Rüstung und Abrüstung im Spätkapitalismus. Eine sozio-ökonomische Analyse des Militarismus*, rev. ed (Reinbek, Rowohlt, 1973), pp. 36-41; B.M. Blechman and S.S. Kaplan, *Force Without War. U.S. Armed Forces as a Political Instrument* (Washington, Brookings, 1978), p. 556, table C-1.

and as Sampson writes, 'their weakness reflected in corruption and in increasingly "Latin American" attitudes'.⁵⁹⁸

The reassertion of the American nuclear monopoly, and the exponential proliferation of advanced conventional arms sales underlay the announcement by Secretary McNamara in June 1962 of a fundamental change in US military strategy. Henceforward, only Soviet military sites would be targeted in an American nuclear strike; enemy cities were to serve as hostages to keep the Soviet Union from retaliating. Commenting on the new strategy of 'flexible response', RAND analyst Malcolm Hoag wrote that 'independent nuclear options (had) become anachronisms.'⁵⁹⁹

Relations with France rapidly deteriorated as a consequence. From De Gaulle's 1958 memorandum and his refusal to have France participate in an integrated NATO tactical air force in 1959, tensions had developed in several stages. Ten days after McNamara had outlined the doctrine of graduated deterrence at a NATO meeting in Athens in May 1962, the French President gave a press conference in which he announced the formation of an independent Force de Frappe. Two days later, Kennedy declared that independent deterrents were undesirable. That autumn, an American offer to supply Polaris-equipped submarines was withdrawn. Following the Cuban missile crisis, De Gaulle publicly complained about not having been consulted by the American leadership. From there, the crisis in US-French relations spilled over to the apparently non-military problem of British admission to the EEC, of which in French eyes, after the reintegration of the British nuclear force in NATO, only the economic disadvantages remained.⁶⁰⁰

In a sense, Kennedy's Partnership strategy was effectively thwarted by the French decision to veto British EEC membership the following January. De Gaulle had well understood that militarily, as Dean Acheson's article in *Foreign Affairs* that month stated in both its title and its content, 'The

⁵⁹⁸ A. Sampson, *The Arms Bazaar* (London, Coronet, 1978), p. 113, cf. 123.

⁵⁹⁹ Malcolm Hoag, 'Nuclear Policy and French Intransigence', *Foreign Affairs*, vol. 41, no. 2 (January 1963), pp. 290, 293.

⁶⁰⁰ Mowat, *Ruin*, pp. 349, 351.

Practice of Partnership' would first of all mean a return to the American nuclear monopoly and hence, a controlling position for the United States in setting the parameters of international politics.⁶⁰¹ Speaking in Frankfurt in June 1963, Kennedy conceded that 'the Atlantic Community will not soon become a single overarching superstate. But practical steps towards a stronger common purpose are well within our grasp'. The future of the West, he maintained, 'lies in Atlantic partnership'.⁶⁰² One month later, he once again outlined the connection between Atlantic unity and American universalism which the EEC had failed to appreciate. 'In time', he told an Italian audience, 'the unity of the West can lead to the unity of East and West'.⁶⁰³

3. The Imperialist Imperative

The unity of East and West was still far away, however, and the Kennedy offensive hardly succeeded in overcoming the Cold War or avoiding confrontation with the Soviet Union. With respect to the socialist countries, the period even saw an upsurge of economic warfare against the Soviet Union and Eastern Europe. In the 1950s, the embargo imposed in the Marshall offensive gradually lost its effectiveness as revisions of the COCOM list of strategic goods failed to keep up with expanding trade between Western European and Eastern European states. In 1956, in order to capitalize on centrifugal tendencies in the Soviet orbit, Poland was even accorded preferential treatment by the United States and exempted from a number of COCOM restrictions. Although the Kennedy administration was inspired by Roosevelt's universalism and from this vantage-point sought to renew the approach of undermining the Soviet orbit of planned economies by conciliatory policies, the alarmist tone of the new President's campaign and initial policy statements cut across such a project. In 1961, Congress curtailed Presidential discretion with respect to Poland and Yugoslavia. Through a 1962 amendment to the Export Control Act of 1949, the list of goods which by their military significance were

⁶⁰¹ Dean Acheson, 'The Practice of Partnership', *Foreign Affairs*, vol. 41, no. 2 (January 1963)

⁶⁰² *Documentary History*, I, p. 767.

⁶⁰³ Quoted in Catlin, *Atlantic Commonwealth*, p. 49

considered harmful to the national security of the United States if exported to socialist countries was extended to cover goods of economic significance. The same year also brought 'a more important... and enduring limitation on the President's East-West trade policy making powers'.⁶⁰⁴

It was not until 1963 that the Kennedy administration was to brake this wave of economic warfare. The announcement of the Soviet-American wheat deal heralded a gradual normalization, to which the 1964 hearings on US East-West trade policy by the Senate further contributed. By this time, however, the impetus of the Kennedy offensive was spending itself, and further economic détente would be part of the process towards renewed contraction rather than expansion of American influence.

Redistribution in the Periphery

By their capacity to generalize the particular interests of the states involved to a transcendent 'Western' interest, as well as by its free trade aspect, the Atlantic unity offensives in the era of Atlantic integration always functioned as modes of imperialist redistribution to the benefit of the United States. The mobilization of European liberals and Social Democrats behind the American call for unity allowed US capital to penetrate into the European colonies and spheres-of-influence by holding out the prospect of and general reinforcement of capitalism, both in the metropolitan and in the peripheral areas. In line with the thrust of universalism, and crucial with respect to mobilizing Social Democrats in particular, an attempt was made to base imperialist dominance more firmly in the local class structure in the periphery. In the Kennedy offensive, even more than in the Roosevelt or Marshall periods, the Americans probed beyond established colonial rule or military dictatorships for moderate nationalist, middle-class groupings in the underdeveloped world.

This policy at the same time required a firm approach to those Third World states which were beyond imperialist manipulation. Embargoes

⁶⁰⁴ Wolf, *US East-West Trade Policy*, p. 79.

like those imposed against Eastern Europe therefore were used to isolate bridgeheads of socialist revolution in the periphery. Cuba was subjected to an economic embargo from 1959 on; to which, in 1963, the Foreign Assistance Act added sanctions against non-obliging third countries. In 1961, North Vietnam, too, was put under a virtual economic embargo by the United States.⁶⁰⁵ The positive counterweight to these measures was the establishment of the Peace Corps, which fitted into the tradition of Point Four, and the Alliance for Progress for Latin America.

Meanwhile, Africa and Asia remained target areas for American expansion, and prominent Kennedy men argued the need to link the quest for Atlantic unity with the resolution of remaining inter-imperialist rivalries in these areas. As Kennedy's eventual UN ambassador, Adlai Stevenson, warned in 1960, if the existing compartmentalization of the European and Atlantic economy would not be broken down, 'frictions will be spread to Africa as a last divisive legacy of colonialism.'⁶⁰⁶

By 1960, rapid decolonization allowed the Americans to lay their proposals before the political representatives of the newly emerging states directly. The United Nations offered an excellent arena for the promulgation of the principles of American universalism and for their absorption by Third World leaders eager to take part in the organization of a world of sovereign states along the outlines of the Atlantic Charter and the United Nations Declaration. American policy accordingly sought to create a stable basis for agreement between the 'First New Nation' and its more recent counterparts. As Kennedy's Assistant Secretary for International Organization Affairs, Harlan Cleveland, put it in 1961, American strategy was to 'help bind together the nations committed to the (UN) Charter into an international society' and to 'mobilize the moderate elements of the Assembly'.⁶⁰⁷

⁶⁰⁵ Ibid., pp. 74-75.

⁶⁰⁶ Adlai E. Stevenson, 'Putting First Things First: A Democratic View', *Foreign Affairs*, vol. 38, no. 2 (January 1960), p. 197.

⁶⁰⁷ Harlan Cleveland, 'The Road Around Stalemate', *Foreign Affairs*, vol. 40, no. 1 (October 1961), pp. 32, 36.

In the colonial mother-countries still clinging to their overseas possessions and dependencies, the rapid improvement of US-Third World relations caused grave concern. In his letter to President Kennedy of 13 February 1961, Spaak, explaining his resignation Secretary-General of NATO, put the question squarely. 'Does the United States attach more importance to the UN than to NATO? In other words, is it ready, in order to win the support or the friendship of the non-aligned countries, to go so far as to sacrifice the interests or to hurt the feelings of its NATO allies?' Referring to Suez and Algeria, Congo and Portuguese Africa as cases in point, Spaak went on to conclude that 'even if it is decided that NATO is not to have executive powers in the economic sphere, it ought nevertheless to remain the place where Western policy *vis-à-vis* the underdeveloped countries is laid down.'⁶⁰⁸

The special case in which the Belgian, now as foreign minister, was to face the consequences of the new American strategy was the Congo, where the United States operated 'regardless of the legitimate interests of its NATO partners' according to Spaak's view. 'At one time, the dream of swift decolonization, which dated back to the Roosevelt era, still inspired the policies of the State Department', he wrote in retrospect.⁶⁰⁹ In fact, it had taken several new appointments, notably Mennen Williams's, to bring home the change attitude in this respect as far as Africa was concerned, and even then, the new forces ran upon powerful vested interests.

In October 1962, Bowles, who had been made Kennedy's special adviser upon his removal from the State Department, visited the Congo. He discovered that an American mission, which had left before he arrived, was establishing a close relationship with Tshombe, the stooge of the foreign mining interests and self-appointed leader of the mineral-rich Katanga province. Believing that African policy thus was still dictated by the Department's European Bureau, 'which was itself influenced by the British, French and Belgian financiers who owned the copper mines in Katanga', Bowles intervened directly with Kennedy on the ground that American policy towards black Africa would be wrecked by sticking to

⁶⁰⁸ Spaak, *Memoirs*, pp. 349-351.

⁶⁰⁹ *Ibid.*, p. 359.

the reactionary course.⁶¹⁰ Eventually, Kennedy's personal decision was required before the United States backed UN action in the Congo, and Pentagon and State Department resistance was overcome.

Four years of factional struggles ensued, in which the popular left-wing leader Lumumba was murdered on American orders, while UN troops threw out the Russians and reestablished national unity. Various attempts to establish a moderate pro-Western leadership acceptable to American and European interests were made, but no stable ruling group emerged. When the UN troops left, Adoula, one of those tried in the years before and backed by the Belgian government on account of neo-colonialist calculations, assumed the government. Soon Tshombe took power again, but by then the ultra-imperialist approach to Third World disturbances was well on the wane, and the Americans now secured their interests by putting Colonel Mobutu in the saddle in 1965.⁶¹¹

In Asia, the Americans intervened when the Dutch refused to cede New Guinea, which they had retained at Indonesia's independence in 1949, to Sukarno. Under Eisenhower, the State Department, as with the Congo, had acquiesced in this colonial arrangement, and in 1958 Secretary Dulles assured the Dutch foreign minister, Luns, that the Netherlands could count on American support in the event of hostilities over the island.⁶¹² As late as 1954, Dulles in closed session of the Senate Foreign Relations Committee had declared that in his opinion independence had been given to Indonesia prematurely.⁶¹³

Kennedy reversed American policy, strongly suggesting a solution accommodating Indonesian aspirations. In late 1961, he appointed Averell Harriman to Far Eastern Affairs in order to get the pro-European

⁶¹⁰ Bowles, pp. 422, 424-425.

⁶¹¹ Cf. Peter Calvocoressi, *World Politics Since 1945* (London, Longman, 1968), pp. 349-366; Stephen E. Ambrose, *Rise to Globalism. American Foreign Policy 1939-1980* (Harmondsworth, Penguin, 1980), p. 377.

⁶¹² J.G. de Beus, *Morgen, bij het aanbreken van de dag* (Rotterdam, Donker, 1977), pp. 272-276.

⁶¹³ *SFRC*, vol. VI, p. 23.

conservatives in the State Department under control; and in a letter to the Dutch Prime Minister in April 1961, he warned that moderate elements would be eliminated if it came to a confrontation. In that case, 'the entire free world position in Asia would be seriously damaged'.⁶¹⁴

The Congo and New Guinea affairs, testifying also to the role of bureaucratic resistance to Kennedy's Grand Design, of course pale in significance compared to the developments in Vietnam. The militarized liberals of the Kennedy administration as early as 1961 recommended the introduction of regular US troops to deal with Vietnamese insurgency. General 'Big' Minh, the 'moderate nationalist' alternative to Ngo Dinh Diem who was assassinated after several American requests to resign, was able to stay in power for only two months. The American assumption of the global police role that the European powers had relinquished in the 1956-1965 period, paved the way for a resumption of European economic initiatives in the Third World at a later stage. In the meantime, the Indo-China war would contribute greatly to the loss of American hegemony over Europe, and even precipitated the crisis of corporate liberalism as such.

The Role of the AFL-CIO

The redistributive aspect of the Kennedy offensive and its strong universalist accent made the Southern Hemisphere the major target for American imperialism. In the area of shaping labour relations the emphasis was likewise on the underdeveloped regions. 'From an economic standpoint', Cox writes of this period, 'official policy promulgated by agencies such as ILO, the Organisation for Economic Co-operation and Development (OECD), and the League Nations Special Fund viewed the improvement of the quality of labor, mainly through occupational training, as a "preinvestment" condition for economic development... From a political standpoint, the struggle for the ideological allegiance of labor in less developed countries escalated. Somewhat more subtle were efforts to export models of industrial

⁶¹⁴ Quoted in De Beus, p. 408.

relations systems to these countries through bilateral aid programs and through intergovernmental agencies concerned in this field of policy.’⁶¹⁵

The American trade-union leadership was active in both dimensions, but the weight accorded to either the political dimension (i.e., combating Communism) or the economic dimension varied for each of the two main traditions combined into the AFL-CIO. In spite of the merger of 1955, differences between the AFL and the CIO had not been fully overcome. Abroad, the CIO tended to adopt what amounted to an offensive position: this had been the case Marshall era already, when Victor Reuther of the United Auto Workers (UAW) had been the principal CIO envoy in Europe. At the time, he and his brother Walter had led the struggle against the anti-Communist hardliners in the AFL leadership. In their attitude towards Communism, the Reuther brothers were generally closer to the Kennedy and early Johnson administrations than to the AFL.⁶¹⁶

In 1961, as part of the Alliance for Progress, the American Institute for Free Labor Development (AIFLD) was established in order to aid the development of stable local class structures capable of averting inherently instable military dictatorships. The AFL, however, interpreted their mission as intended to prevent progressive governments from taking or holding power. Walter Reuther’s 1966 accusation that the AFL-CIO worked with the CIA was based in particular on the AIFLD experience.⁶¹⁷

In this respect, the Kennedy offensive brought a repeat performance of the Marshall episode, in spite of its more consistently universalist platform. Again, the specific AFL contribution to expanded trade-union activities abroad fitted into this offensive much easier than would have been the case had the Kennedy policy lived up to its lofty declarations of intent. The conflict with the UAW accordingly was postponed to a juncture in which the full consequences of American activism abroad became

⁶¹⁵ Robert W. Cox, ‘Labor and Transnational Relations’ in R.O. Keohane and J. S. Nye, eds., *Transnational Relations and World Politics* (Cambridge, Mass., Harvard University Press, 1973), pp. 212-213.

⁶¹⁶ Windmuller ‘American Labor’, pp. 222-226.

⁶¹⁷ *Ibid.*, pp. 215-217; Radosh, pp. 415 etc.

visible, and when the gradual contraction of US foreign involvement allowed a certain thaw in East-West relations.

By then, the aggressive anti-Communism of the AFL had lost touch with the realities of the American international position, which in the eyes of both allies and opponents no longer allowed the self-righteousness of the preceding period. The walk-out of the American trade-union representatives at the June 1966 ILO Conference to protest the election of a Polish chairman provided the occasion for Reuther's attack. His action was rebuffed at a special meeting of the AFL-CIO Executive Council, but it was the overture to departure of the UAW from the federation.⁶¹⁸

⁶¹⁸ Windmuller, p. 213.

8

The Meridian of Atlanticism

1. The Consolidation of Corporate Liberalism

The Kennedy offensive was the last episode of Atlantic unity in the context of Atlantic integration. The Marshall Plan had mobilized the European liberals and terminated the experiment with national reconstruction based on a broad class truce. In the subsequent period, contraction of American involvement in Europe produced a contradictory array of policies which in one way or another fostered European independence. Behind the essentially transitional resurrection of the vestiges of the state-monopoly tendency, like protectionism and nationalism, this independence, however, served to mobilize the forces of modernization, especially after the reactionary imperialist option had to be abandoned after Suez. When the Kennedy administration launched its Atlantic offensive, the level of restructuration of class relations had been reached at which, for both the American and the Western European bourgeoisie, a concept of Atlantic Partnership, striking a balance between American hegemony and European aspirations, represented an adequate expression of their combined interests.

Lerner and Gorden, who between 1955 and 1965 conducted five opinion surveys among business and bureaucratic elite panels in Britain, France, and West Germany on the issue of Atlantic relations, found 1961 to be the watershed year in terms of European acceptance of American hegemony

and of the mode of accumulation on which it was based. 'Europe moved from a phase of anxiety in the first postwar decade, under the impact of "Americanization", into a phase of accelerated growth... Our survey shows that by 1961, as the visible benefits became apparent midway through the second decade, the European elites entered a phase of acceptance... An appreciation of American practices was consolidated which unprecedented acceptance of American policies among the opinion leaders and decision makers of postwar Europe.'⁶¹⁹ The conversion of the mainstream Western European bourgeoisie to Fordism, neo-colonialism, and other 'American practices' at this juncture, however—and this was crucial with respect to overall Atlantic relations—'reposed upon a solid basis of confidence in America's power and purpose in world affairs.'⁶²⁰

At a subsequent stage, 'America's power and purpose' became a liability to the corporate-liberal bourgeoisie in Europe, and a series of rival international concepts, like the *Ostpolitik* and the New International Economic Order, would be developed instead, reciprocated by Trilateralism emanating from the United States. In 1960-1965, however, the thrust towards the consolidation of corporate liberalism in Europe, accelerated by the renewed American offensive, was still respectful of American hegemony and remained within the coordinates of Atlantic integration, both at the working class and the bourgeois levels.

Social Democracy and the 'New Working Class'

In the course of the 1950s there was a considerable waning of American influence in European trade-union affairs. As anti-Communism lost its immediate urgency to the European trade-union leadership, AFL-CIO influence within the ICFTU decreased proportionately.⁶²¹ Moreover, the commitment of effort on the part of the American unions themselves faltered in the context of a general contraction of US involvement abroad. In January 1954 Senator Hubert Humphrey, in a discussion of Communist influence in the Western European labour movement, complained that not

⁶¹⁹ Lerner and Gorden, *Euratlantica*, pp. 27-28.

⁶²⁰ *Ibid.*, p. 40.

⁶²¹ Cox, 'Labor and Transnational Relations', p. 212.

enough was being done by the US unions. Citing France and Italy (and India) as cases in point, Humphrey told Secretary Dulles that he 'happen(ed) to know that the CIO and AFL put hundreds of thousands of dollars in that effort' but that today, they seemed to have 'run out of energy'. Dulles could only confirm Humphrey's observation.⁶²² Similarly, foreign unions dependent on American funds, like the French Force Ouvrière, declined in national influence during this period.⁶²³

At the same time, however, that US trade-union influence was contracting, the adoption of American production techniques and forms of work organization was producing new differentiations within the European working class—a trend that was accelerated during the Kennedy offensive. The notion of a 'new working class' became the standard label for describing this process of the restructuration of the European working class as a consequence of Americanization and Fordism. The idea was given a paradigmatic formulation in Serge Mallet's well-known book, *La nouvelle classe ouvrière* (1963)—a collection of case studies of which the first, on the French Caltex refinery, was dated 1958.⁶²⁴ In production processes of this type, characterized by a high organic composition of capital, a specifically Western European restructuring of the occupational hierarchy took place, resulting in an unusually large category of middle-level technicians. In the United States in the late 1960s, professional engineers substantially outnumbered middle-level technicians, but in Western Europe, 2 to 4 technicians worked alongside every professional. This was reflected in the fact that the discussion of the 'new working class' was a specifically European concern; in the United States (aside from a small intellectual current in the student movement), the theoretical discussion of modern forms of labour aristocracies remained centred on skilled craftsmen.⁶²⁵

⁶²² SFRC, vol. VI. Pp. 33-35, cf. P. 28.

⁶²³ Godson, *American Labor*, p. 132.

⁶²⁴ Serge Mallet, *La nouvelle classe ouvrière*, 5th ed. (Paris, Le Seuil, 1969).

⁶²⁵ Braverman, p. 246; K.H. Hörning, 'Der "neue" Arbeiter? Eine kritische Diskussion industriesoziologischer Untersuchungen', in Hörning, ed., *Der 'neue' Arbeiter. Zum Wandel sozialen Schichtstrukturen* (Frankfurt, Fischer, 1971), p. 22.

Capital reacted to the rise of technical labour by introducing management techniques befitting the level of education and training of the new workers. Since neither traditional authoritarianism nor Fordist paternalism were adequate for dealing with self-conscious workers handling advanced production processes, a degree of apparently autonomous socialization of production was allowed to develop. In reality, workshop autonomy, job rotation, and other devices tended to subordinate workers to capital anew, under the conditions of fully automated production (most widespread in the chemical and electrical-machinery industries). *Neo-fordism*, as Palloix has called this further stage of subordination (which he moreover associates with a specific international division of labour) therefore represented both an apparent leap forward for the 'new' workers' autonomy and a renewed appropriation by capital of the informal relations among these workers.⁶²⁶

In the United States, where the number of new worker-technicians was limited and the mobility between social classes was relatively high, the recomposition of the working class did not significantly affect working-class politics in the 1960s. In Western Europe, on the other hand, the proportion of new workers was greater, and had a more salient impact on the more sharply defined class structures. The rise of the new labour processes and the spread of technocratic ideology nurtured a new current within the workers movements, Social Democracy in particular. (Even in West German) engineers and technicians, unlike the United States, were overwhelmingly oriented to the left-liberal and social-democratic part of the political spectrum.⁶²⁷) Ideologically this new tendency represented an amalgam of state-socialist tradition with the productive-capital concept of control in the context of the ascendancy of international finance capital. It resulted in the organizational breakthrough of a distinctly corporate-

⁶²⁶ Christian Palloix, 'The Labour Process: From Fordism to Neo-Fordism', in R. Panzieri *et al.*, *The Labour Process and Class Strategies* (London, CSE, 1976), pp. 65, 62. H. Gottschalch, 'Humanisierte Arbeit? Kritik sozialpsychologischer Strategien zur Humanisierung der Arbeitswelt', *Blätter für deutsche und internationale Politik*, vol. 22, no. 8 (August 1977), pp. 1007-1009.

⁶²⁷ Gerd Hortleder, *Ingenieure in der Industriegesellschaft* (Frankfurt, Suhrkamp, 1973), p. 76.

liberal element in European Social Democracy, most prominently represented by Willy Brandt and François Mitterrand.

In Germany, the rise of Brandt coincided with a rapprochement with German capital. As the future President Heinemann noted in 1954, the SPD in 1918 had made peace with the Western political system; next, the party would have to make peace with the Western economic system.⁶²⁸ The 1959 Godesberg Programme did just that. It allowed a further penetration of capitalist ideology and actual capitalists into the SPD. Whereas before, only some firms in the food and retail industry had entertained relations with the party, in the early 1960s prominent capitalists like Deist of the Bochum steelworks and Möller, the insurance director, declared themselves socialists or close to socialism.⁶²⁹

As Braunmühl has shown in her biographical sketch of Brandt⁶³⁰, his technocratic internationalism and, hence, loyalty to the offensive configuration of Atlantic capitalism, had been a constant theme in his politics. While Brandt's star rose through the various incidents at the Cold War frontline at Berlin, it was Kennedy himself who perceptively understood the meaning of Brandt's attitude for his eventual strategy of Atlantic Partnership. In his seminal 1957 article in *Foreign Affairs*, Kennedy wrote that 'American policy (had) let itself be lashed too tightly to a single German government and party'. Declaring, somewhat prematurely, that 'the age of Adenauer is over', Kennedy argued that 'the fidelity to the West of the Socialist opposition is unquestionable, and yet sometimes our statements and actions seem almost to equate them with the puppet regime in East Germany.' Significantly, Kennedy traced the rise of the Brandt tendency in the SPD to more fundamental changes in European

⁶²⁸ Quoted in H. Schreiber and F. Sommer, *Gustav Heinemann, Bundespräsident* (Frankfurt, Fischer, 1969), p.118.

⁶²⁹ Braunthal, p. 211.

⁶³⁰ Claudia von Braunmühl, *Kalter Krieg und friedlicher Koexistenz. Die Aussenpolitik der SPD in der Grossen Koalition* (Frankfurt, Suhrkamp, 1973).

society, warning that 'in all of Europe a new generation is coming to power, and it is dangerous to become alienated from them'.⁶³¹

These changes also affected Atlantic trade-union relations. From 1960 on, when the SPD overtly attuned its policy to the NATO line, there was a marked improvement of relations between the AFL-CIO and the SPD which extended to relations with the DGB. This amelioration of the Atlantic climate at the labour level was further enhanced by the erection of the Berlin Wall in August 1961.⁶³² In 1961, however, Brandt, then Mayor of West Berlin and SPD candidate for the Chancellorship, made clear that his Atlantic allegiance went beyond military-strategic dependence. Atlantic integration for him represented a potential for developing the productive forces and the long-term stability of a humanized capitalist order. 'A Western weakness is revealed in the fact that the highest degree of integration achieved by a large number of nations is in the field of defence' (Brandt wrote). 'An elementary striving for security provisions stronger than the recognition that effective union is necessary in the economic and political fields... (the North Atlantic Alliance) might be strengthened as a means of cooperation and integration'.⁶³³

As we shall see below, however, the actual partners of the United States in Germany during the Kennedy offensive were the liberal elements: Erhard, Friedrich, and others. Only during the second half of the 1960s were the German Socialists admitted into the government. Brandt, as Minister of Foreign Affairs, in this function was able to take up the Stresemann policy of expansion into the East, which dovetailed with the interests of German capital and represented a reemergence of the *Mitteleuropa* strategy of interwar vintage.

In the Netherlands, the Socialist Party (PvdA) likewise in 1959 adopted a new party programme. This programme converted the anti-capitalism of the previous programme (dating from 1947) to a corporate-liberal

⁶³¹ Kennedy, p. 50.

⁶³² Link, *Gewerkschaften und Geschäftsleute*, p. 96.

⁶³³ Willy Brandt, 'The Means Short of War', *Foreign Affairs*, vol. 39 no. 2 (January 1961), p. 202.

approach, in which capitalism was treated as a residue from an earlier era and the 'new workers' were expressly catered to. The Socialists only briefly participated in a Centre-Left coalition in 1965-66. The modernizing generation within Social Democracy in this period emerged in the form of a 'New Left' tendency, combining elements of détente policy with technocratic tenets. The Socialist Party leadership had suspended party subsidies to its student organization, considered too far to the left, but soon found itself challenged by a host of new groups from the membership. From the broad array of student and democratization movements, a technocratic tendency eventually was able to take over the PvdA.⁶³⁴

In Belgium the combination of Atlanticism and technocracy became hegemonic within Social Democracy during the Kennedy offensive. It was embodied by Spaak and Spinoy respectively. The combination of the two policy lines provided the key ingredient in the government of the Christian Democrat Lefèvre which entered the stage in 1961 after the belated reorientation to metropolitan Fordism and the Atlantic circuit of capital which the loss of the Congo finally imposed on the Belgian economy. Spaak, who had just left his post as Secretary-General of NATO, 'was the political exponent of Atlanticism in Belgian politics'.⁶³⁵ Spinoy, on the other hand, 'could boast unconditional support of the Flemish Socialists in parliament and of the Flemish trade-union leadership. In fact, Spinoy was a functional complement to the ruling duo Lefèvre-Spaak. Spinoy represented the hold on the Ministry of Economic Affairs by the technocratic and pragmatically thinking generation in the Belgian Socialist Party.'⁶³⁶ Although this was not the first time the Belgian Socialists participated in the government, at no earlier occasion had the Atlantic dimension combined so clearly with the simultaneous penetration of the

⁶³⁴ Rob Kroes, 'The Influence of the American New Left on Dutch Political Life', in A.N.J. den Hollander, ed. *Contagious Conflict. The Impact of American Dissent on European Life* (Leiden, Brill, 1973), pp. 21, 27.

⁶³⁵ André Mommen, 'De ontwikkeling van staat en kapitaal in België (1960-1968)', *Tijdschrift voor Diplomatie*, vol. 7 no. 1 (September 1980), p. 15.

⁶³⁶ *Ibid.*, pp. 15-16.

technocracy associated with the new industries prominent in recently industrialized Flanders.

As far as the British Labour movement was concerned, the adoption of perspectives associated with corporate liberalism likewise was accompanied by the rise of a new generation in the leadership headed by Hugh Gaitskell. The permeability of the Labour Party to the policies espoused by Gaitskell derived from a perennial susceptibility of the Labour Party to modernization and to the idealism of the American offensives. Labour policy, Nairn notes, had been shaped in the course of a gradual transition from the Empire to the Commonwealth, and the Grand Design of the Kennedy offensive with respect to the newly emerging nations fitted well into the set of concepts developed by Labour in this process.⁶³⁷

The impact of the Fordist mode of accumulation on class consciousness among British workers was corroborated by the influential work of Anthony Crosland, *The Future of Socialism* (1956). Inspired by his discussions with the red-baiting American journalist Daniel Bell, whom he knew from the CIA-sponsored Congress for Cultural Freedom (CCF) and the *New Leader*, Crosland adopted Bell's ideas on the irrelevance of class struggle ideology to the modern living conditions of the working class. Crosland's ideas, in turn, were adopted by Gaitskell, who also had close links with the *New Leader* and the CCF, and who actually had been a participant (with Crosland, Bell, Denis Healey, and Rita Hinden) in the 1955 CCF Conference in Milan at which the 'end of ideology' thesis was extensively debated.⁶³⁸

The conflict between the old generation of reformist socialists and the new one of corporate liberals in the Labour Party came to a head in 1959. The day after Labour's election defeat, Crosland, Roy Jenkins, and Douglas Jay met at Gaitskell's house and agreed that a break with the socialist heritage of the Party had become mandatory. Within a week Jay wrote an article demanding the abandonment of the clause referring to

⁶³⁷ T. Nairn, *The Left Against Europe?* (Harmondsworth, Penguin, 1973), pp. 75-76.

⁶³⁸ *Radical Research Services*, p. 11.

'common ownership of the means of production' in the Labour Party programme. *Socialist Commentary* in early 1960 commissioned a public opinion survey (which the Labour Party had not been able to pay for itself) to show that the nationalization demand indeed was a liability to the Party. However, at the Party conference of 1960, Gaitskell's attempt to delete the nationalization plank ('clause four') met with unexpected resistance from the trade unions; on another issue, that of defence policy, the Campaign for Nuclear Disarmament succeeded in having its demands adopted by the conference. With Gaitskell challenged on all sides, the Labour right wing went over to the attack. In October 1960, 25,000 copies of a pro-Gaitskell pamphlet were distributed by a committee chaired by Fabian General Secretary William Rodgers. Generous support from anonymous sources allowed Rodgers to set up office and establish the Campaign for Democratic Socialism, which challenged the Labour Party majority and the unions with an unprecedented and successful propaganda campaign. Anti-nuclear sentiment was channelled into opposition against an independent British deterrent, thus underwriting Kennedy's interpretation of an MLF.⁶³⁹

With loyalty to NATO restored, the relation to the EEC remained a source of contention within the right wing itself. When Gaitskell in 1962 united the Party in opposition to Britain's application for EEC membership by mobilizing nationalist sentiment, he alienated the Rodgers group, and the pro-Marketeers turned to Roy Jenkins instead.⁶⁴⁰ In October 1964, the general election brought Labour to power. Its election manifesto had pledged renegotiation of the Nassau/Polaris agreement and reiterated the Party's opposition to independent nuclear deterrents or a Norstad MLF. Embarking on a policy of tripartite corporatism, formalized in the National Economic Development Council of 1961 and accepted by the TUC in 1962-63, the Atlanticist Labour leadership of Gaitskell, Callaghan, George Brown and notably, Harold Wilson, yet failed to mobilize the working class behind corporate liberalism. As Middlemas writes, 'The compromise embodied in Harold Wilson's attempt to break out of the vicious old circle of debate about socialism into the new painless world of

⁶³⁹ Ibid., p. 12; Middlemas, p. 396.

⁶⁴⁰ Nairn, p. 46; *Radical Research Services*, p. 13.

technology and intervention via industrial regeneration was not completed'.⁶⁴¹ The NATO allegiance of the Wilson government was embodied by Denis Healey as Secretary of Defence. Besides other activities referred to already, Healey in 1958 following a Bilderberg discussion with Shepard Stone of the Ford Foundation participated in setting up the Institute of Strategic Studies in London as a NATO think tank.

In Italy, the Kennedy offensive likewise coincided with the entry into the government of the (majority) Socialists of Nenni, who had formerly been excluded. The opening to the left was motivated by a wish to secure the allegiance of the non-Communist trade unions to a policy of consolidation of the 'miraculously' developed economy. A pro-Atlantic position on the part of the Socialists was made a *sine qua non* of government participation.⁶⁴² The existence of a Socialist minority party which was the product of the Marshall offensive (the PSDI) put this party in the better position in the 1963 elections and its gains compared favourably to a slight percentage loss of the PSI. The real breakthrough of a new generation in the Italian Socialist Party rejecting Marxism and oriented to corporate liberalism was of a later date.

This was also the case in France, where the equivalent of the Godesberg Programme was adopted by the new Parti Socialiste (PS) in 1972. Although the new working class had politically manifested itself before—in the CFDT and in the radical left party PSU (of which significantly, Mendès-France had become a member as well)—it failed to live up to the vanguard role it had been prophesized to perform in the May 1968 revolt.⁶⁴³

⁶⁴¹ Middlemas, p. 396, cf. p. 411.

⁶⁴² S.H. Barnes, 'Italy: Oppositions on Left, Right, and Center', in R.A. Dahl, ed., *Political Oppositions in Western Democracies* (New Haven, Yale University Press, 1966), pp. 326-327.

⁶⁴³ H. Lange, 'Gewerkschaftliche Aktion und politisches Bewusstsein der wissenschaftlich-technische Intelligenz in Frankreich', in R. Vahrenkamp, ed., *Technologie und Kapital* (Frankfurt, Suhrkamp, 1973); K. Hänsch, 'Frankreich', in J. Raschke, ed., *Die politischen Parteien in Westeuropa* (Reinbek, Rowohlt, 1981), pp. 182-183.

As Farhi writes, the alliance between the big bourgeoisie and small capital in Southern Europe as a consequence of a relatively undeveloped capitalism postponed the rapprochement between finance capital and the new workers along American and Northern European lines. This prevented the crystallization of a modern Social Democratic party capable of developing a partnership with finance capital, and left the mass of the workers to strong Communist parties.⁶⁴⁴ Mitterrand in France, and to some extent, Craxi in Italy, (like Papandreou in Greece, Gonzales in Spain, or Soares in Portugal) are in the process of both modernizing Social Democracy in the Godesberg sense and breaking the hold of the Communists over the workers in their respective countries. Although this process no longer can be directly associated with the American Atlantic offensives, it still represents an instance of the international extrapolation of the original New Deal synthesis. Its immediate centre, however, is Northwestern Europe; its Roosevelt is Willy Brandt and the Socialist International; and its universalist concept is the New International Economic Order.

European Liberals and the Perils of Partnership

The Kennedy offensive also created the conditions in which the liberals and Liberal parties in Europe were able to recover lost ground in national politics. This renewed prominence was a function of the reassertion of Atlanticism and the corollary decline of 'Euronational' options, but also reflected the underlying changes in class formation. In some aspects, the new liberalism was rather close to its former self, as it expressed a resurgence of the money-capital concept elicited by the specific opportunities American industrial expansion held out to internationally-oriented European commercial and bank capital. But then, the Liberal parties and tendencies were also subject to the restructuring towards corporate liberalism spurred on by the American offensive. To the extent this was the case, their Atlanticism tended to be attuned much more to the Partnership arrangement.

⁶⁴⁴ A. Farhi, 'Europe: Behind the myths', in T. Nairn, ed., *Atlantic Europe? The Radical View* (Amsterdam, Transnational Institute, 1976), p. 85.

In Italy, the Liberal Party (PLI) profited from the Centre-Left coalition inspired by the Kennedy offensive only in a negative way. The PLI, because of its association with Fascism, had lost the bulk of its electoral support to the DC after the war. As far as specific fractions of the capitalist class were concerned, the PLI in the 1950s organized the private and private-family capitalists sticking to an orthodox liberal concept. When a Centre-Left solution of the blocked political situation in Italy began being contemplated in the DC, Confindustria, the employers' organization, took its distance from the party and supported the PLI. In 1963, this support contributed to the electoral success of the PLI, which was able to mobilize conservative voters disaffected by the Centre-Left strategy PLI by the DC under Fanfani; the party scored a post-war high of 7%.⁶⁴⁵

The Fanfani policy aimed at securing the hegemony of the corporate-liberal fraction in Italy and was congruent in key respects with the Atlantic Partnership concept. Its main bulwark in the capitalist class was the advanced Torino group of FIAT and Olivetti. In the 1950s, FIAT concentrated upon developing the domestic market, in which it enjoyed a virtual monopoly. As Valletta, FIAT head in this period and chairman of CEPES, testified, 'the basic market is the domestic market'. By the early 1960s, however, FIAT was realigning its strategy to combine domestic accumulation with internationalization (the linchpin of adopting the Atlantic Partnership perspective). According to Sampson, it was Kennedy himself who suggested to Valletta the idea of cooperation with the Soviet Union that ultimately resulted in the construction of the Togliattigrad car works. Valletta's successor, Agnelli, was prominent in the neo-liberal party PRI and favoured a conciliatory, offensive approach to the working class (the corporation had a tradition of accommodating its skilled workers). For his part, Olivetti, who died in 1960, even claimed to have built a 'new kind of enterprise going beyond socialism and capitalism.' His attempt in 1959 to establish an American foothold by acquiring Underwood, however, proved too ambitious.⁶⁴⁶ In 1964, Aurelio Peccei of FIAT, who later became known as the founder of the Club of Rome and

⁶⁴⁵ Meynaud, *Classe dirigeante*, p. 77.

⁶⁴⁶ Sampson, *Anatomy of Europe*, p. 121; *Fortune*, September 1960, p. 137.

sponsor of the New International Economic Order concept, was put at the head of Olivetti.⁶⁴⁷

Through its support for Fanfani and the dynamic state sector seeking to replace the sterile and defensive rightwing bloc of the 1950s, the Torino group collided with a reactionary industry coalition composed of Pirelli, Falck, Pesenti (Italcementi), Confindustria, and the electricity holdings fearing nationalization. Scorning the PLI, therefore, the corporate-liberals of the Torino group supported the small PRI. The Secretary-General of the PRI, La Malfa, became Minister of the Budget in the Centre-Left coalition and introduced the economic planning legislation intended to consolidate the rapid capital accumulation of the previous 'miracle' period. The inclusion of the Socialists was also meant to serve this purpose, but when La Malfa decided on a sharp deflationary turn of economic policy in 1964, the PSI considerably harmed its relations with the trade unions.⁶⁴⁸

In France, the situation was much complicated by the rise of Gaullism and the further strengthening of presidential powers in 1962. The policy of compromise with small capital initially had reinforced the right-wing liberals of Premier Pinay's Independent Party, CNIP. De Gaulle's policy of rejecting American hegemony and the emphasis on the French nuclear strike force led to Pinay's dismissal as Premier in January 1960, but this was not the last crisis caused by the President's apparently anti-American policy. When in May 1962, De Gaulle again lashed out against the United States in his press conference on the French nuclear force, the CNIP members in the one-month old Pompidou government were instructed to vacate their government posts. Unlike the MRP ministers, the Independents refused to follow the instruction of their party however. V. Giscard d'Estaing, De Broglie, and Jacquinet, representing the upper layer of the bourgeoisie and, more generally, the most international fraction of

⁶⁴⁷ Sampson, *Anatomy of Europe*, p. 90.

⁶⁴⁸ D. Murphy, 'Italien', in J. Raschke, ed. *Die politischen Parteien in Westeuropa* (Reinbek, Rowohlt, 1981, p. 306.

French big capital, by their decision to stay broke with the fraction of small capital organized in the CNIP.⁶⁴⁹

This episode marked a crucial development in class and party formation in France, reflecting the underlying shift towards the hegemony of the corporate-liberal synthesis. Pinay's Independents, representing small capital and the middle classes were associated with 'the discredited Fourth Republic and with the values of what was rapidly becoming an obsolete, rurally oriented society'.⁶⁵⁰ Giscard's Independents on the other hand represented the fraction of French capital keyed to the liberalization of the international economy spurred on by the American offensive and domestically were able to mobilize the younger and more urban bourgeoisie.⁶⁵¹

As Minister of Finance in a cabinet led by another banker (Rothschild director, Georges Pompidou), Giscard was in a key position to take the necessary measures for reinforcing the French franc at the expense of French industrial capital. Domestically, a liberal deflationary policy was launched in September 1963. Next, in 1964 Giscard proposed a plan for creating extra monetary liquidity to deal with Atlantic currency problems, to be distributed in proportion to the gold holdings of the various participating countries. This plan was undermined both by the opposition of the United States and by De Gaulle's hard line on a return to the gold standard. The latter's concern, highlighted by the President's February 1965 press conference on the subject, shows that Giscard's policy was tied to the specific circumstances characterized by the American offensive, to which the liberal Giscard was much more responsive than the nationalist entourage of De Gaulle.

When the American offensive subsided and the climate for working out Atlantic arrangements deteriorated due to American policy in Vietnam, Giscard in January 1966 was removed from his post; 'partly', according to

⁶⁴⁹ Cf. Granou, p. 75.

⁶⁵⁰ Carter, *Government*, p. 40.

⁶⁵¹ A. Babeau and D. Strauss-Kahn, *La Richesse des Français* (Paris, Presses Universitaires de France, 1977), pp. 149-151; cf. Hänsch, p. 206.

Davidson and Weil, 'because of the apparent failure of his domestic anti-inflation program, but partly also because of his suspected readiness to work for an agreement with the United States'. His successor, Debré, geared French monetary policy back to the gold standard doctrine favoured by the Gaullists.⁶⁵²

Still in the period of Atlantic unity, Giscard's group participated in an attempt to create a single liberal party out of the various scattered factions. In this moment 'vital to their class' in Gramsci's sense, the Radical Socialists of Servan-Schreiber, Lecanuet's Centre, and Giscard's *Républicains Indépendants* between 1963 and 1965 tried to form a unified liberal party capable of attuning itself to the changed circumstances of the new presidential system, economic rationalization, and decolonization. Conflicts within the constituent parties, as well as the results of the elections in the late 1960s, terminated the undertaking. Only in 1972, did the Centre and the Radical Socialists join forces as a new party, the *Réformateurs*. Servan-Schreiber's party, which carried on the tradition of Mendès-France's modernizing Radical Party, in its following resembled the adherents of Giscard's Independents, but the big capitalists supporting it (notably the Schlumberger group), like Mendès-France and Servan-Schreiber themselves, traditionally had preferred a partnership policy to the all-out liberalism of the Atlantic Union tendency. The Centre, finally, inherited a corporatist tendency from the Christian Democrat MRP. Its president, Lecanuet, who had been the last president of the MRP before it was dissolved in 1966, was a pronounced Atlanticist.⁶⁵³

At the organizational level, therefore, the unified Liberal party did not materialize, and neither did the Liberal parties attain a good election result in 1962. The impact of the Kennedy offensive in the relatively insulated political system of Gaullist France remained limited to the temporary prominence of Giscard following his break with Pinay. But because of his apparent loyalty to De Gaulle—which in Giscard's case rested upon an appreciation of the strong executive established in 1962

⁶⁵² I. Davidson and G. Weil, *The Gold War* (London, Secker & Warburg, 1970), p. 188.

⁶⁵³ Hänsch, pp. 188, 193. The Schlumberger group subsequently shifted its support to Mitterrand and the reformed Socialists.

rather than on his support for the policy of national independence—Giscard lost the support of the outright Atlanticists and liberal Europeanists, who turned to Pinay instead.

The most prominent representative of the Atlantic Partnership or Euramerican concept in France was Jean Monnet. 1962 was Monnet's year of triumph, in which he thought the partnership of equals between the United States and the EEC, by which the Soviet Union could be effectively checked, was actually materializing. In Monnet's view, this would entail European military autonomy as well. 'Equal partnership must also apply to the responsibilities of... common defence', he wrote in an Italian newspaper in April 1963. 'It requires, amongst other things, the organization of a European atomic force including Britain and in partnership with the United States.'⁶⁵⁴

Monnet's concern over a European defence role fitted narrowly into his concern for the modernization of French industry, but also reflected his concept of making the Americans support French initiatives towards channelling West German ambitions into supra-national arrangements, a tradition established by Briand. The establishment of a corporate-liberal synthesis in Western Europe as a bulwark against socialism was Monnet's ultimate ambition, setting him apart from his former associate, Pleven, who tended to shrink from upsetting traditional economic arrangements in France.⁶⁵⁵

The web of economic interests in which Monnet and his associates were active is particularly revealing. Himself associated in the late 1920s with Blair and the Bank of America, Monnet's eventual network in private finance comprised the Lazard Frères, Lehman, and Goldman, Sachs groups in New York, which after the war increasingly gravitated to the Rockefeller orbit. Pierre Uri, Monnet's right-hand man, was European director of Lehman Bros. Lehman partner George Ball, the architect of the

⁶⁵⁴ Quoted in A. Buchan, 'Partners and Allies', *Foreign Affairs*, vol. 41 no. 4 (July 1963), p. 623; cf. Sampson, *Anatomy of Europe*, p. 11.

⁶⁵⁵ Cf. Pierre Mendès-France, *Choisir (Conversations avec Jean Bothorel)* (Paris, Stock, 1974), pp. 49-50.

Partnership policy, had close relations with Monnet due to his activities as legal counsel of the ECSC and the French delegation to the Schuman Plan negotiations. Robert Marjolin, one of Monnet's assistants in the First Modernization Plan, a proponent of Keynesianism and a member of the Socialist Party, subsequently joined the Chase Manhattan board.⁶⁵⁶

The views espoused by Monnet and the corporate-liberal bourgeoisie increasingly challenged the Gaullist Euronational concept that they so far had travelled along with. Lerner and Gorden found that the French elite panels they interviewed showed a rising appreciation of Atlantic integration, to the point of becoming opposed the Gaullist policy in the post-1965 period. In 1965, Pinay was offered enormous sums of money if he was willing to run against De Gaulle as a Europeanist and liberal candidate. French capitalists, according to a poll held at the time by the magazine *La Vie Française* among the presidents of the top-100 major French companies, were almost evenly split between De Gaulle and Lecanuet, who eventually accepted the offer Pinay turned down.⁶⁵⁷

All along, the Americans were attempting to intervene directly in French politics. In a conversation in December 1960, recorded by Alphand, Couve de Murville complained that 'it was indecent of the Americans to pay French politicians and parties', of which he claimed to have proof. Alphand suggested that Couve see Allen Dulles, the head of the CIA, to discuss the matter. But, as Couve told him, it was Dulles who made the payments.⁶⁵⁸

It would take until the 1968 crisis, and the further maturation of corporate liberalism and the accumulation pattern on which reposed, before the majority of the French big bourgeoisie came to accept the need for a more flexible political system, capable of digesting serious social challenges more smoothly than Gaullist one-party rule. In June 1968, family outsider Edmond de Rothschild in *Le Monde* argued for the need of

⁶⁵⁶ Claude, *Le pouvoir et l'argent*, p. 153; Menshikov, *Millionnaires*, p. 298; *Fortune*, August 1968, p. 102.

⁶⁵⁷ Lerner and Gorden, p. 116; Claude, *Le pouvoir et l'argent*, pp. 150-151.

⁶⁵⁸ Alphand, p. 347.

a third force between Right and Left in France. His support for Poher's candidacy against Pompidou, the confidant of the main Rothschild branch at the Rue Laffitte, in the Presidential elections of 1969 did not bring the desired result however.⁶⁵⁹

In West Germany, the resurgence of Atlantic liberalism contributed to a re-entry of the liberal Free Democrats into the government. In the spring of 1961, some time before the elections, newspapers under the influence of industry began to stress the need to draw the FDP back into government, even if the Christian Democrats secured an absolute majority in the upcoming elections. This was motivated by the need to balance the labour wing of the CDU.⁶⁶⁰

The 1961 elections were a victory for the renewed FDP. After the decline in the 1950s, the party, in which the corporate liberals meanwhile had secured hegemony, won 12.8% of the vote: its best performance before and since. One of the leaders of the modernists who now dominated the party, future Federal President and eventual chairman of the Bilderberg Conference, Walter Scheel, became Minister of Economic Cooperation, a post which significantly had been left vacant after FDP Chairman Blücher had vacated it in 1956.

In the course of its re-entry into the government, a significant episode took place which brought out the shift from small capital to the big bourgeoisie within the FDP, and in this respect may be compared to developments leading to the split between Pinay's and Giscard's Independents in France. In the new government, the post of Minister of Finance went to H. Starke, the general manager of the Chamber of Commerce in Bayreuth, a small town in Bavaria. Starke represented the tendency in the small and medium bourgeoisie that tended to interpret the anti-cartel and liberal line pursued by the Minister of Economic Affairs, Ludwig Erhard, as an anti-monopolistic policy.

⁶⁵⁹ Claude, *Le pouvoir et l'argent*, pp. 144-145.

⁶⁶⁰ Braunthal, p. 209.

The real thrust of capital accumulation in this period, however, was towards concentration and internationalization of the strongest capitals, in spite of such apparently 'populist' instances of liberalism as the lowering of property taxes or the re-privatization of Volkswagen in 1961. The freedom of the big banks was consolidated by the new bank law in 1961, and within the corporate structure, the smaller owners' interests were seriously prejudiced. Under the Nazi law which remained valid until 1956, changing the legal status of companies and special tax provisions encouraged the majority owners to proceed with consolidating their hold on the companies in their orbit. A court decision in 1962 terminated resistance of the small shareholders.⁶⁶¹

Starke's appointment at the key Ministry of Finance, therefore, was intolerable to the upper layer of the bourgeoisie, who in the prevailing circumstances were reinforcing their position and who were led by Otto Friedrich, the informal leader of the Atlantic Union tendency in the German bourgeoisie. Friedrich instead favoured the appointment of R. Dahlgrün, the president of the Economic Affairs Committee in the Bundestag and a fellow director of his in the Phoenix rubber company, partly owned by the American Firestone concern. Friedrich's preferences prevailed and in December 1962 the troublesome Starke was removed from his post and succeeded by Dahlgrün.⁶⁶² Blessed with the prominence of the liberals and the hegemony of the big owners' point of view, bank capital and retail interests fared particularly well in the profit-distribution process from 1963 on.

In Belgium, the fate of the liberal Party in the Kennedy offensive resembled that of the Italian PLI. Here, too, the modernizing elements in the bourgeoisie acted through the Christian Democrat and Socialist parties to capitalize upon the opportunities offered by the combined effects of the penetration of American methods of production and actual American investment. The Lefèvre-Spaak government, which ruled from 1961 to 1965, and the short-lived Harmel-Spinoy cabinet which held power until

⁶⁶¹ Jörg Huffs Schmid, *Die Politik des Kapitals. Konzentration und Wirtschaftspolitik in der Bundesrepublik* (Frankfurt, Suhrkamp, 1975), pp. 94-95.

⁶⁶² Braunthal, pp. 210-211.

February 1966, were the vehicles for this strategy. They launched a full-scale attack on the backward, rentier-dominated structure of the Belgian economy. The tax system was radically altered and a system of advance payments was introduced facilitating tax control of rentier incomes, while at the same time diminishing the dependence of the Belgian state on the traditional financial interests. Also due to the loss of the Congo, rentier incomes declined in the Kennedy offensive period in Belgium.⁶⁶³

The Liberal Party by default was pushed to the right, but its electoral success in the 1965 and 1968 elections (after which it declined again) was primarily based on its ability to capitalize upon processes of rationalization and deconfessionalization characteristic of the period, notably in Flanders. Its success in penetrating formally Christian and working-class sanctuaries in this region (to which end the party abandoned its anti-clerical posture and renamed itself the Progress Party (PVV/PLP) in 1961, did not extend to Wallonia. The conservative element in the party here was dominant. Still in 1974, the Walloon and Brussels liberals drew 75 to 80% of their votes from the small bourgeoisie; whereas in Flanders, almost half of Liberal voters were workers.⁶⁶⁴

In Britain, the marginal position of the Liberal Party prevented it from adequately expressing the modalities of class formation. Yet the liberal effect of the Kennedy offensive was again noticeable, as it had been in 1950. The 1959 general election went to Macmillan, but 'what was more surprising was the spectacle of a modest Liberal revival'.⁶⁶⁵ The Liberals put up the greatest number of candidates since 1950, and on the average increased their vote in the districts where a Liberal candidate stood, resulting in an increase of their seats in Parliament from six to nine. The Macmillan cabinet meanwhile resorted to deflation again in 1960. Rentier interests still were strong, and 1961 brought renewed measures to defend their cherished pound against impingement by expansive policies. By now, such expansion immediately threatened the balance of payments,

⁶⁶³ Hansen, *Fiscal Policy*, p. 98.

⁶⁶⁴ J. Hartmann, 'Belgien', in J. Raschke, ed., *Die politischen Parteien in Westeuropa* (Reinbek, Rowohlt, 1978), p. 60.

⁶⁶⁵ Bulmer-Thomas, p. 237.

since the failure to modernize British industrial capacity translated rising demand straight into growing imports for which no competitive exports compensated. When an expansive policy was tried again by the new Chancellor of the Exchequer, Maudling, in 1962, it led to a new balance of payments crisis, forcing the Wilson government to make a deflationary turn again soon after its assumption of power in 1964.⁶⁶⁶

The Dutch Liberals, finally, had already entered the government in 1959, but the De Quay cabinet was of a marked conservative and narrowly Europeanist orientation except for the Atlanticist Ministry of Foreign Affairs. Still in 1960 and 1961, the government resorted to credit restrictions to put a brake on industrial expansion; the corporatist mechanisms of collective bargaining were abandoned from 1959 on. In the Defence Ministry, which was held by the Liberal Party VVD, the two tendencies, Atlantic and European, confronted one another, and following a serious conflict the Europeanist sphere-of-interest line triumphed. The initial minister, Unilever director Sydney van den Bergh, in the struggle over the choice of a new fighter plane then in progress seemed willing to contemplate the Northrop Freedom Fighter on the basis of a direct transaction with the Americans. Others in the Defence Department, however, were more responsive to the plan of the German Minister of Defence Strauss to produce Lockheed Starfighters through a German-Belgian-Dutch consortium. Strauss estimated that the Lockheed deal would allow German industry to develop a modern arms manufacturing capacity which fitted into his strategy for a European nuclear force. Rumoured contributions to the CSU party treasury in this case may have helped to underscore this preference, since a choice for the likewise available Dassault Mirage was attractive to Strauss from this very vantage point, too.⁶⁶⁷ After Van den Bergh had sent the Dutch air force chief Schaper to California to find out about the Northrop plane, a scandal involving the Minister's private life was sensationalized in the French and German press which led to his fall. His successor Visser, the secretary of the Dutch employers organization, had worked with the Germans during World War Two and was more inclined to yield to West German

⁶⁶⁶ Ibid., p. 259; Menshikov, *Economic Cycle*, pp. 267-278.

⁶⁶⁷ Sampson, *Arms Bazaar*, p. 27.

pressures. Following discussions with Strauss in December, 1959, the De Quay cabinet decided to buy the Starfighter.⁶⁶⁸

With the formation of the Marijnen cabinet in 1963, based on the same parties, liberalism was reinforced, with the Atlantic aspect particularly prominent. At the Defence Ministry, Visser was replaced by the Catholic navy officer and former state secretary, P. J. S. de Jong, who subscribed to the Atlanticist tradition of the Dutch Navy. The MLF plan, which hitherto had been rejected, now was endorsed by the Dutch government as a means to strengthen Atlantic integration and prevent other countries from achieving nuclear independence.⁶⁶⁹ The Atlanticist turn in the Netherlands in 1963 was in part relayed through Germany; the formation of the Erhard government notably 'raised the hopes of the free-traders'.⁶⁷⁰ When in 1965, a conflict over the liberalization of the media brought down the government, the Liberal Party did not return in the next cabinet.

In all European countries, the Liberal parties were directly affected by the Kennedy offensive and the processes of class formation which it sought to guide by its Atlantic Partnership policy. In Germany and France, the growth of the FDP and RI both expressed the rise of modernizing technocracy and the predominance of the Atlantic fraction of the bourgeoisie. In Belgian Flanders, the Liberal Party also showed signs of developing in this direction, but in Wallonia, its middle-class constituency made for a conservative orientation of the party. The corporate-liberal impulses developing in the class structure accordingly were translated into actual policy by a Christian Democrat/Socialist coalition. In Italy, a similar pattern occurred: while the Liberal party PLI was forced into the conservative position demanded by a constituency of the lesser bourgeoisie, a Centre-Left coalition undertook to modernize the country's economic structures. The PRI, which in some respects approximated the

⁶⁶⁸ *De Waarheid*, September 9 and 11, 1976; *Rapport van de Commissie van Drie, Onderzoek naar de juistheid van verklaringen over betalingen door een Amerikaanse vliegtuigfabriek* (The Hague, Staatsuitgeverij, 1976), p. 196.

⁶⁶⁹ A. van Staden, *Een trouwe bondgenoot. Nederland en het Atlantisch Bondgenootschap 1964-1974* (Baarn, In den Toren, 1974), pp. 102-105.

⁶⁷⁰ De Bruin, *Les Pays-Bas*, p. 74.

profile of the renewed FDP in Germany or the British Liberals, had a negligible: following in the country, however (about 1 %). In the Netherlands, the Liberal Party VVD was a conservative party, comparable to the PLI.

The Christian Democrat Response

Within Christian Democracy, the liberal tendency again won the upper hand in this period. In Germany, NATO allegiance was the major factor, and the renewed adherence to American leadership was of importance also for the shift in the position of Dutch Christian Democracy. In Italy, the restructuration of class relations to fit the Fordist accumulation pattern was the major factor, and this dimension was also decisive in Belgian Christian Democracy. Hence, the course of events in the two trendsetting countries of Germany and Italy can illustrate the larger pattern of events.

In Germany, Erhard's position within the CDU was reinforced again from 1960 on. Having lost considerable prestige as direct American intervention in German affairs diminished, Erhard at the close of the 1950s had several serious clashes with Adenauer on economic policy. His effectiveness was prejudiced by the fact that Berg, the conservative leader of the organization of German industry, had privileged access to the Chancellor in these matters. Only in March 1961, did Erhard, the then Minister of Finance Etzel, and the President of the Bundesbank (and Schacht's former collaborator) Blessing, succeed in convincing Adenauer of the immediate necessity to embark on a policy of deflation and revaluation of the Deutschmark. After this success for the Liberals, on which Berg was not consulted in advance, the Atlantic turn within the CDU was accomplished in several steps.

In November, the Christian Democrat Schröder, the director of Klöckner steelworks, at the insistence of the FDP became the new Foreign Minister in the coalition government. Schröder's Atlanticism not only had been reinforced by the record sales of his company in the United States, but also because of his conciliatory policy towards Eastern Europe and the Soviet Union, which dovetailed with Kennedy's offensive approach. Within the

CDU, it was Schröder who, together with Erhard and Thyssen director Birrenbach led the opposition against the Paris treaty with France.⁶⁷¹

In December 1962 the *Spiegel* case against Strauss, which arose out of a confrontation between the new American and the existing West German strategic doctrines, led to the dismissal of the Bavarian advocate of German nuclear capability. Polls held immediately afterward showed that Strauss's fall was strongly approved of by Left and Liberal voters, but CDU/CSU voters, and notably the Catholics among them, were still divided and confused. *Der Spiegel's* role in the reaffirmation of the Atlantic alliance and liberal democracy, moreover, cost it the advertising accounts of the traditionally continentalist Hoechst chemical concern and of the Bosch electrical engineering company.⁶⁷²

In the course of 1963, Kennedy's appearance at the Berlin Wall, which underlined the American guarantee, reinforced the Atlanticists' position. In October, Erhard succeeded Adenauer as Chancellor. Although Adenauer as chairman of the CDU continued to attack the liberal Atlantic turn, and Schröder in particular (whom he reproached for spoiling the relation with France by dropping the demand for a reorganization of NATO);⁶⁷³ the trend towards renewed acceptance of Atlantic integration was not reversed.

In Italy, during the 1950s, the combined weight of the small middle class, and notably, the small farmers' organization, Coldiretti, had provided the conservative capitalists organized in the Confindustria and the landed interests in the Confagricultura allied with them with a sufficient following to keep the DC to the Right once the liberalizing impulses of the Marshall offensive had subsided.⁶⁷⁴ Parallel to the split in

⁶⁷¹ H.-J. Axt, 'Kontinuität und Wandel sozialdemokratischer Westeuropa-Politik von 1945 bis heute', *Blätter für deutsche und internationale Politik*, vol. 24, no. 2 (February 1979), pp. 282, 285; *Fortune*, April 1960, p. 86.

⁶⁷² O. Kirchheimer and C. Menges, 'A Free Press in a Democratic State? The Spiegel Case', in G.M. Carter and A.F. Westin, eds., *Politics in Europe. Five Cases in European Government* (New York, Harcourt, Brace & World, 1965), pp. 130-131.

⁶⁷³ Grewe, *Rückblenden*, p. 639.

⁶⁷⁴ Murphy, 'Italien', p. 320; Meynaud, *Classe dirigeante*, p. 78.

the employers' front, however, which led to a separate organization (Intersind) regrouping the dynamic public industries in 1957, a modernizing tendency developed in the DC. This tendency, represented by Gronchi, Mattei, Vanoni and Fanfani, sought to put into practice a concept of control based on the reconciliation of big capital and the organized working class. In contrast to the German situation, modernization of social relations in Italy required an opening to the Left, and the traditionally 'Mediterranean' and 'Third Worldist' outlook of the Fanfani group gave it excellent credentials among Social Democrats in particular. Among the Italian Communists, who began taking their distance from the Soviet Union from 1956 on, this strategy eventually evoked a certain sympathy as well, although for the time being, Fanfani's aim, as he publicly confirmed, was still to 'woo the Socialists away from the Communists'.⁶⁷⁵

Rather than taking the Atlantic dimension as their point of departure, the Italian Christian Democrats gave priority to considerations of domestic stability during the transition to the new phase of political development necessary for controlling the restructuration of existing class alliances. At the DC Congress of January 1962, at which the decision to attempt an opening to the Left was made, guarantees as to the maintenance of capitalist relations of production and imperialist allegiance had to be explicitly added so as not create the impression that a transition to socialism was being prepared.⁶⁷⁶ The forces supporting the Centre-Left solution have been mentioned already. Confindustria, sticking to the undiluted capitalist viewpoint and close at the time to the PLI, opposed the arrangement, which contributed to the sharp decline of the organization's influence in the 1960s.⁶⁷⁷ Contrary to the markedly Atlantic Union orientation which prevailed in Germany and the Netherlands during the Kennedy offensive, the Italian episode had a distinct Atlantic Partnership, and even 'Gaullist' quality, which was brought out by such instances as FIAT's Togliattigrad project, and by agreements with France in which the Italians supported French industrial innovations (like SECAM

⁶⁷⁵ Barnes, p. 325; *Club Turati*, pp. 9-11.

⁶⁷⁶ Barnes, pp. 326-327.

⁶⁷⁷ Martinelli, Chiesi, and Dalla Chiesa, p. 259, fig. 3.

colour television) and military prototypes (notably the Mirage fighter plane and the AMX 30 tank).⁶⁷⁸

2. The Emergence of Atlantic Fordism

The American offensive was in full swing when Kennedy was assassinated in late 1963. For at least two more years, American policy remained geared to the offensive configuration of social imperialism and the internationalization of finance capital. Until his own election in November 1964, Lyndon Johnson, who took Kennedy's place, 'was... thought of, and was acting, as the care-taker of the Kennedy Administration'.⁶⁷⁹ Johnson was inherently more willing to follow a moderate foreign policy, but he was propelled by the forces set in motion during the previous two years and felt obliged, among other things, to escalate the US military presence in Vietnam which the Kennedy cabinet had decided just before the President's fatal visit to Dallas.

Domestic reform still was being framed in the expanding context of economic growth and commitment abroad, and Barry Goldwater's conservative alternative was particularly inopportune in 1964, the year of the Civil Rights Act. In the course of the election campaign, Johnson obtained a congressional mandate 'to take all necessary steps, including the use of armed force' in South-East Asia in the Tonkin resolution of August 1964. Once again, a 'peace' candidate drawing on a legitimacy won by social reform obtained a mandate for entering a foreign war. The Tonkin resolution was 'signed by Congress in an atmosphere of urgency that seemed at the time to preclude debate', Senator Fulbright, who accomplished the feat, wrote in retrospect.⁶⁸⁰

Popular consensus was only consolidated when, following his landslide victory, the architect of Tonkin announced his Great Society Program in the State of the Union address of January 1965. Promising further

⁶⁷⁸ *Club Turati*, p. 12.

⁶⁷⁹ Williams, 'The Large Corporation', pp. 102-103.

⁶⁸⁰ J. W. Fulbright, *The Arrogance of Power* (Harmondsworth, Penguin, 1970), p. 58. Degler, pp. 131-132.

measures in line with the anti-poverty program promulgated one year earlier, the President thus rewarded the working-class and black voters who had turned out massively to vote for the Democratic ticket. A limited medical insurance programme, educational and regional measures, as well as a softening of immigration laws meant to accommodate 'ethnic' groups, was duly enacted.⁶⁸¹

These measures were not just calculated tricks to obtain a free hand in Vietnam. They were designed to satisfy rising popular aspirations, and were made possible by continued economic expansion. But whatever the degree of honest compassion with the poor and underprivileged on the part of those who devised and administered the new social legislation, its function was to reinforce the legitimacy of the Executive in serving the interests of American capitalism, and these in turn could only be served in a context of international expansion. Vietnam was seen as the test of US willingness to support its interests in the periphery at large, apart from the importance of South-East Asia proper as a source of tin, tungsten and rubber.

The social-imperialist mechanism connecting domestic reform with self-righteous expansion was always in one way or another consciously articulated by the top leadership. In the case of Lyndon Johnson, the basic idea was presented to him when he sought expert advice on a grand conception befitting his new responsibilities. The historian and later special consultant to the President, Eric Goldman in a private meeting on 4 December 1963, explained to Johnson that mounting social tensions were threatening the effectiveness of both domestic and foreign policy. Encouraged by the President, Goldman went on to point out that 'faced with such situations, past Presidents had drawn the country together by calling upon the doctrine of national interest... and (emphasizing) the Office of the Presidency as "the steward" of the needs and aspirations of the general population.' Referring to Theodore Roosevelt as a proponent of this strategy, Goldman stressed that 'it was important to do this... because a too sharply divided nation was an immobilized nation,

⁶⁸¹ Degler, pp. 131-132.

incapable of carrying out a coherent foreign policy or meeting the demands of the domestic scene. A President who effectively identified himself with the national interest was in a position to lead away from the stale, obstructive emotions associated with past divisions... towards the kind of attitudes that met changed circumstances'.⁶⁸²

Historical awareness of the social-imperialist mechanism, of course, could not by itself control the objective processes it sought to grasp, which were operative irrespective of the degree of consciousness on the part of the actors in them. By 1965-66, both the optimism and economic boom had spent themselves, and the contradictions of the attempt to overcome domestic class struggle by a mixture of reform and expansionary policies came to the surface. The emancipation struggle of the black population, in particular, threatened to push beyond the limits envisaged by liberal reform. With Black Power rising behind the peaceful figure of Reverend King, 'white backlash took on a new meaning as well'.⁶⁸³ The countermobilization of the white middle class also affected the attitude towards the war in Vietnam. Support for American intervention there shifted from the optimistic idealism of the New Mandarins to a more vitriolic and reactionary nationalism.

As long as domestic economic expansion lasted, the corporatist truce dictated by near-full employment remained intact. The guideposts programme reached a high-water mark in 1964, the year of the Tonkin resolution, when it was given a more prominent place in the economic policy of the Johnson Administration. 'The year 1964 was perhaps the heyday of the guideposts', Mills writes, 'in which they experienced an unusual degree of overt presidential support'.⁶⁸⁴ Union support for the Vietnam war developed in line with the general expansion of the American economy. As unemployment went down and war orders began

⁶⁸² E.F. Goldman, *The Tragedy of London Johnson* (New York, Alfred Knopf, 1969), p. 7.

⁶⁸³ Miller and Levitin, *Leadership*, p. 57.

⁶⁸⁴ Mills, p. 41.

pouring in, the unions in this respect probably spoke for a majority of American workers. 'The war was far away and jobs were a reality'.⁶⁸⁵

American economic policy with respect to the profit distribution process in the Kennedy offensive at first seemed to stick very much to the balanced budget philosophy of the 1950s. The emphasis was on incremental tax measures rather than on stimulating industrial production by expansive budget policy, incidental injections apart. Under Johnson, a major tax revision was enacted. By that time, the profit share of manufacturing, industrial share prices, and overall corporate income were already moving upwards, so that the meaning of the tax cut lay primarily in the profit-distribution sphere rather than in making Kennedy's campaign pledge to 'get the nation moving again' come true.⁶⁸⁶ The 1964 tax cut reduced effective corporate tax by introducing new depreciation schedules and a 7% investment tax credit. This contributed to sustaining the current rate of investment, and in terms of profit distribution the benefits accrued particularly to corporations. Dividends, on the other hand, profited from the 1964 tax cut only with considerable delay.⁶⁸⁷

The expansion of the American economy interacting with the Kennedy offensive simultaneously was extrapolated to the Atlantic level through foreign investment. In the Marshall offensive, the export of 'public' capital, i.e., the US government-to-government loans and assistance programmes, had accounted for a negative balance for the USA in the Atlantic economy; now, various forms of investment in Europe produced a comparable negative balance. This is brought out in Table 1.

⁶⁸⁵ Foner, p. 22.

⁶⁸⁶ Hansen, pp. 483-484.

⁶⁸⁷ A.M. Okun, 'Measuring the Impact of the 1964 Tax Reduction' in W.W. Heller, ed., *Perspectives on Economic Growth* (New York, Vintage, 1968), pp. 33-37, 45. Raymond Vernon, *Sovereignty at Bay. The Multinational Spread of US Enterprises* (Harmondsworth, Penguin, 1973 [1971]), p. 71, table 3-4.

TABLE 1
Movement of Capital in the Atlantic Economy, 1946-1973
(balance of capital exports in the US
balance of payments with Europe in \$ 000,000)

	1946-49	1950-55	1956-60	1961-65	1966-70	1971-75
Net Outflow	-8,931			-5,027		
Net Inflow		5,514	1,762		17,754	32,461

Source: Calculated from the Statistical Supplement to the Balance of Payments 1958 and Survey of Current usiness 1967-1974 by A.V. Kirsanov, *USA und Westeuropa. Wirtschaftsbeziehungen heute* (Berlin, Akademie-Verlag, 1978), table 25, p. 245.

The wave of American investment in Europe causing the negative balance was composed of several elements. First, there was a jump in portfolio investments, from \$1.8 billion in 1957 to \$5.4 billion in 1964, at which level they remained, roughly speaking, for the rest of the decade.⁶⁸⁸ US direct manufacturing investment in Western Europe grew from \$2.1 billion to \$6.5 in the same years, but in 1969 had reached \$12.2 billion already.⁶⁸⁹ In the initial phase of the Kennedy offensive, American capital moved mainly to 'other Europe' which may be roughly equated with the EFTA countries (with a strong over-representation of Britain), whereas by 1963-64, the continental EEC share in incoming US direct investment was relatively enlarged. In terms of capital fractions, the rise of US direct investment in Europe in this period notably concerned productive capital. As far as European investment was concerned, a comparable movement towards the internationalization of productive capital to the United States became visible only from 1968 onwards. It took until 1973 before Western European productive investment in the United States reached the level of

⁶⁸⁸ W. Woodruff, *America's Impact on the World. A Study of the Role of the United States in the World Economy, 1750-1970* (London, Macmillan, 1975), p. 253, table vii..

⁶⁸⁹ Raymond Vernon, *Sovereignty at Bay. The Multinational Spread of US Enterprises* (Harmondsworth, Penguin, 1973 [1971]), p. 71, table 3-4.

the hitherto predominant European direct investment in American bank, insurance and oil ventures.⁶⁹⁰

The Kennedy and Johnson administrations attempted to stem the outward flow of capital in order to prevent the deterioration of the US balance of payments and protect the integrity of the American domestic economy and the social-imperialist compromise worked out in its context, but their measures only served to accelerate the internationalization process. The Interest Equalization Tax of 1963, meant to prevent US money capital being used for internationalization of production, led to the creation of the 'Euro-capital' market; the 'voluntary balance of payments program' launched in 1965 and, notably, its conversion to an obligatory programme in 1968 further swelled the Euro-capital (and Euro-money) markets.⁶⁹¹ Together with US bankers' concern to prop up their domestic competitive position as 'world-wide' institutions, internationalization of bank capital in response to these developments led to a synchronization of the international circuits of money and productive capital as international finance capital. By then, a truly Atlantic capital seemed imminent, not only involving an intra-company division of labour in the context of a reintegration at the Atlantic level of the circuits of commodity, money, and productive capital, but also engendering a commensurate format of labour relations and profit distribution.

An Atlantic Format of Labour Relations

In the same period, a form of 'company feudalism' specifically associated with the international spread of American industry, but restricted in its positive effects to the better-off workers, developed in the context of the ICFTU. In November 1964, at the Automotive Department meeting of the

⁶⁹⁰ H. Krägenau, *Internationale Direktinvestitionen 1954-1973. Vergleichende Untersuchung und statistische Materialien* (Hamburg, HWWA, 1975), pp. 90-91, table A.1.4; pp. 100-101, table A.2.3. T. Etty and K. P. Tudyka, 'Wereldkoncernraden: vakbonden en hun "kapitaalgerichte" strategie tegen multinationale ondernemingen', *Te Elfder Ure*, vol. 21 no. 2 (1974), pp. 361-363.

⁶⁹¹ Junne, *Eurogeldmarkt*, pp. 34-35; J.-P. Koszul, 'American Banks in Europe', in Ch. P. Kindleberger, ed., *The International Corporation. A Symposium* (Cambridge, Mass., MIT Press, 1970), p. 281. Ibid., p. 363.

International Metalworkers Federation in Frankfurt, a decision was taken to establish World Corporation Councils. This form of organization represented an extension of the corporatism practiced by the International Trade Secretariats, and was an initiative of Walter Reuther of the UAW.⁶⁹² From 1966 on, WCCs were formed in the automobile, chemical and, rubber industries, practically all in the North Atlantic area. The WCCs tended to push up the wage level in the European affiliates of US companies and accordingly caused frictions between American and European trade unionists as long as the latter stuck to their national bargaining strategy.⁶⁹³

The WCCs fostered the crystallization of a privileged fraction of workers. The Michelin WCC stated the purpose of its organization was protecting the interests of the 'long serving workers' in 'the prosperous parts of the world'.⁶⁹⁴ The flow of benefits increasingly became a two-way affair, benefiting American employees of internationalized firms as well, but all the same remained confined to privileged workers in the Atlantic area. 'By holding out the possibility of international trade unionism', a trade-union leader wrote, 'the ITSs and WCCs have simultaneously held back the development of stronger forms of working-class organisation and smoothed the way for the further growth of the transnational corporations.'⁶⁹⁵ Pointing out the selective solidarity of the WCCs, Etty and Tudyka in their study quote a UAW pamphlet stating that the WCCs are 'an insurance for the strong and at the same time the best hope of strength for the weak'.⁶⁹⁶

However, the Kennedy offensive stopped far short of the full internationalization of US industrial relations, and by the late 1960s

⁶⁹² T. Etty and K. P. Tudyka, 'Wereldkoncernraden: vakbonden en hun "kapitaal-gerichte" strategie tegen multinationale ondernemingen', *Te Elfder Ure*, vol. 21 no. 2 (1974), pp. 361-363.

⁶⁹³ *Ibid.*, p. 363.

⁶⁹⁴ Quoted in E. Hildebrandt, W. Olle, and W. Schöller, 'Multinational Corporations and Internationalisation of the Trade Unions', paper, ECPR workshops, Louvain-la-Neuve, March 1976, p. 14.

⁶⁹⁵ J. S. Baker, 'Trade Union internationalism and the supranational state', *Capital & Class* 5 (Summer 1978), p. 97; cf. Cox, p. 206.

⁶⁹⁶ Etty and Tudyka, pp. 386-387.

Atlantic unity at the level of the comprehensive international union organizations was breaking down. As we shall see in the next chapter, in line with the brief hegemony of an independent-spirited corporate-liberal bourgeoisie in Europe, the Fordist compromise would be recast in a European framework, in which the German co-determination tradition would become the frame of reference European trade-union organization.

The Flow of Portfolio Capital

The acceleration of the internationalization of American capital after the establishment of the EEC affected the various segments of the bourgeoisie associated with it differently. Interacting with different forms of foreign investment and national differences in profitability, the prominence of either rentier or real capital in the American economy may be tentatively associated with particular concepts of Atlantic unity through the profit-distribution process.

The rate of profit realized by American capital in Europe was the rate of profit of European capital or slightly above it. This rate of profit was well above the rate attained by American firms operating in the United States during the 1950s. Under these circumstances, the internationalizing manufacturing ventures tended to gravitate to the critical mass of interests clamouring for a strong dollar, like banks, oil companies, owners of savings, and portfolio investors with interests abroad.

In the early 1960s, domestic operations became more important again as a consequence of expansion under the Kennedy offensive. The rate of profit of American manufacturing at home rose above the profit rate on all US foreign direct investment, and approximated the rate attained by American capital in Europe. Although direct investment in Europe kept on increasing, US industrial capital gained a new interest in domestic production and internationalization through commodity exports. The expansion of the military budget, and the Vietnam War, all played their part in this respect.

After the European recession of 1966-67, rates of return on American capital in the area improved significantly, and restored, in terms of economic policy coalitions, the situation of the late 1950s.⁶⁹⁷ This time, however, American direct investors in Europe represented a much more important fraction of aggregate US foreign investment. Whereas in the 1950s, European holdings only accounted for about 5% of all profits made through foreign direct investment; by 1970 it had risen to almost 15%.⁶⁹⁸ In contrast to the general rate of profit in the United States, profit rates of major American multinationals, which had fallen from their war levels except for the late 1950s, after 1965 again stabilized or even, in the case of General Motors, increased.⁶⁹⁹

For American portfolio investors in Europe, the rate of return varied greatly for different countries. During the period 1951-69, the mean rate of return on common stock owned by US investors was 17.1% for investments made in Germany, 10.6% in Italy, 9.7% in the Netherlands, 8.6% in France, 6.2% in Britain, and 3.6% in Belgium (portfolio investments in US companies brought a mean rate of return of 11.5% to American investors).⁷⁰⁰ As to the actual firms invested in, chemical companies were most important as far as Germany was concerned. 25% of the capital of the successor companies of the IG Farben combine (BASF-Bayer-Hoechst) at the beginning of the 1950s was owned by foreigners, notably Swiss and American investors.⁷⁰¹ The most important investment object in Italy was Montecatini, a renowned 'blue chip' on the New York Stock Exchange. Philips, KLM, Royal Dutch/Shell (one of the first major European concerns to be introduced at the New York Stock Exchange in 1954) were the favourite shares as far as Dutch capital was concerned. For France, it was Péchiney, while Unilever and British Motors were

⁶⁹⁷ Klaus Busch, *Die multinationalen Konzerne. Zur Analyse der Weltmarktbewegung des Kapitals* (Frankfurt, Suhrkamp, 1974), pp. 136-137; Ch. Layton, *L'Europe et les investissements américains* (Paris, Gallimard, 1968), p. 41.

⁶⁹⁸ Calculated from Krägenau, pp. 94-95, table A.1.7.

⁶⁹⁹ J. R. Hiller, 'Long-Run Profit Maximization? An Empirical Test', *Kyklos*, vol. 31 no. 3 (September 1978), p. 484.

⁷⁰⁰ H. Levy and M. Sarnat, 'Devaluation Risk, Portfolio Balance and International Capital Flows', *Konjunkturpolitik*, vol. 22 no. 5 (1976), p. 314.

⁷⁰¹ *Fortune*, March 1961, p. 88.

favourites in Britain.⁷⁰² Significantly, in the early 1960s a restructuration of American portfolio investment in Europe began, corresponding to the level of development reached by European capital in terms of Americanization and the growth of finance capital. As *Fortune* reported in 1962, 'the more sophisticated investors in Western Europe have recently been turning their attention to banks, insurance companies, and companies that serve the consumer market.'⁷⁰³ German and Dutch insurance companies, German banks, and Dutch Robeco investment company, Belgian Gevaert, and French Perrier were prominent in the new wave.

The list of high-return countries for portfolio investors was quite different from the list of high-return countries for direct investors. Taking two years, 1957 and 1963, as examples (one at the outset and one at the high tide of American direct investment in Europe), the picture for non-distributed profits on American direct investment yields almost the opposite result in rank-order. For 1957, Belgium heads the list with 30.4%, followed by Britain, France, West Germany, the Netherlands, and Italy. For 1963, the percentages have fallen, but the rank order was only changed for Germany, now third instead of France, which was fourth.⁷⁰⁴ With due caution, then, it can be argued that in periods of prominence of rentier capital in the United States, the portfolio investors in Europe were part of the critical mass of interests willing to accommodate German ambitions and tendencies towards continental European unification and autarky. In the offensive periods characterized by corporate and industrial reinforcement in the United States, on the other hand, the activist perspective of the direct investors contributed to the orientation towards Great Britain and towards offensive Atlantic unity in American foreign policy. Although evidently not sufficient to explain these orientations, the international dimension of the profit distribution process of American capitalism does identify sources of interest supporting one or the other orientation.

⁷⁰² *Fortune*, September 1957, p. 181; January 1958, p. 125; July 1962, pp. 149-150.

⁷⁰³ *Fortune*, July 1962, p. 264.

⁷⁰⁴ Layton, pp. 230, 235.

Among the European countries with important portfolio investment in the United States, Great Britain and the Netherlands were the most prominent. During the war, foreign ownership of American stock declined at least relatively. From the 5% to 7% of American corporate stock owned by foreigners in 1937, only 2% remained in 1954.⁷⁰⁵ From the late 1950s on, portfolio investment in the United States increased again. The United States and Great Britain in the period 1960-1975 were the main portfolio capital importers; Switzerland, Belgium and Luxemburg, and Italy were the main portfolio exporters. For West Germany and the Netherlands, the export and import of this form of capital were roughly in balance.⁷⁰⁶

The actual flow of portfolio capital from Western Europe to the United States cannot be identified for the individual countries, since much of it went through intermediaries in Switzerland, Luxemburg, or London. Confining ourselves to the countries under review, a 1967 IMF study trying to locate the domicile of foreign stock and bond owners in the Atlantic area found that, relative to population, Belgium and the Netherlands were the largest foreign portfolio investors; in terms of portfolio capital export in the period 1962-1974, also divided per head of the population, Belgium/Luxemburg and the Netherlands again headed the list. In both cases, Italy followed at a distance, while Switzerland was on top when all European countries are taken into account.⁷⁰⁷ These results should not come as a surprise since the share of national income accruing to rentiers (dividends, rent and interest) in 1967 for the Netherlands was 16.4%, for Belgium 10.9%, and for Italy 9.0%. French and German rentier incomes, on the other hand, accounted for only 4.3% and 2.8%. The British percentage was in between: 7.5%.

To the degree that rentier incomes in Europe were related to American corporate expansion, rentiers in these countries were part of the critical mass of interests supporting Atlantic unity policies in their respective

⁷⁰⁵ Perlo, p. 191.

⁷⁰⁶ W. Polder, *Internationalisering van de concernfinanciering* (Cahiers SVV, no. 10, University of Nijmegen, 1978), p. 123.

⁷⁰⁷ Ibid., pp. 90-91, table 15; p. 108, table 21. Divided by population for 1960 and 1970 respectively.

countries. In the late 1950s and again from 1962 to 1965, European investors made large investments in dollar bonds (floated, incidentally, by European public authorities), showing their preference for dollar holdings.⁷⁰⁸ A straightforward coincidence between the actual increase of European rentier incomes and American corporate expansion can be noted only in the case of Germany, but this does not by itself invalidate the hypothesis of the different profit preferences underlying different orientations to Atlantic unity.

3. Vietnam and De Gaulle

While the processes of internationalization and equalization of accumulation conditions for international capital were still developing, their original driving forces in the American class structure showed signs of slackening. By mid 1965, the combined effects of war expenditure and Great Society programmes began having an inflationary impact. The corporatist guide-posts, having been renewed by the Johnson administration for 1965, were now undermined by industrial expansion and an exhaustion of the labour supply. Wage increases in excess of the guide-posts were wrested from the employers, and by 1967-68, the guide-posts for all practical purposes were abandoned.⁷⁰⁹

Support for American activism abroad correspondingly suffered. At the AFL-CIO convention in December 1965, a clause on the peaceful ending of the Vietnam War was adopted to accommodate union opposition against the war, of which Walter Reuther and Emil Mazey of the UAW had made themselves the spokesmen. Meany and the rest of the leadership rejected the clause, but it was included nevertheless at the request of Vice-President Humphrey. Humphrey intimated that the Johnson administration would not like to see an open controversy on the convention floor destroy the image of solid trade-union support for its Indo-China policy. In 1966, a conflict related to foreign policy erupted within the AFL-CIO when Reuther publicly accused the organization of

⁷⁰⁸ Ibid., pp. 131-132, table 5.

⁷⁰⁹ Mills, pp. 41-42.

working with the CIA.⁷¹⁰ Although it would take several more years before a distinct trade-union opposition to the war developed, the class truce underlying the Kennedy offensive and enforced by the corporatist guide-posts programme was broken. As before, the effectiveness of the controls in terms of labour peace lasted as long as the offensive remained more or less proportionally intertwined with domestic reform, but greatly diminished when the self-confident optimism underlying both gave way to reactionary countertendencies.

As far as the relations between fractions of capital were concerned, productive capital started losing ground to money capital from 1966 on. In due course, the liberal format of trade policy was abandoned. By 1967 protectionist pressures were stronger than in the 1950s: the Johnson administration's 1968 effort to extend the Trade Agreements Act met with a host of protectionist bills. In the ensuing legislative battle, most of these were defeated, but the extension proposal went down as well.⁷¹¹ Meanwhile, friction with Europe was increasing as a result of divergent interests in the sphere of international monetary relations, dramatized by the growth of American investment and the application of extraterritorial jurisdiction by the United States. As the President of the International Chamber of Commerce, IBM chief Thomas Watson, observed in 1967, 'the great international wave that created the Kennedy Round and raised us to where we are is beginning to break itself on the rocks of small quarrels.'⁷¹²

European unwillingness to follow the dictates of American policy in the economic sphere was bolstered by growing popular revulsion against the war in Vietnam. From the vantage-point of the Western European corporate-liberal bourgeoisie, the Atlantic Partnership concept was becoming detrimental to long-term interests of imperialism by tying the Europeans too closely to an American policy rejected at home as well as in the Third World. Henry Kissinger, in a 1965 book, recognized the element of revenge in the recalcitrance of Western Europe with respect to American leadership. 'Some European leaders', he wrote, 'are now

⁷¹⁰ Foner, p. 32.

⁷¹¹ Baldwin, p. 23, 25.

⁷¹² Quoted in *Fortune*, September 15, 1967, p. 95.

repeating the American argument of the fifties: that the larger interests of the free world are sometimes served by allowing for differing, occasionally even competing, Western approaches to the emerging nations.⁷¹³

In this perspective, it was not surprising to discover France in the front row of the restive European allies. Having been duped and replaced by the Americans in Vietnam when still entrapped in its colonial past, De Gaulle's Fifth Republic now was part of a Western Europe reconquering a world position on a modern industrial basis. Moreover, in that context, France was the only continental power of consequence able to freely express its ambitions to play a military role of adequate dimensions. The existing structure of NATO, which the French President himself had tried in vain to change in 1958, was a serious obstacle in this respect. As one of the General's generals noted in 1966, 'the military organization of NATO has become virtually a body without a head... because the major subordinate commands, entrusted to American generals and admirals, have tended to become independent of the inter-Allied hierarchy while depending directly on the Pentagon in their capacity as commanders of American forces.'⁷¹⁴ In May 1966, De Gaulle cancelled French military obligations under the NATO Treaty. In a letter to President Johnson, he reassured the American leader that France would renew the signature to the Treaty when it expired in 1969. The basic allegiance to the capitalist world accordingly was not in doubt; the disagreement was on the actual use of military force by the partners of the alliance, and hence, French non-cooperation remained confined to concrete command arrangements established in 1949-50.⁷¹⁵

Reacting to De Gaulle's letter in October 1966, President Johnson made it understood, if we accept Finletter's rendition, 'that the hopes for a "big alliance" which would concern itself with worldwide matters would have

⁷¹³ H.A. Kissinger, *The Troubled Partnership. A Re-appraisal of the Atlantic Alliance* (New York, McGraw-Hill, 1965), p. 8.

⁷¹⁴ André Beaufre, *NATO and Europe* (New York, Vintage, 1966), p. 34.

⁷¹⁵ Spaak, *Memoirs*, p. 467.

to wait for the day when the crisis in Southeast Asia was settled'.⁷¹⁶ The contrast with the Atlantic and universalist euphoria of 1961-62 could not have been more explicit.

⁷¹⁶ Finletter, p. 60.

9

The Crisis of Atlantic Integration

1. Europe Versus America

In spite of the various setbacks to Atlantic integration, an imaginative optimism as to the eventual full de-nationalization of capital remained strong throughout the 1960s. George Ball in two articles in *Atlantic Community Quarterly* in 1967 and 1968 argued the need to overcome national legal constraints imposed on internationally operating companies by creating a commensurate legal sphere through international law. In the same period, Carl Gerstacker was making his famous wish about locating the Dow Chemical headquarters on an island owned by no nation and 'pay any natives handsomely to move elsewhere'.⁷¹⁷ But in the real world of the North Atlantic area, the national states, or the natives for that matter, were not so amenable. The reality of capital as a totality of competing individual capitals, and their concrete existence as class relations within specific spatial confines, worked against the unifying trend.

Enjoying new prestige on account of its economic prosperity and its domestic and international reformism, Western Europe compared favourably in world opinion to a militarist United States applying

⁷¹⁷ Quoted in R. Gilpin, *U.S. Power and the Multinational Corporation. The Political Economy of Foreign Direct Investment* (New York, Basic Books, 1975), p. 136. An anthology of internationalist fantasies, Ball's included, is in Cox, pp. 229-231.

unrestrained violence in Indo-China. In the emerging climate of détente with the Soviet Union, the internationalization of capital from Europe, which in the course of two decades had been transformed from a commercial parasitism on the spread of American capital to a major process in its own right, increasingly could be supported by the European states irrespective of American preferences.

Taking its distance from the excesses of American imperialism, however, implied that the European bourgeoisie also had to restructure the basis of its hegemony at home. As in the immediate postwar years and again in the 1950s (albeit now commanding an economic structure nearly matching the American one), the bourgeoisie in the various Western European countries was forced to formulate its concept of control in less transcendent terms, articulating national rather than international interests and aspirations. More particularly, American hegemony itself, and the entire structure of Atlantic integration developed in its context, lost its effectiveness as an expression of a presupposed general interest. The emancipation of West Germany, formalized in 1968 by the transfer of the Allied right of intervention to the Federal Republic by the Emergency Law, moreover removed a linchpin of the supranational European component of Atlantic integration. Helmut Schmidt asserted the new sense of Germany sovereignty when he wrote that 'Dreams of "Atlantic Union Now" or "Instant Europe" must give way to expectations more closely geared to realities: wider and deeper cooperation, without necessarily institutional perfection.'⁷¹⁸

The tendency towards a more pragmatic approach to Atlantic and European relations, abandoning the supranationalism of the previous era (and dramatized in that respect by the 1965-66 crisis of the EEC), was noticeable in the other countries as well. Here, too, it was a corollary of the primacy that economic issues had assumed over international political and military arrangements.⁷¹⁹ For the Americans, acceptance of the new international posture of Western Europe ran against the ingrained

⁷¹⁸ H. Schmidt, 'Germany in the Era of Negotiations', *Foreign Affairs*, vol. 49. no. 1 (October 1970), p. 40.

⁷¹⁹ Lerner and Gorden, pp. 176, 119.

perception of Europe as part of a US-led Atlantic system: 'Looking back over the statements of leading State Department officials', Senator Frank Church wrote upon his return from a fact-finding tour of Europe in 1966, 'one is struck by the fact that they seem to hold out for Europe no alternative between our form of unity or chaos, no awareness that European sentiment may have shifted towards a different arrangement, that what might have been achieved in the vision of such men as Jean Monnet when Europe lay prostrate after the war may no longer represent a practical possibility.'⁷²⁰ New attempts at ultra-imperialist collusion would be made in due course, but the old framework was definitively abandoned.

Le défi américain

The tendency of the internationalization of European capital to acquire increasing autonomy was augmented by state intervention intended to raise the level of concentration and centralization of capital. In Germany in 1966, the Grand Coalition of CDU-CSU and SPD replaced the Christian-Democrat/Liberal coalition of Chancellor Erhard. In the fall of Erhard, there was already an aspect of removing the comprador Atlantic Union tendency considered too subservient to the United States.⁷²¹ The new government rested on a broad national class compromise and symbolically included Franz-Josef Strauss, now as financial specialist but still committed to attending nuclear status for the Federal Republic (he did not shrink from comparing the 1967 non-proliferation treaty to Versailles)⁷²², as well Willy Brandt, who within a few years would launch the peaceful opening towards the East. Meanwhile, within the labour movement, the DGB parted ways with the AFL-CIO in 1966 when it decided to disregard the 1955 ICFTU decision to refrain from contact with trade unions in socialist countries.⁷²³

⁷²⁰ F. Church, 'U.S. Policy and the New Europe', *Foreign Affairs*, vol. 45, no. 1 (October 1966), pp. 51-52.

⁷²¹ Sampson, *Arms Bazaar*, p. 131.

⁷²² Sampson, *Anatomy of Europe*, p. 25.

⁷²³ Link, *Gewerkschaften und Geschäftsleute*, p. 96.

Steps towards a more active state intervention had been taken already in the final stages of the Erhard government, but it wasn't until the first major postwar crisis hit the West German economy in 1966, that a systematic intervention in the economy was launched under the aegis of the Grand Coalition. In 1967, a change in the German Constitution reorganized federal and state finances in order to allow their subordination to a coherent economic policy. The Stabilization Law of 1967 provided the legal framework for active intervention. Karl Schiller was put in charge of its execution as Minister of Economic Affairs, coordinating with Strauss at the Ministry of Finance. A Nazi since 1933, Schiller in his doctoral dissertation of 1940 had argued the advantages of an orderly agricultural world market against a liberal one. In 1946, he became a Professor of Economics, a Keynesian, and a member of the SDP. In the context of European self-assertion at the close of the era of Atlantic integration, Schiller's state-monopolistic background and beliefs fitted the prevailing international configuration and brought him the job.⁷²⁴

In an immediate reaction to the crisis, the new government (headed by Chancellor Kiesinger) launched an investment programme of DM 7.1 billion, together with a strict anti-cartel policy aimed at reinforcing the centralization of capital in the same way that US anti-cartel legislation in the Progressive Era had done. For the first time since the promulgation of the emaciated Erhard Law of 1957, fines were dealt to cartel law offenders in 1967.⁷²⁵ Other countries also introduced measures to accelerate the formation of multinational companies capable of standing up to their American counterparts. This was the period when J.J. Servan-Schreiber alerted the continent that the 'only real federalism in Europe on the industrial level' resided in American companies reorganizing their subsidiaries on a European basis.⁷²⁶

But the American challenge was taken up primarily along national lines. In Britain, the Industrial Reorganization Corporation (IRC) was established

⁷²⁴ Hufschmid, pp. 114 etc.

⁷²⁵ A. Bönsch, and J. Iša, *Keynes oder Friedman? Wirtschaftstheorie und -praxis im Kapitalismus* (Berlin, Akademie-Verlag, 1978), p. 189.

⁷²⁶ J. J. Servan-Schreiber, *Le défi américain*, 2nd ed. (Paris, Denoël, 1969), p. 35.

in 1966. Given the relatively low level of concentration of British capital, mergers were much more numerous than in continental Europe, and had been since the Macmillan period. Now that the state was actively engaged in speeding up the process, a new wave of mergers, in which 10% of all British capital assets changed hands, was set loose in 1967-68. When the Heath government in 1970 abolished the IRC to economize on its costly successes, British companies had re-established themselves firmly among the leading world corporations.⁷²⁷

In France, a policy of selective accumulation was continued when Giscard in 1966 was replaced by Debré. A special tax deduction to stimulate the modernization of equipment was introduced in the same year.⁷²⁸ In the Fifth Plan for 1966-70, the concentration and centralization of French capital was one of the principal goals.

In Italy, the major chemical company, Montecatini, was reorganized with an eye to a more active international role. The production structure reflecting the autarkic and protectionist traditions of Montecatini, subscribed to by the original owners and by president Carlo Faina, no longer was adequate for an international strategy. Montecatini by this time sold half of its output abroad and 35% outside Europe. In 1965, a coalition of corporate-liberal elements, working through the second man, G. Macerata, and not informing Faina, engineered a merger with the electricity holding, Edison. The owners of Edison in this way secured a foothold in an expanding private company after the nationalization of the electricity holdings by the Centre-Left government of Fanfani.⁷²⁹ This example illustrates the subordination of state intervention to private capital accumulation; wherever major private interests were prejudiced, public action was corrected promptly. A notorious example was in the case of the Italian energy monopoly ENI and its independent-minded

⁷²⁷ Ch. Tugendhat, *The Multinationals* (Harmondsworth, Penguin, 1973), pp. 88-89; Overbeek, 'Finance Capital and Crisis', pp. 112-113.

⁷²⁸ Hansen, p. 154.

⁷²⁹ *Fortune*, April 1966, pp. 69-70.

head, Mattei, whose mysterious death in 1962 cleared the way for the agreement with ESSO concluded a year later.⁷³⁰

In the Netherlands, the Centre-Left Cals cabinet of 1965 did not survive the challenge posed to the oil companies on the issue of North Sea oil exploitation. It was brought down by Norbert Schmelzer, the future Foreign Secretary, whose allegiance to the oil companies (it was revealed later that he was on the payroll of Gulf Oil) in this case proved stronger than his party loyalty. The subsequent governments, however, continued to support the reinforcement of industrial capital, and the formation of AKZO out of AKU and the chemical company KZO may be mentioned in this respect.

In Belgium, 'mini-Gaullism' under Van den Boeynants hardly reversed the passive role of Belgian capital in the internationalization process, of which only the 'denationalized' holdings like Empain were excepted. After the merger of Gevaert, the photographic firm, with the German Agfa in 1964, this period saw the sale of the Belgian rayon monopoly Fabelta to AKZO in 1969.

The centralization of public funds and energies necessary to weld together the strongest capitals into viable international firms, and the corresponding elevation of the rate of exploitation, everywhere required renewed compromises along national lines. Thus the national counterpoint to the imminent Atlantic circuit of capital was strengthened. The need to mobilize the entire spectrum of national capitalist interests – expressed in the profit-distribution process as an across-the-board reinforcement of all forms of profit income (except for Belgian small capital: cf. the Appendix)--inevitably galvanized retrograde elements as well, which in turn hampered the envisaged rationalization process.

In Belgium, a fiscal reform made the collection of the 20% dividend and interest tax dependent on its being declared by the rentiers;⁷³¹ in Italy, the non-productive ruling strata of the South likewise reinforced themselves

⁷³⁰ Meynaud, *Classe dirigeante*, pp. 88-93.

⁷³¹ Mommen, 'Staat en kapitaal in België', p. 23.

as parasites on the productive economy of the North in spite of the modernization attempts undertaken, sometimes with US capital involved, in the 1950s. (A related problem in Italy was the diminishing dynamism of the state sector. Led by progressive Catholics like Mattei, the state sector had played a crucial role in the transformation of the Italian economy and class structure. As the once all-powerful position of the Christian Democratic Party came under fire, however, government banks and industrial firms increasingly became part of the defence-line, and the intensity of political struggles over appointments in them increased to the detriment of efficient management.⁷³²)

In Britain, on the other hand, successive measures prejudicing rentier incomes (repealed only in 1979 by Mrs. Thatcher) tended to favour the active segment of the lesser bourgeoisie (represented in the income distribution data as 'households' entrepreneurial income') instead.⁷³³

The mobilization of backward elements and the concomitant reassertion of retrograde concepts of control produced specific contradictions, notably in France, where after the modernization spurt under Giscard the full weight of authoritarian nationalism sought to re-impose itself. The explosion of May 1968, ten years after De Gaulle had come to power, should be considered in this light as well.

On the other hand, this episode had a wider significance in that it marked a groundswell of popular aspirations elicited by the changes implied by a new mode of accumulation. 1968-69 in all of Western Europe saw the working class the most combative since Liberation. But whereas in the strongest economy, West Germany, the wage slice of income for the first time since the war declined,⁷³⁴ in the Southern European countries the consummation of the breakthrough of Fordism through these class struggles worked to enhance the position of the working class to a level

⁷³² *Financial Times*, March 4, 1977; D. Fano and C. Sardoni, 'The Fiscal Crisis of the State: Notes on the Italian Case', *Capital & Class* 7 (Spring 1979), p. 49.

⁷³³ Cf. *The Economist*, January 15, 1966, reprinted in J. Urry and J. Wakeford, eds., *Power in Britain* (London, Heinemann, 1973), on the Finance Act of 1965.

⁷³⁴ Hufschmid, p. 166.

befitting the more complex productive and consumptive function ascribed to it by the new mode of accumulation.

Coinciding with the crisis of Atlantic solidarity, this synchronization of the reproduction conditions of the working classes of the various countries further contributed to the specific European format, as well as the eventual co-determinationist content, of the response to their militancy. In 1969, when the AFL-CIO left the ICFTU on account of European trade unions' contacts with Eastern European counterparts, the ICFTU EEC unions formed the European Free Trade Union Congress (ECFTU). In 1973, this organization was expanded to include unions from Western European non-EEC countries and renamed the European Trade Union Congress (ETUC). Between the two dates, the adjective 'Free' was dropped as a consequence of the détente with Eastern Europe, achieved by Pompidou and Brandt. The concept on which the ETUC was formed still was firmly capitalist, only the Atlantic Free World concept was exchanged for the co-determination tradition of the German DGB. This corporatist approach in the early 1970s became the criterion by which WFTU unions were admitted to the ETUC. CGIL admission (over DGB opposition) coincided with its agreement with FIAT on union participation in investment decisions. This step was applauded as '*Mitbestimmung à la FIAT*' by sympathetic West German observers, but was criticized by the Italian non-Communist Left as a form of complicity with capital. The CGIL's participation in the WCCs also worked to pave its way into the ETUC.⁷³⁵ Also in 1973, the French CFDT was admitted into the ETUC. The CGT, however, which stuck to its traditional militant line of action, was not admitted in spite of its application.

The 'European' option in the circumstances could not but present itself as a possible solution to some other common problems of the Western European bourgeoisie. In his comments on Servan-Schreiber's *Défi américain*, Louis Armand, a prominent leader from the French state sector who briefly had served as the first president of Euratom, argued that

⁷³⁵ J. Lau, 'Investitionskontrolle und monopolistischer Wettbewerb in der Europäischen Gemeinschaft', in F. Deppe, ed., *Arbeiterbewegung und Westeuropäische Integration* (Cologne, Pahl-Rugenstein, 1976), pp. 309-310; Etty and Tudyka, p. 387.

Europe should unite, not in the 1950's sense of a closed bloc, but '*à la carte*', to develop new technologies to re-conquer a world position.⁷³⁶ Nuclear energy obviously was such a new technology, with an obviously important military dimension. For a time, Britain, although still outside the EEC, in this respect played an important role as a catalyst.

Britain in this area held some of the keys to a European answer to the American challenge, and the prospective pay-offs of its technological leverage probably were crucial considerations in the renewed attempt to join the EEC. At a time when the number of new orders for nuclear reactors was still sharply rising, Britain possessed the technology of both gas diffusion and the ultra-centrifuge methods of enriching uranium. This gave it the opportunity to add critical weight to either the French plans for defining nuclear integration in Europe on the basis of gas diffusion, or to join (as it eventually did in 1970) the 'Atlantic axis' linking Britain, the Netherlands, and West Germany in the ultra-centrifuge project, with General Electric (US) in the background. In a 1969 article, Edward Heath, who eventually was to perform the feat of British entry in 1972, argued that a British-French nuclear deterrent might be formed which 'could be held in trust for Europe'. Emphasizing his distance from the United States by contrasting the American idealist tradition with British realism, Heath had some warm words for Strauss's nuclear plans and also referred to the willingness to contemplate the common deterrent (which the Tory leader had proposed as early as 1966) on the part of the recently established government of President Pompidou.⁷³⁷ Events however showed that in this case, the crisis of Atlantic integration was not compensated for by Western European unity.⁷³⁸

⁷³⁶ Annex to Servan-Schreiber, p. 370.

⁷³⁷ E. Heath, 'Realism in British Foreign Policy', *Foreign Affairs*, vol. 48, no. 1 (October 1969); Cf. W. Klinkenberg, *De Ultracentrifuge 1937-1970* (Amsterdam, Van Genneep, 1971), pp. 154-160.

⁷³⁸ In 1969, the Pompidou government yielded to pressures from the Empain-Schneider group, represented in the government by Giscard, to abandon the independent nuclear energy strategy and accept American nuclear technology, owned by Westinghouse (of which FRAMATOME, the atomic combine of the Schreiber group, was the licensee). West Germany at this point took over the challenge to American hegemony. The

In fact, the general tendency towards disintegration along national lines proved the strongest also in cases where a 'European' approach apparently prevailed. One such area concerned the organization of a European neo-colonial preserve. The development aid programmes of the EEC through the European Development Fund in practice served to perpetuate the former national empires, of which the cost was socialized among the EEC member states while the benefits continued to accrue to the original overseers, notably France. The contraction of US international involvement, which included a drop by two-thirds in American development aid to the Third World states associated with the EEC between 1962 and 1972, only contributed to the renewed pertinence of the original bonds.⁷³⁹

Within the established EEC domain, agricultural policy had been elevated to the supranational level in 1967 as national tariffs were eliminated. Several ambitious plans were launched to rationalize European agriculture, aimed at lowering food prices and setting free the hidden labour surplus on the land; both as a complement to the policy of enhanced industrial accumulation. The new agricultural policy, however, was jeopardized when the German mark revaluated and the French franc devaluated in 1969, and a solution was found in artificial exchange rates for agricultural products which proliferated as monetary disorder increased. Soon, not even a semblance of a common agricultural market was left except for giant common surpluses produced at supported prices. From a class point of view, this was still rational since farmers everywhere constituted a key factor in the conservative bourgeois blocs supporting the internationalization policy domestically.⁷⁴⁰ At the EEC Summit in The

Kraftwerkunion (Siemens and AEG) suspended US licenses and started competing on the world market, which eventually culminated in the Brazilian order of 1975. A European approach was never achieved. Cf. T. Beumer et al., *The Separation of Europe. France and the Foundation of Euratom* (Mededelingen Subfaculteit APSW, no. 10, University of Amsterdam, 1981), p. 66.

⁷³⁹ H. Overbeek, 'Twintig jaar Europese ontwikkelingshulp. Her Europees ontwikkelingsfonds 1957-1977', *Cahiers voor de Politieke en Sociale Wetenschappen*, vol. 2, no.2 (April 1979), pp. 72, 68.

⁷⁴⁰ K. P. Tudyka, *Marktplatz Europa. Zur politischen Ökonomie der EG* (Cologne, Kiepenheuer & Witsch, 1975), pp.77-78, 87.

Hague in 1969, the French demand for artificial exchange rates was conceded in exchange for French leniency with respect to the admission of Britain, Ireland, and Denmark, crucial to the sphere-of-interest strategy pursued by Schiller. For Pompidou, as a close collaborator commented later, the envisaged economic union also implied the independence of the European continent.⁷⁴¹

The new dynamic of European integration, and its redefined conditions (of which the abandoning of supranationality, the price of French 're-entry' in 1966, was the most important), was capably exploited by the Heath government (elected in 1970) to break the domestic stalemate in British politics and provide the British ruling class with a new international concept. Redefining the national interest rather than remaining within the previous coordinates, Heath succeeded in temporarily restoring bourgeois unity by the bold turn towards Europe: giving the ruling class, as Nairn writes in a perceptive analysis of this juncture, 'new political *élan* and a desperately needed sense of achievement and purpose'. 'What the European question provided was the perfect catalyst for such unity, subjectively. Hard-pressed, in the middle of the game, the ruling class simply changed the rules to make quite sure they stayed on top.'⁷⁴²

However the European strategy, and the Heath policy for that matter, proved valuable only for a short time. The integrative trend, amplified in 1973 with renewed federalist emphasis, culminated in late 1974, when the Belgian Prime Minister, Tindemans, was commissioned to write a report on the issue. When the Tindemans Report, recommending a common economic, foreign and defence policy, was published a year later, Europeanism had spent itself and the report fell in a void. Only the direct elections for the European Parliament, harmless in themselves but useful for legitimizing the assertion of the international interest in national

⁷⁴¹ A. Grosser, *Les Occidentaux. Les pays d'Europe et les Etats-Unis depuis la guerre* (Paris, Fayard, 1978), p. 338.

⁷⁴² Nairn, pp. 41, 40.

economic policy, or even a possible strong-arm policy in case of an emergency in one of the member states, were endorsed.⁷⁴³

Another dimension, further transcending the regional confines which a new international concept of control was projected, was the area of East-West détente. If the new Europe hardly caused concern among US policy-makers, the Ostpolitik of Pompidou and Brandt did so all the more. The Third Force projections of De Gaulle had been rejected by the Atlanticist bourgeoisie, for one thing, because they were thought to weaken the Western European spirit of resistance against the Soviet Union. When the détente policy was continued by Pompidou and Brandt, confusion within the American ruling class was manifest—adding to a more general uncertainty about the position of the capitalist system now that the United States was bogged down in Vietnam and was unable to shape the course of events.

The Ostpolitik had been cautiously embarked upon in 1967, but entered a new phase when Brandt, at the head of a Socialist-Liberal coalition, assumed power as Chancellor in 1969. In his concept of rapprochement with the East, Brandt inherited the Kennedy approach. As Braunmühl writes, the fact that the states of Eastern Europe had maintained themselves for a quarter of a century could not remain without consequences for anti-Communist ideology. Taking the long-term view, instead, Brandt proceeded from the assumption that sooner or later, the imperatives of modern production (rather than an 'awakening' of Eastern Europe to Social Democracy), established by long-term cooperation agreements between East and West, would force 'normalcy' upon the socialist states.⁷⁴⁴

Whereas in Kennedy's view, however, 'slowly undercutting the foundations of the Soviet order' was to be achieved through Atlantic unity, for Brandt an enlarged and vigorous Western European Unity was

⁷⁴³ D.A. Hellema, 'De Europese Verkiezingen', *Cahiers voor de Politieke en Sociale Wetenschappen*, vol. 2, no. 2 (April 1979), pp. 18-20.

⁷⁴⁴ Braunmühl, pp. 67, 75-76.

the preferred means.⁷⁴⁵ Since this option presupposed an economic emphasis of East-West relations if the Western side was to retain the initiative, Brandt took up the heritage of Stresemann (and also was awarded a Nobel peace prize for it). Stresemann had settled the issue of Germany's Western borders in order to gain a free hand in the East; Brandt in the changed circumstances had to settle the issue of West Germany's Eastern borders to do the same.

Although never really abandoning their mistrust of Brandt, the fraction of German capital which in the inter-war years had attempted to develop a 'Middle-European' strategy for expansion (the IG Farben complex, the electrical firms, and the autonomous internationalist element in heavy industry Krupp, GHH, Mannesmann) were prominent in expanded trade with the Eastern European countries, and their representatives accompanied the Chancellor and other cabinet members to Moscow in 1970 and 1971.⁷⁴⁶

Among the 'old German hands' in the American policy-making elite, concern over economic advantages which in this way might accrue to their European rivals at a critical juncture for American capitalism mixed with a more basic anxiety that the wider interests of imperialism could be jeopardized by Brandt's policy. As the conditions for coordinating foreign policy in an Atlantic framework deteriorated, the Western European countries might be induced to jump to any commercial opportunity and eventually succumb to neutralism. McCloy in 1970 declared that a 'race to Moscow' between Paris and Bonn was already in full progress.⁷⁴⁷

One of the policy strategists who was able to project the Brandt policy in the wider context of a renewed, global offensive was Zbigniew

⁷⁴⁵ Cf. the emphatic articulation of the deepening of Western European integration and the German initiatives towards the East in Brandt's speeches and interviews in *Bundestkanzler Brandt. Reden und Interviews* (Hamburg, Hoffmann & Campe, 1971).

⁷⁴⁶ Braunmühl, pp. 87-88.

⁷⁴⁷ Link, *Gewerkschaften und Geschäftsleute*, p. 161; P. M. Johnson, 'Washington and Bonn: dimensions of change in bilateral relations', *International Organization*, vol. 33, no. 4 (Autumn 1979), p. 480.

Brzezinski—David Rockefeller's international adviser who eventually would assist in working out the Trilateral concept for inter-imperialist relations as an alternative to the Nixon policy. In 1966, Brzezinski had argued that the quest for autonomy by the Western European countries should be made part of a new offensive, in which the reunification of Europe was the ultimate objective. He argued that the reintegration of Eastern Europe into the world market would compensate in the long run for the temporary disintegration of the Atlantic alliance. Moreover, the attraction radiating from a European Community showing a willingness to cooperate with the East would be incomparably greater than that of a troubled Atlantic partnership based essentially on the division of Europe.⁷⁴⁸ 'The proper course for Washington', he recommended in 1970, '...is not to warn the West Germans against moving too fast, thereby making it easier for the Christian Democrats to oppose Brandt... but to take an active part in shaping the initiative on the East-West front'.⁷⁴⁹

Common to the yet disparate strategic initiatives undertaken in 1969-71 was their departure from the conceptual basis on which bourgeois hegemony in Europe had so far been based: American supremacy, Atlantic integration, and the Cold War, as well as a passive attitude towards American neo-colonialist penetration in the formerly European periphery. Significantly, the two European leaders who at this juncture cleared the way for new policies and concepts, Brandt and Heath, in 1977 would undersign a proposal—named after Brandt—which synthesized their international concept and extended its basic elements (i.e., reduced arms spending and international integration and reconciliation) to the Third World. The Brandt Report was an obvious attempt to meet the aspirations of the underdeveloped states for a New International Economic Order and at the same time foster the internationalization of European capital.

⁷⁴⁸ Quoted in B. Greiner, *Amerikanische Aussenpolitik von Truman bis heute* (Cologne, Pahl-Rugenstein, 1980), p. 22.

⁷⁴⁹ Z. Brzezinski, 'America and Europe', *Foreign Affairs*, vol. 49, no. 1 (October 1970), p. 22.

2. Nixon's New Order

In the United States, the disintegration of the Pax Americana showed itself on the home front in a crisis of the social-imperialist consensus which soon left the confines of the cyclical oscillations between offensive and defensive configurations of the corporate-liberal synthesis. Backlash against anti-war and subcultural protest, on top of fear and hatred of the black liberation movement, mobilized segments of the white middle class behind new leaders appearing on the fringes of the established bipartisan political order. In the support of George Wallace, the ultra-conservative, racist governor Alabama, the traditional party allegiances were dropped in favour of his stand on the issues mentioned.

As far as international relations were concerned, both the frustration over American impotence in Vietnam and the burgeoning anti-war movement fostered an awareness among the ruling class that the corporate-liberal concept of control had to be trimmed of some of its international implications. 'One lesson of the last fifteen years most conspicuous in the Vietnam War', Nixon's later UN ambassador Charles Yost wrote in October 1968, 'is that the capacity of even the strongest power to intervene effectively in other states has been eroded by time, space and history'.⁷⁵⁰ A few months later, Nixon inaugurated his Presidency with an express reference to the need to cut back on missionary idealism. 'America has suffered from a fever of words, from inflated rhetoric that promises more than it can deliver', he declared in his Inaugural Address of January 1969. 'After a period of confrontation, we are entering an era of negotiation. Let all nations know that during this Administration our lines of communication will be open.'⁷⁵¹

In the tradition of Eisenhower, Nixon presided over a calculated demobilization of public opinion as far as America's mission in the world was concerned. He sought to consolidate a domestic, and basically

⁷⁵⁰ Ch. W. Yost, 'World Order and American Responsibility', *Foreign Affairs*, vol. 47, no. 1 (October 1968), p. 1.

⁷⁵¹ R. Nixon, 'Inaugural Address, January 20, 1969', in *Great Issues in American History* (R. Hofstadter, ed.) (New York, Vintage, 1969), pp. 509-510.

defensive, alliance of the bourgeoisie rather than preserving the offensive configuration of the Kennedy period. Still the administration was well-stacked with prominent corporate-liberal figures. With established corporate lawyers William Rogers and Elliott Richardson at the State Department, David Kennedy of the Continental Illinois Bank at the Treasury, Morgan director George Shultz at the Labour Department, as well as lesser figures trusted by the billionaire aristocracy like Melvin Laird at Defence—Nixon seemed assured of sufficient Establishment backing. The continuation of stable ruling-class influence in the Executive was also enhanced by the support given Nixon by renowned internationalists like Arthur Watson of IBM, who had turned away from the Johnson regime in protest against the enforcement of the balance-of-payments programme (Nixon made him Ambassador to France).

However, as domestic labour unrest grew and international problems accumulated without a comprehensive American response, the pressures increased from the less established and more iconoclastic elements in the administration for a fundamental reformulation of policy. With respect to labour, Nixon's appointment of Jim Hodgson of Lockheed to the Labour Department after George Shultz's brief incumbency aimed at consolidating the last bulwark of capital-labour agreement, the defence industries.⁷⁵² Special counsel Charles Colson, lawyer of the Teamsters Union and Grumman Aerospace, carried proxies from the same quarters.

The reactionary law-and-order entourage of Nixon, headed by the President's law partner John Mitchell as Attorney General, with Vice-President Agnew as cheer-leader, was reinforced dramatically when former Texas governor John Connally, a New Right convert from the Democratic Party and a lawyer with extensive relations to Texas oil and construction companies, replaced David Kennedy at the Treasury in 1970. Connally; together with Ralston Purina manager Earl Butz, who became Secretary of Agriculture in 1971; Peter J. Peterson, chairman of Bell & Howell, who headed the cabinet-level Council on International Economic

⁷⁵² H.S. Roth, *Labor: America's Two-Faced Movement* (New York, Petrocelli Charter, 1975), p. 47; functions of other cabinet members and advisers from M. Myerson, *Watergate. Crime in the Suites* (New York, International Publishers, 1973).

Policy (and became Secretary of Commerce in 1973); and Henry Kissinger, the National Security Adviser who bypassed Secretary Rogers on all major issues and replaced him in 1973; supervised the turn to American unilateralism terminating the era of Atlantic integration.

Kissinger's balance-of-power approach to international relations (reflecting the preoccupations of his patron, Nelson Rockefeller) was particularly appropriate in the defensive posture the United States had been forced to assume. On the other hand, the state-centred diplomatic paradigm that Kissinger adhered to dimmed his perception of global interdependencies and the many-layered class conflicts running through them. Only with respect to East-West relations was his outlook, placing inter-state conflict and diplomacy over transnational relations, temporarily useful for the overall interests of capitalism. On both the North-South and inter-imperialist axes it collided with the powerful forces which eventually swept Nixon from the scene in spite of his landslide victory in 1972.

The first element of the new American foreign policy, *détente*, was pursued from the start of the Nixon period. Congressional hearings in 1968-69 linked export interests with the more transcendent goal of influencing the internal development of the socialist countries. The new Export Administration Act of 1969 removed the 1962 amendment extending the embargo to civilian goods in an attempt to catch up with the growth of Western European trade with Eastern Europe (which in the last ten years had more than tripled to a level 20 times the value of US trade with that area in 1967-69).⁷⁵³ For Kissinger, expanding trade with the socialist countries was seen as the means to obtain leverage on the Soviet Union and China with respect to Vietnam; Nixon's trips to the two countries in the election year 1972 were accompanied by a simultaneous show of force in Vietnam in order to demonstrate US strength. The subordination of the Sino-Soviet split to American diplomacy clearly appealed to the internationalist bourgeoisie, but the underwriting of the

⁷⁵³ Wolf, pp. 102-103, 84, 114.

Soviet-European agreement on postwar borders in Helsinki in 1972 was criticized as weakness.⁷⁵⁴

The second dimension of the new foreign policy concerned the economy and, more particularly, the rapidly deteriorating trade balance. In 1970, the Nixon administration embarked upon an expansionist policy meant to bolster the productive element in the capitalist class and mollify organized labour. Both corporate and small capital incomes improved relatively, and even the dramatic decline of productive capital in the profit-distribution process was temporarily reversed. Its price, however, was rampant inflation as the fiscal and monetary brakes suddenly were released. With the exchange rate of the dollar fixed, inflation quickly spread across the Atlantic.

The unilateralism underlying this policy, although not yet fully unfolded, caused grave concern in the traditional East Coast centres of Atlanticism. The *New York Times* warned early in 1971 that 'a return to protectionism, capital controls, unilaterally fixed exchange rates and all that would be a tragedy for the industrial nations of the West, both economically and politically'.⁷⁵⁵ In May, the West German government stopped supporting the dollar. With the mark floating upward, Connally and Federal Reserve Chairman Burns flew to Munich to address a bankers' meeting and exhort the European states to assume a greater part of 'world responsibilities'. European reactions, however, were sceptical and the West German Minister of Economic Affairs Schiller ostentatiously stayed away from the meeting.

In August, the Nixon administration unilaterally decided to suspend gold convertibility of the dollar. It also introduced a 10% surcharge on imports. These measures, which bluntly terminated the era in which the United States assumed responsibility for capitalism as a whole, and thus may be seen as the single most important date marking the end of Atlantic integration under American hegemony, were crucial in mobilizing the internationalist elements on both sides of the Atlantic. Of the remaining

⁷⁵⁴ Greiner, p. 166.

⁷⁵⁵ *The New York Times*, April 16, 1971.

internationalists in the Nixon administration, Assistant Secretary of State Tresize, Ambassador to the EEC Schaetzel, and C. Fred Bergsten, assistant to Kissinger, left their posts in protest against the Nixon policy.⁷⁵⁶

The apparent unwillingness to mend Atlantic relations made the Nixon measures all the more detrimental to Western unity. At a meeting of the Group of Ten in London in September, *Time* reported that Connally 'put on a rare show of obstinacy'. Confronting the European finance ministers with proposals 'too arrogant to be believed', the United States was apparently ready to risk a trade war with the rest of the world.⁷⁵⁷ Since the capitalist countries had a common interest in preventing a collapse of world financial order, however, an agreement was reached in December 1971 at the Smithsonian Institution in Washington, which introduced the system of flexible exchange rates that lasted until 1973.

Following Nixon's spectacular trips to Peking and Moscow and his landslide re-election in 1972, relations with Western Europe, which at this juncture passed through a brief period of renewed self-confidence, further deteriorated. As was revealed afterward, Kissinger and Peterson in 1972 worked out a strategy of linkages to force Western Europe into compliance with US preferences in international trade. By threatening to withdraw the American nuclear guarantee, Kissinger and Peterson thus expected to create disunity and provoke old rivalries between West Germany and France, undermining European unity and power.⁷⁵⁸ On 23 April 1973, Kissinger at a meeting of newspaper editors in New York inaugurated the 'Year of Europe' and announced Nixon's intention to work out a new Atlantic Charter before the end of the year. On this occasion, Kissinger outlined his concept of the United States as the power with global interests and responsibilities, while Western Europe was merely a regional power. Afterwards, he apologized for a statement in which he called into question the legitimacy of the Western European governments, but relations with the European states were damaged

⁷⁵⁶ J. Frieden, 'The Trilateral Commission: Economics and Politics in the 1970s', *Monthly Review*, vol. 29, no. 7 (December 1977), p. 7.

⁷⁵⁷ *Time*, September 27, 1971.

⁷⁵⁸ *Le Monde diplomatique*, November 1974.

beyond repair. In May, Pompidou and Heath rejected the offer to meet with Nixon in the framework of a conference of Atlantic leaders as 'premature'.⁷⁵⁹

The Nixon/Kissinger/Connally policy destroyed the Atlantic constraint and precipitated the crisis of the mode of accumulation which had developed under it. In the monetary field, the unilateral dollar policy provided the liquidity for a global restructuration of capital and at the same time put the United States at an advantage. As Parboni writes, 'The system of floating exchange rates also eliminated any need for the United States to control its own balance-of-payments deficit, no matter what its source, because it was now possible to release unlimited quantities of non-convertible dollars into international circulation'.⁷⁶⁰

The October War in the Middle East provided the Americans with an opportunity to force compliance with the new American international concept on the part of all Western European countries except France. At the same time, it made it possible to shift a huge load of dollars from the European oil-importing states to the OPEC states, who for lack of an alternative continued to bank on American and dollar supremacy. At the time of the Marshall Plan, John D. Rockefeller had declared that to the degree Western Europe shifted from a coal to an oil economy, the Middle East valve would be turned into the control panel of Western European affairs.⁷⁶¹ Now his son's adviser was in a position to turn some switches on this panel. Capitalizing upon Arab anger over NATO support for Israel and the temporary boycott raising oil prices, the United States obtained a crucial competitive advantage over Western Europe due to its lesser dependence on OPEC oil. At the same time, it augmented its financial power through the recycling of surplus dollars from Europe into the Atlantic circuit, through the Euro-dollar market or straight to United States. Of the \$60 billion OPEC surplus channelled abroad, almost one-

⁷⁵⁹ D. Schneiderman 'La théorie et la pratique de l'Alliance selon M. Kissinger', *Le Monde diplomatique*, May 1974, p.9.

⁷⁶⁰ R. Parboni, *The Dollar and its Rivals. Recession, Inflation, and International Finance* (London, Verso, 1981), p. 89.

⁷⁶¹ Quoted in Solberg, p. 177.

third according to Wall Street bankers was deposited or invested in the United States by 1974.⁷⁶²

The Disintegration of Corporate Liberalism

The crisis of Atlantic integration was ordained by objective changes in the structure of the world economy. Central to these changes was the interruption of the Atlantic extrapolation of US corporate liberalism and its tendential disintegration into its original components: liberal internationalism and state monopolism. The equalization of accumulation conditions on both sides of the Atlantic disorganized the previous complementarity between the two positions. The Atlantic economy as a distinct entity 'dividing a common fund of incremental energies between its regions in varying proportions from time to time' (Phelps-Brown), which in this sense had allowed the runaway internationalization of American Fordism, disintegrated as American hegemony was recast into a unilateralist framework and the scope of the international circuit of finance capital widened. This development entailed the breakdown of the monetary and trade arrangements established between 1944 and 1947, and, more fundamentally, of the agreement between the American and the European bourgeoisies that their class hegemony rested on the observance of these arrangements and the underlying Atlantic power equation.

The disintegration of corporate liberalism developed along two axes: (1) the loss of industrial capacity and the concomitant disorganization of reformist working-class unity in the face of creeping unemployment; and (2) the hypertrophy of ('stateless') money-capital in the international circuit of capital, interacting with a resurgence of money-capital in the national class configurations. Both developments converged to resurrect a reactionary-liberal tendency in national politics.

The Atlantic extrapolation of the New Deal presumed wage differentials justifying the transfer of production from the United States to the Old World. At the aggregate level, these differentials narrowed quickly from

⁷⁶² *Neue Zürcher Zeitung*, February 20, 1975.

the second half of the 1960s onwards. In Table 2, gross wage costs in the Western European countries are taken as percentage of US gross wage costs.

Table 2
Differential between Gross Wage Levels in Main
Capitalist Countries with Reference to the United States,
1960-1978

	1960	1970	1975	1978	
United States	100	100	100	100	(\$8.26)
Belgium	31	50	105	120	(\$9.88)
Netherlands	25	51	104	116	(\$9.62)
West Germany	32	56	99	111	(\$9.18)
France	31	42	72	84	(\$6.90)
Italy	24	42	73	75	(\$6.18)
Great Britain	31	35	51	51	(\$4.24)
Japan	10	24	48	68	(\$5.65)

Source: *International Herald Tribune*, 13 November 1978

From this table, it can be seen that the aggregate wage cost differentials between the USA and some main recipient countries of US direct investment were eliminated or sharply reduced between 1970 and 1975. However, important structural changes affecting the working class took place simultaneously. The acceleration of real accumulation in Western Europe in the second half of the 1960s tended to exhaust the reserve army of labour, thus encouraging a wave of immigration of foreign workers from the Mediterranean region. By 1969, France and West Germany each had about 3 million foreign workers inside their borders, out of a total of at least 10.7 million for nine industrial countries in Northern Europe.⁷⁶³

The differentiation in the Western European working class which resulted from this influx of foreigners complemented the equalization of the reproduction conditions of the privileged segment of the workers in

⁷⁶³ A. Ward, 'European Migratory Labor. A Myth of Development', *Monthly Review*, vol. 27, no. 7 (December 1975), p. 22.

the Atlantic area through the WCCs and (more diffusely) the successive 'European' trade-union internationals modelled after the organizing principles of the German DGB and strongly under its influence. Throughout the North Atlantic area, this privileged segment of the working class, organized on a tendentially transnational 'business union' pattern and distributing benefits of transnational company bargaining within their class, was matched by a subordinate layer of immigrant workers.

This bifurcation which brought the European countries on par with the United States, activated the entire inventory of racial prejudice, hitherto latent and largely exteriorized through social imperialism. The tendency to promote indigenous workers into jobs above their qualification level, and the corollary segregation of immigrants in low-paid manual jobs whatever their talents, reinforced the existing identification of foreigners with 'dirty work' and fostered chauvinist sentiment among better-paid indigenous workers.⁷⁶⁴

Between these two extremes, a wide range of unemployed, underemployed, and otherwise 'marginal' workers developed in response to the combined effects of deflationary policy and the growth of runaway internationalization of Western European capital. Burgeoning direct foreign investment from the continental Western European countries and other newcomers reduced the world share of Anglo-American capital in total direct foreign investment from two-thirds in 1970 to one-half in 1978. This investment notably was directed at remaining pockets of cheap labour within or adjacent to the metropolitan areas. From about 1970, employment in manufacturing industries in the traditional centres decreased, while (still within the metropolitan countries) the number of workers employed in new plants created by relocating production increased; rates of exploitation in the latter were higher, and wages below, the corresponding levels in the traditional industries and areas.⁷⁶⁵

⁷⁶⁴ Ibid., pp. 30-31.

⁷⁶⁵ J. Heinrichs, 'Entwicklung der Arbeitslosigkeit und Arbeitsmarktpolitik in den Industrieländern', in T. Spengler, ed., *Strukturveränderungen in der kapitalistischen*

It was Ford which in 1969 started organizing its European network of affiliates with an eye to exploiting these differentiations, using a system of 'double-sourcing' (producing components and parts always in two different countries) in order to cut down trade-union power; European carmakers tried the same by pooling resources, while General Motors even achieved a world-wide intra-company division of labour. Fordism however suffered decisively, as cost-cutting on wages cut into the potential mass market for automobiles at the same time.⁷⁶⁶

The investment flowing into the periphery for obvious reasons did not find such a mass market either. As Lipietz shows, investment in apparently booming peripheral areas like Singapore and Hong-Kong, mostly involved the export of Taylorism rather than Fordism, and was concentrated in super-exploiting women in textiles and electronics components production. Where an industrial productivity/mass market articulation seems in the offing, as in Brazil, it is constricted by the fact that the organized mass-production workers constitute but one segment of the working class, while a Taylorist secondary segment (notably women workers), and a rural subproletariat living under conditions approximating slavery, are also part of the working-class structure. Any attempt to adjust the form of bourgeois rule to the requirements of Fordism and the first category of workers would jeopardize the conditions for controlling the remaining two segments. Thus the social whole is chained to a vicious circle of authoritarianism and crisis.⁷⁶⁷

The deflationary policies of the metropolitan countries, however, worked to foster tendencies in the same direction. Although clearly not as extreme as in the case of Brazil, the trend is unmistakable. In most metropolitan countries the contours of a new working-class stratification are visible: (1) a privileged but too small segment of 'compromised'

Weltwirtschaft (Frankfurt, Suhrkamp, 1980), pp. 188-189; direct investment shares from K. van der Pijl, *Marxisme en internationale politiek* (Amsterdam, IPSO, 1982), p. 111, table 2.

⁷⁶⁶ R. Kronish, 'Crisis in the West European Automobile Industry', *Monthly Review*, vol. 31, no. 4 (September 1979), pp. 35-36, 40-41; A. Lipietz, 'Towards Global Fordism?', *New Left Review* 132 (March/April 1982), p. 37.

⁷⁶⁷ Lipietz, pp. 46-47.

workers; (2) an intermediate segment of under-employed and underpaid part-time and irregularly employed workers, struggling to resist their submersion into the (3) sub-proletariat of immigrants and permanently unemployed.

The quest for a new concept of control by the metropolitan bourgeoisie, which began in the late 1960s (and in the United States notably during Nixon's New Economic Policy) not only implied an across-the-board mobilization of the bourgeoisie, but also the mobilization of both the stably employed workers and the segment actively selling their labour-power from a less secure position of part-time and irregular work. In the course of the 1970s, the basis for the new concept further crystallized around the introduction of new technologies in production and specific new consumer goods. While incapable of supporting a self-sustaining class compromise like Fordism because of their limited economic weight, these technologies, notably micro-electronics, yet have further shaped the new individualism 'on the supply side', while exacerbating international rivalry along a narrow range of hoped-for industries.

3. The Resurgence of Money Capital

The demise of the Bretton Woods system of stable exchange rates after 1971 forced the major capitalist states to subordinate every aspect of economic policy to the defence of the currency. The American turn to outright unilateralism in trade and monetary affairs in 1971 was reciprocated by an active Western European currency policy, combining regional ultra-imperialist (the European monetary 'snake') and national unilateralist elements. Under the new conditions of imperialist rivalry and monetary instability cut-throat competition for the remaining markets was exacerbated by competitive devaluations. As Parboni has argued, American supremacy henceforward rested on the fact that it could resort to such devaluations without seeing them eroded again by inflation due to more expensive imports. On the other hand, as private international dollar liquidity grew explosively after 1971, involuntary credit from the rest of the world not only financed the American deficit, but all countries turned to the booming capital markets to finance their deficits now that the

regime of floating exchange rates suspended the central banks' function of intervening in foreign money markets.⁷⁶⁸

The financing rather than balancing of deficits opened enormous markets for bank capital, and eventually, for all other forms of money-capital as well. The liberation of banks from the Keynesian controls imposed on them in the 1930s on both sides of the Atlantic still was part of the unifying trend of the mid 1960s, spurred on by the Kennedy offensive. Bank capital was encouraged to insert itself into the emerging Atlantic circuit of finance capital, both in the United States and, as part of the European response to the American challenge, in the various European countries.

In 1966, French banks were freed from the rules separating banking functions. Henceforward, commercial and deposit banks, which in France existed next to a separate category of long-term and medium-term credit banks, were allowed to expand into each other's spheres of activity.⁷⁶⁹ The position of German banks, unparalleled already given their own size, the size of their industrial and commercial holdings, and the fact that they held proxy rights for more than half of all share capital in circulation in West Germany (54% in 1967), was still further reinforced in this period. In 1967, the last major constraint imposed on German banks, the interest decree of 1965, was repealed.⁷⁷⁰

In the United States, banks in 1968 began reconstituting themselves into one-bank holding companies in the sense of the 1956 legislation. In 1969, 34 of the top-100 US banks had taken this step. In 1970, legislation was enacted which further obliterated New Deal measures aimed at the separation of bank functions. One-bank holding companies henceforward were allowed to own property outside the financial sphere (to which their holdings had still been confined under the 1956 law). The new law,

⁷⁶⁸ Parboni, pp. 34-35, 46; W. Hankel, 'Shylock gesucht. Hochzinspolitik und Kreditmärkte', *Blätter für deutsche und internationale Politik*, vol. 27, no. 5 (May 1982), p. 594.

⁷⁶⁹ Weston, p. 81.

⁷⁷⁰ Ronge, p. 81; Huffschnid, p. 87.

although still containing regulatory elements, typified the accelerating insertion of national capital into the international circuit. 'The holding-company movement', *Fortune* wrote in 1969, 'is the latest and most dramatic evidence of a long, gradual transformation of banking from a custodial function to a competitive industry'.⁷⁷¹ Against the constricted role of bank capital in the Keynesian era, the bankers now again saw the liberal light on the horizon. As one US banker commented on the holding-company trend, 'One cannot help being struck by such a development, which is bringing us back to the times of the London Merchant Bankers, who established their reputation in import/export, shipping insurance, commodities, stock exchange, and by money business, and by the same token brought money, business, and fame to the City.'⁷⁷²

The actual City could not but thrive in the context of such a restoration of the conditions of its original prominence. Apparently unharmed by the 1967 devaluation, British bank capital shifted its activities to the expanding Euro-dollar market. Already constituting a would-be 'off-shore island' as far as British banking regulations were concerned, the City's foreign transactions actually boomed when the pound fell. The liberalization of bank capital culminated in a banking reform in September 1971, which allowed British banks to develop into finance capital directly, thus creating capital groups which gave the City all the assets and experience to capture the pivotal position in the emerging Atlantic circuit and to become the main financial centre of the EEC.⁷⁷³

In the other countries, the pattern was the same. Belgian commercial banks (separated from the holdings in the 1930s) were given the right to acquire corporate equity in this period. In the Netherlands, a law of 1965 already restricted central bank supervision of credit transactions to a limited number of credit forms. In 1967-68, credit ceilings were abolished altogether in order to allow bank capital to spread its wings. Only in Italy

⁷⁷¹ *Fortune*, May 15, 1969, pp. 164-165; Domhoff, *Powers*, pp. 47-53.

⁷⁷² Koszul, pp. 288-289.

⁷⁷³ Nairn, pp. 19-21, 31.

did it take until 1978 before the government moved to repeal the 1936 legislation on holding-company functions of the banks.⁷⁷⁴

In the changing circumstances of the 1970s, however, the freedom accorded to bank capital led to the restoration of a separate circuit money-capital rather than to an integrated circuit of finance capital, as industrial firms, too, turned towards the financial markets, not only to protect their cash reserves from currency devaluations, but increasingly also to invest them in financial ventures as quasi-bankers.⁷⁷⁵ The banks, eager to exploit the new possibility for financing operations through the Euro-dollar markets, formed 117 international consortia between 1969 and 1974, whereas before, only ten were in existence.⁷⁷⁶

As Hankel explains, the financing needs of the new international circuit of money-capital, mostly in US dollars, have turned the liberally produced American currency into a scarce good, pushing up its price accordingly. Interest rates at the same time have tended to rise due to the risks of refinancing international debts. To speak of 'black holes' in this connection, into which money capital disappears,⁷⁷⁷ might be misleading though, for the revenues of the soaring money economy are fairly well traceable. In the profit-distribution process of the main North Atlantic countries, bank capital, or capital engaged mainly in circulation, was able to increase its share of total profits dramatically from the very moment bank liberalization began. It has continued to bring in a high share ever since, whereas productive capital has lost weight correspondingly.

A corollary development took place at the level of rentier incomes. 'For about a quarter of a century after the Second World War, the Keynesian inflationary gas chambers were employed to carry out Keynes's recommendation for the Euthanasia of the Rentier', Morris writes. 'But

⁷⁷⁴ *Finanz und Wirtschaft*, July 19, 1978.

⁷⁷⁵ W. Hankel, 'Die Schuldenkrise. Ein Problem der Dritten oder der Ersten Welt?', *Blätter für deutsche und internationale Politik*, vol. 29, no. 1 (January 1984), p. 72.

⁷⁷⁶ Fennema, *International Networks*, p. 169. For the size of Euro-dollar ('Xenodollar') credits, cf. Hankel, 'Shylock gesucht', p. 595.

⁷⁷⁷ Hankel, 'Schuldenkrise', pp. 70-71.

starting some ten years ago, the gasping rentiers began to fight back, and in the past few years have made a comeback worthy of description as the Revenge of the Rentier.'⁷⁷⁸

Dividends and interest in the United States in 1950 amounted to an 8.1% of total personal income; in 1982, this had risen to 17.1%.⁷⁷⁹ The mass of savings also was siphoned directly to new companies in the dynamic hi-tech sectors through 'venture capital' centralized by special investment firms. Attracted by the whirlwind successes of these companies and aided by a lowering of the capital gains tax, the amount of money supplied by savers to US investment firms in 1978 already was equal to the total amount put at their disposal during the entire 1966-1977 period.⁷⁸⁰

In the course of the 1970s, the rentier perspective reasserted its hegemony throughout the North Atlantic area. A new, aggressively orthodox liberalism pitted the propertied classes against the Keynesian welfare states and the mode of accumulation of which they were the complement. Interacting with the imperatives of international monetary disorder, which tendentially forces governments to apply sustained deflation,⁷⁸¹ the 'monetarist' ruling class finds its militant liberalism corroborated by the new individualism pervading the remaining 'productive' classes.

A New Empire of High Finance

As bank capital gravitated to a dominating position in the world economy during the 1970s, the banks turned into the nodal points of the national industrial structure as well. In some countries, like Germany and the United States, this had been the case all along, but in most other countries,

⁷⁷⁸ J. Morris, 'The Revenge of the Rentier or the Interest Rate Crisis in the United States', *Monthly Review*, vol. 33, no. 8 (January 1982), pp. 30-31.

⁷⁷⁹ H. Magdoff and P.M. Sweezy, 'Production and Finance', *Monthly Review*, vol. 35, no. 1 (May 1983), p. 6.

⁷⁸⁰ *Newsweek*, June 4, 1979.

⁷⁸¹ W. Hankel, 'A New Order for American-European Monetary Policies', in E.O. Czempel and D. A. Rustow, eds., *The Euro-American System* (Frankfurt, Campus, and Boulder, Col., Westview Press, 1976), p. 52.

the articulation of money-capital and productive-capital into finance capital did not run along national lines. It was only under the specific conditions of the new prominence of bank capital and the exacerbation of competition and rivalry that banks became real nerve centres of integrated financial groups and allowed the identification of such groups (defined as capitals joined by common policies, ownership links, and joint directorates⁷⁸²) with specific international concepts distinguished in this study.

It should be stressed that as banks moved into the international arena in force during the late 1960s, the difference in their backgrounds lost significance compared to the new equality bestowed on them by the perfect anarchy of the international money and capital markets. Bank strategy, moreover, aimed at eliminating weaknesses in regional and sectoral jurisdiction by compensatory merge cooperation agreements.⁷⁸³

Yet the liberalization of the banks, inaugurating the shift to an international credit economy and enhancing the role of bankers and finance capitalists in the Atlantic network of interlocking directorates⁷⁸⁴ extrapolated the national fractionation of bank capital to the international level. In the major bank consortia formed in Europe in 1970-71, ABECOR and EBIC, the lineages to the liberal-internationalist and the state-monopoly contexts, respectively, are clearly visible. In ABECOR, banks whose international spread and connections mainly took shape in the context of liberal internationalism and more particularly, in the context of the Pax Britannica and the Atlantic circuit of money-capital, have joined ranks: ABN, Banque de Bruxelles, Dresdner Bank, and Barclays (the French and Italian participants cannot be identified in these terms). In EBIC, on the other hand, banks which in the interwar years attuned to the state-monopoly tendency and henceforward tended to reproduce an outlook typically stamped by their experience within the compartmentalization of the Atlantic economy and the maintenance of exclusive spheres-of-influence, grouped together: Deutsche Bank, Midland Bank, the Banca

⁷⁸² Fennema, *International Networks*, p. 24.

⁷⁸³ *Fortune*, August 1968, p. 101.

⁷⁸⁴ Fennema, *International Networks*, pp. 190, 182-183.

Commerciale Italiana, AMRO, the Belgian Société Générale and the French Société Générale. Whereas the banks of the former group tended to be close to the Atlantic Union tendency in the European bourgeoisie on account of their dependence on US imperialism (expressed for instance in the banks' plantation in Latin America), the EBIC banks more nearly fitted into a continental European, 'Euronational' or at most, 'Atlantic Partnership' position. This pattern seems to be corroborated if we review the available evidence on national financial group structure.

Thus in West Germany, the Dresdner Bank and the Deutsche Bank fitted the Atlantic Union and the Atlantic Partnership profiles, respectively. The Dresdner Bank in 1970 was linked by three or more directors to such traditional bulwarks of Atlanticist liberalism as August Thyssen, Metallgesellschaft, and AEG. The Deutsche Bank, on the other hand, was linked (by three or more directors) to the 'autonomous' electrical concerns, Siemens and Bosch, the chemical and rayon groups of BASF and AKZO (the Netherlands), and to Daimler Benz and Hoesch steel. Compared to this, the few atypical connections pale in significance.⁷⁸⁵ In terms of regional spread, the Atlantic and European orientations are likewise significant. On the basis of the foreign affiliates listed in the 1972-73 edition of *Who Owns Whom*, one finds that the sphere of interest of the Deutsche Bank outside Europe is preponderantly in Africa and Asia (21 out of 28 foreign affiliates outside Europe), whereas the emphasis of the Dresdner Bank's international activity is on Latin America, where 16 of its 21 non-European foreign affiliates are to be found.

This pattern extends to the Netherlands. The ABN shares with the Dresdner Bank a distinct orientation towards Latin America, setting it apart from its rival, AMRO, which has no Latin American affiliates. In a study of Dutch financial group structure in 1962, the NHM and the Amsterdamse Bank had been still considered as one group on account of their colonial interests and relations with the much more important Royal Dutch Shell group. In 1964, they merged with the Twentse Bank and the Rotterdamse Bank, respectively. As ABN and AMRO, the original

⁷⁸⁵ Ibid., p. 127.

pertinence of their liberal-internationalist and the continental orientations reasserted itself. In the interlock network of 1969, Fennema found an ABN orbit composed of Heineken, KLM, Robeco investment, and a few foreign-owned firms, whereas the AMRO group combined AKZO, two big insurance firms, and state-supported heavy-industry enterprises.⁷⁸⁶

Turning next to Britain, Henk Overbeek's analysis of joint directorates in 1976 shows that the clearing banks and S.G. Warburg (a relative outsider among the merchant banks) on the one hand, and the big industrial corporations on the other, became involved in a belated fusion into finance capital, yielding a distinct bipolarity between bank groups.⁷⁸⁷ The groups which according to his analysis were emerging in this juncture again showed a general consistency between their historical background and current international orientation. The least tightly knit of these groups, with a pronounced liberal-internationalist profile, is the group with Lloyd's Bank and S.G. Warburg at its centre. In line with the other Western European banks identified as Atlanticist, Lloyd's (through its subsidiary Lloyds & Bolsa) is strongly represented in Latin America and, more generally, is a highly internationalized institution, which also applies to S.G. Warburg, one of the pioneer banks of the Euro-dollar market. Compared to Barratt Brown's findings for 1966, Overbeek's conclusions point to a centralization of hitherto more scattered connections centring on merchant banks like Lazards and Schröders into the orbit of Lloyd's and Warburg. The presence of Morgan Grenfell in this group further corroborates the Atlantic orientation.⁷⁸⁸

In sharp contrast, the Midland Bank, which is at the centre of the sphere-of-interest group, lacks the international affiliations characterizing its opposite number. This group, which is much more tightly knit (particularly if the insurance companies are left out), is composed of, on

⁷⁸⁶ M. Fennema, 'Graven naar Macht. Enkele opmerkingen', *De Gids*, February/March 1976. cf. Baruch, *Grote macht*.

⁷⁸⁷ Overbeek, 'Finance Capital and Crisis'

⁷⁸⁸ Cf. Sampson, *Money Lenders*, p. 120; on Lloyd's Bank, Aaronovitch, *Finance Capital*, pp. 91-94; M. Barratt Brown, 'The Controllers of British Industry', in J. Urry and J. Wakeford, eds., *Power in Britain* (London, Heinemann, 1973), pp. 100-101.

the one hand, companies likewise belonging to the interwar generation in terms of their rise to prominence (BICC, Dunlop, Unilever, and Rank Organization); and on the other, of a few corporations of imperial lineage like Shell and Rothmans.

In Belgium, the situation is complicated by regional division and the interpenetration with French capital. In Wallonia, which as a region was predominant in the liberal era, the Brussels holdings and their banks constituted a liberal bulwark against the Flemish upstarts who advanced notably in the interwar years. Within each region however, a cosmopolitan bank may be distinguished from a more continental European one. Basing ourselves on a recent overview,⁷⁸⁹ it is possible to assert, with due caution, that the Banque Bruxelles-Lambert in Wallonia and the Bank van Parijs en de Nederlanden, the Belgian affiliate of Paribas, in Flanders are cosmopolitan and Atlantic banks; whose respective counterparts are the Société Générale and the Kredietbank. *Fortune* in 1969 saw Belgian capital polarized between the semi-official Société Générale controlling its African mineral empire and the deficitary Walloon steel industry, and the cosmopolitan Boël, Solvay, and Janssen financial aristocracy with the Bruxelles-Lambert group, but also stressed the many overlaps between them.

If the picture for Belgium is far from unequivocal, the French situation is contradictory. At first sight, the bipolarity of French capital around rival bank groups seems to conform entirely to the presumed antinomy. As Morin's comprehensive study of 1974 shows, French finance capital at the outset of the decade became polarized between the Cie. financière de Suez et de l'Union des Mines (which in 1972 got control of the Banque de l'Indochine) and the Cie. financière de Paris et des Pays-Bas (Paribas). With its background in French colonial enterprise, Suez and its group (St. Gobain-Pont-à-Mousson, Lorraine steel, CGE, Béghin, and others) constitute the liberal-internationalist pole, while Paribas (linked to Péchiney, northern steel, Hachette, and Schlumberger) is the sphere-of-interest counterpart of state-monopolistic lineage.

⁷⁸⁹ H. Anglade, 'De Belgen en hun Banken', *De Nieuwe*, October 6, 1983.

Of the characteristics setting the two banks apart, Morin contrasts the industrial orientation of Paribas, with its receptivity to state planning, to the financial outlook of Suez. Internationally, Paribas in 1972 had invested 48% of its foreign portfolio in Europe, 23% in Africa, and 16% in North America; Suez, on the other hand, has mainly invested in the formerly French periphery (49% of its foreign investments). Owned partly by a US insurance group and the British state, Suez has functioned more as a relay of foreign capital, while Paribas represents the autonomous thrust of French finance capital into the international circuit.⁷⁹⁰

From this position, Paribas recently, however, has emerged as the more aggressively internationalist bank. Establishing links with the Bank of America (US associate of ABECOR), S.G. Warburg, and the Bruxelles-Lambert group in Belgium, Paribas has clearly embarked on a cosmopolitanism of its own, retaining its association with Lazard Frères, but breaking loose from earlier associations with Rothschild (which gravitated, instead, to the Suez alliance). Neufilze-Schlumberger-Mallet, one of the main houses of the formerly Protestant high finance, resisted being taken over by Paribas in 1972 and passed under the influence of the Dutch ABN.⁷⁹¹

In Italy, the Vatican Bank (Institute for Religious Works) because of its freedom from Italian currency regulations became a key relay for the financial interests activated by the swelling international money economy. Next to its established orbit in Italy—which centred on the Immobiliare real estate group, the Banco di Roma, and the Banco di Santo Spirito, and which interlocked with the orthodox liberal Milan group of Pesenti (Italcementi) and Falck—new aggressive partners of the Vatican came to the fore. These newcomers, notably Michele Sindona, who was on the board of a host of Italian subsidiaries of American firms besides managing his own Banca Finanziaria Privata (linked to Hambros in Britain and Continental Illinois in Chicago), and Roberto Calvi of the Banco Ambrosiano, the biggest private bank in Italy, worked closely with the

⁷⁹⁰ F. Morin, *La structure financière de capitalisme français* (Paris, Calmann-Lévy, 1974), pp. 90, 92-93, 271, 210, & passim.

⁷⁹¹ *Ibid.*, p. 169.

Vatican Bank's new manager, the American bishop Paul Marcinkus, and shared his ruthless business approach.⁷⁹²

Their joint foray into international speculative finance soon assumed criminal proportions as it linked up domestically with a terroristic tendency in the liberal fraction, of which the international financier and power-broker, Licio Gelli, was the central figure, and the masonic lodge P-2 in 1981 was exposed as the main organizational centre. The impact of the new hegemony of international finance in Italy hence became marked by a wave of terrorism, which in 1978 included the murder of the conciliatory Aldo Moro and, according to a recent account, that of Pope John Paul I, before it devoured several of the financial tycoons themselves.⁷⁹³

The American banks traditionally at the centre of the most powerful US financial groups and, in 1970, also at the centre of the Atlantic network of interlocking directorates, J. P. Morgan, Chase Manhattan, and Chemical Bank, owed their international position to American hegemony rather than to their own international activities. In 1970 their foreign earnings ranged from 22% to 25% of earnings for Morgan and Chase, and 13% for Chemical Bank. In 1976, they clearly had joined the movement into the new international credit economy. By then, the profit share of their international activities was 78% for Chase, 56% for Chemical Bank, and 53% for Morgan. In the process, their prominence in the Atlantic network of interlocks diminished (of the Morgan group's four entries on the 1970 list of thirteen most central firms, only the bank itself and US Steel remained in 1976⁷⁹⁴), while competitors cropped up both from abroad and from the American hinterland. Regional American banks and financial

⁷⁹² C. Pallenberg, *Vatican Finances* (Harmondsworth, Penguin, 1973), pp. 188-189 & passim.

⁷⁹³ D. A. Yallop, *In God's Name* (London, Jonathan Cape, 1984). Banks on account of the comparatively late rescinding of 'Keynesian' legislation are not the nerve centres in the Italian economy in terms of interlocking directorates, the network of which is polarized at the centre between the private Pesenti/Falck orbit in Milan and the state holdings, cf. A. M. Chiesi, 'Property, Capital and Network Structure in Italy', in J. Scott, F.N. Stokman, & R. Ziegler, eds., *Networks of Corporate Power* (Cambridge, Polity, 1985).

⁷⁹⁴ Fennema, *International Networks*, p. 116; Menshikov, *Millionaires*, group lists; Pastré, table 15, p. 105; Lundberg, *The Rich*, Appendix B.

groups generally had not achieved the degree of internationalization necessary to take advantage of the opportunities offered by the dramatic growth of the international capital markets. Therefore the California-based Bank of America and Western Bancorporation tried to compensate for the dominant position of their New York competitors by joining the European consortia from which Morgan and Chemical, and to a lesser extent Chase, largely kept aloof. The First National City Bank, which already made 40% of its profits abroad in 1970 and 72% in 1976, but was not specifically oriented to Europe, likewise was more active in the consortia than the three banks of the Atlantic 'Establishment'.⁷⁹⁵

The pertinence of financial-group structures for international class formation, however, resides not in their stability as such, but in the coincidence of economic restructuration and political coordination. Thus, in the 1954 Declaration of Atlantic Unity, capitalists from both sides of the Atlantic elevated their joint economic interests to a common political stand. But when Nixon's policies destroyed the foundations of Atlantic integration, and the Trilateral Commission was formed in an attempt to reassert the international interest and work for an ultra-imperialist solution, it did not simply bring together the same men.

Apart from the inclusion of a Japanese membership reflecting the (still timid) integration of Japanese capital in the international network of joint directorates after 1970,⁷⁹⁶ the companies aspiring to take part in shaping the emerging world system came from both the established set of Atlantic internationalists and the sphere-of-interest groups now claiming a global role. Thus, from the United States, next to the old guard of the Atlantic economy like Chase, Exxon, Lehman Bros., Coca Cola, and Brown Bros., Harriman; were runners-up like the Bank of America, Kaiser and Bechtel from California, Continental Illinois and Sears Roebuck from Chicago, as well as Hewlett-Packard and the Wells Fargo Bank. On the European side, the established bulwarks of liberal internationalism like Thyssen, the Banque Lambert and the UCB of the Belgian Janssen family, AGP insurance (Indochine/Suez), Lloyd's, S.G. Warburg, and Barclays, found themselves

⁷⁹⁵ Fennema, *International Networks*, p. 158, table 7-2; Woodruff, pp. 250-251, table V-F.

⁷⁹⁶ Fennema, *International Networks*, pp. 170-171. Pastré, p. 117.

in the company of the former protagonists of the Partnership policy like Unilever, Dunlop, Shell, Otto Wolff, FIAT, Montedison, and the Kredietbank; or even of a bank group of Gaullist credentials as Paribas.⁷⁹⁷

The redeployment of the internationalist interest, however, rested on an industrial base rapidly losing its regional cohesion. As the international circuit one-sidedly developed into the direction of a unified circuit of money capital, the dividing lines among the Trilateral firms in terms of historical antecedents became less significant than the fact that, at least in the American case, the big mass-production industries were not on the list.⁷⁹⁸ Thus on the American side, the attempt to launch another round of constructive internationalism lacked the essential transmission belts along which a new offensive could be fed back into domestic expansion and social imperialism.

⁷⁹⁷ Fennema, *International Networks*, p. 189.

⁷⁹⁸ Full list in H. Donkersloot, 'Jimmy Carter en de Trilaterale Strategie', *Tijdschrift voor Politieke Economie*, vol. 1, no. 3 (1977), p. 28. Officers from the AFL-CIO, the DGB, the CFDT, and other trade unionists also were members.

Epilogue:

From Trilateralism to Unilateralism

The eclipse of industrial capital in the profit-distribution process from 1966 to 1968 marked the beginning of the end of the era of corporate liberalism and Atlantic integration. Unlike previous, conjunctural changes in the balance of economic power, the 1970s rise in the share of bank and oil capital, together with concomitant improvements in rentier incomes, spurred the formation of a new class bloc outside the hitherto prevailing corporate-liberal era of compromise and outside the traditional regional centres of mass-production industry. The domestic movement from the US Northeast to the Sunbelt, as well as the international shift from densely integrated production to sub-contracting directed from the London-based Euro-currency and capital markets, tendentially undermined the hegemony of corporate liberalism and fostered the forces of the New Right instead.⁷⁹⁹

The reaction of the ruling classes in the main North Atlantic states to the crisis developing in the American economy, and passed on to the rest of the world by the Nixon policy and the oil crisis, at first consisted of a dramatic turn towards imperialist unity. In the context of runaway internationalization and the rise of money-capital, a pervasive liberalism

⁷⁹⁹ Mike Davis, 'The New Right's Road to Power', *New Left Review*, no. 128 (July/August 1981).

for a time sought to restore the preconditions of a concerted reaction to the challenges facing the capitalist system. Capitalist unity was also spurred by the synchronization of the crisis across all the OECD economies at once. 'On the basis of the data on 1930-32, one would expect that a major shock to the system would find economies reacting almost in unison', Rosecrance and his associates write in this connection. In 1973-74, 'this is precisely what happens'.⁸⁰⁰

At the political level, the turn towards renewed cohesion was reflected in the quick succession of changes of command between February and August 1974: Harold Wilson replaced Edward Heath; Giscard succeeded Pompidou; Helmut Schmidt replaced Brandt; and Gerald Ford was installed as Nixon's successor as part of a deal to avoid the latter's impeachment. In mid-December, Presidents Ford and Giscard met on the island of Martinique and reached agreement on a common stand against the threat to their energy supply, an issue on which Pompidou had refused to budge before. Thus the way was cleared for a conference of the American, German, French, British, Italian and Japanese leaders in November 1975 in Rambouillet near Paris.

The apparent return of the Western European states to the Atlantic fold, however, did not obliterate the fundamental trend towards unilateralism and rivalry. Real, as opposed to merely rhetorical, unity was far off, especially as long as the Republican administration in Washington remained committed to a defensive, heavy-handed reaction against nationalism and socialism. Kissinger's bellicose threats in the Middle East and his incautious support for the Greek colonels in their conflict with Turkey over Cyprus, followed by his encouragement to South Africa's intervention against the MPLA in Angola in 1975, further undermined Atlantic unity. Meanwhile, weak links in the imperialist chain were breaking. In Portugal, an eleventh-hour coordination, with the Socialist International bolstering the domestic position of Mario Soares and US

⁸⁰⁰ R. N. Rosecrance et al., 'Whither Interdependence?', *International Organization*, vol. 31, no. 3 (Summer 1977), p. 440; E. Scholing and V. Timmerman, 'Länder- und Branchenkonjunkturverbund. Empirische Untersuchung unter Verwendung der Hauptkomponenten- und Transformationsanalyse', *Kyklos*, vol. 30, no. 4 (December 1977), pp. 603, 609.

planes flying in conservative Portuguese settlers from the liberated colonies, was necessary to prevent the Portuguese Revolution from consolidating itself.

The European bourgeoisie's greater tolerance toward social reform in the Third World was motivated both by the rise of Eurocommunism and by their greater dependence on imported raw materials. In Italy, Aldo Moro was the main proponent of a strategy of domestic rapprochement with Eurocommunism, linked to a foreign policy friendly to moderate Third World nationalism. His objections to Italian subordination to the Kissinger line were brought out by the Socialist state secretary, Bensi, who argued the need for direct agreements with the oil-producing nations during a visit to the United States by President Leone.⁸⁰¹ This strategy was particularly appealing also to the French state sector and to German capital, which had failed to penetrate the international cartel of raw-material multinationals, almost exclusively Anglo-American, and now could hope to capitalize on the trend towards state ownership of raw-material resources in the Third World.⁸⁰²

The Trilateral Commission, established in 1972-73, attempted to strike a realistic balance between American interests and European (and Japanese) aspirations in this respect, and to insert them into a common framework of imperialist cooperation. In the Ford Administration, several leading Trilateralists tried to tilt foreign policy back towards ultra-imperialism, but the presence of Kissinger blocked any dramatic turn. Jimmy Carter, 'one of those Southern governors' recommended by Averell Harriman as an ideal Democratic presidential candidate, and a member of the Trilateral Commission himself, narrowly defeated Ford in the election of November 1976. With a cabinet loaded with Trilateralists and a programme apparently well-designed to rehabilitate the social imperialist consensus at home and unity of purpose abroad American capitalism once again seemed capable of recapturing the historic initiative from socialism.

⁸⁰¹ Club Turati, *Il Partito americano*, p. 27.

⁸⁰² Krägenau, *Direktinvestitionen*, pp. 77-78.

Projecting the United States as the bastion of 'human rights' (which became the new ideological motif of the Carter administration) required, however, that the ruling class purge itself of some those publicly associated with the crimes of the recent past. In Europe, meanwhile, the 'Trilateral' fraction wanted to free themselves from the compromised Atlantic cold warriors now that a conciliatory line seemed to be prevailing on the Left, constituting a challenge that would have to be met in the Centre. In the United States the Senate hearings on ITT's involvement in Nixon's anti-trust policy and the overthrow of Allende in Chile served a comparable purpose, as did several measures upgrading Congressional prerogatives at the expense of Presidential discretion. But when, after the Watergate scandal and Nixon's removal from the scene, the Senate Subcommittee on Multinational Corporations started hearings on Lockheed's bribery of leading European and Japanese statesmen, the purge spread overseas, offering an opportunity to crucify the comprador liberals who had functioned as an appendix to the Nixon-Kissinger policy.

In West Germany, the Grand Coalition already had disposed of the old American hands of Marshall Plan vintage, but Italian compliance with Kissinger's concept of American world responsibilities was still obtained from a culpable president (Leone), who had accepted Lockheed bribes under the cover name 'Antelope Cobbler'. In 1977, two former defence ministers, Gui and Tanassi, were indicted by the Italian parliament as a result of the Lockheed exposé. In the Netherlands, Prince Bernhard, the chairman of the Bilderberg Conferences, was stripped of his military and commercial functions.⁸⁰³

The new American offensive, emphatically requested by Chancellor Schmidt, was built on peaceful confrontation with socialism and compromise within capitalism. Interacting with the thrust of the international restructuration of capital, the Carter offensive aimed at constructing ultra-imperialist consensus along the North-South axis. This view came close to the ideas propounded principally from Europe

⁸⁰³ Sampson, *Arms Bazaar*, p. 274; *Rapport van de Commissie van Drie*. In Japan, the Trilateral imperative led to the fall of Premier Tanaka.

(although echoed by McNamara at the World Bank) on a New International Economic Order, which aimed at continuing détente with the socialist states and an accommodating approach to Third World nationalism. In the Carter Administration, these positions found their best representation in the attitudes of Secretary of State Vance, strategic arms negotiator Warnke, and UN ambassador Andrew Young.

Shared responsibility for expansion into the Third World clashed with the reality of competition, however. It also floundered in the face of different estimates of the danger of the Soviet presence in the countries recently liberated from the imperialist system. Soviet military power, inflated in response to the American arms build-up and aggressiveness in the preceding era, gradually became the central issue around which imperialist unity converged, contradicting the initial position of the administration and its supporters abroad. At the same time a policy of aggressive response to any challenge to the imperialist system, whether in the Middle East or in Central America, conformed much more easily with the aggressive self-confidence of the classes associated with the movement away from the New Deal order. When in 1978-79 the brief recovery of American industrial profits gave way to an across-the-board improvement of the profit share of the financial sector, rentiers, small capital, and notably the oil companies, (which climbed from \$13.8 billion in 1978 to \$28 billion in 1980, while the aggregate profit figure for the us economy fell); the mounting tide of the revolt of the Right, ranging from brushfire tax revolts to the formation of the Committee on the Present Danger favouring military confrontation with the Soviet Union, increasingly isolated the conciliatory elements in the Carter administration.

Thus half-way through the Carter presidency, the attempt to obtain a viable format of inter-imperialist relations around the strategy of co-opting and challenging the threats of peripheral nationalism and social revolution was abandoned. In economic policy, the replacement of the industrialist Miller at the head of the Federal Reserve by the orthodox banker, Paul Volcker, who came from the Chase Manhattan bank and had served in the Nixon administration, marked the end of the policy of expansion; in foreign affairs, Brzezinski's knack for military solutions

prevailed over Vance's moderation and ultimately led to the resignation of the Secretary of State. Unable to accommodate both peripheral challenges and the aspirations of the allies in that area at the same time, American policy shifted its focus from the revolt of the Third World to the confrontation with the Soviet Union. Soviet support for the anti-imperialist liberation struggles and revolutions in Southern Africa and Ethiopia, and its 1979 invasion of Afghanistan to protect its client modernizers from the Muslim tribal forces, allowed the aggressive element in the Atlantic bourgeoisie to focus attention on the East-West military relationship, which proved a much more viable format for imperialist unity.

In 1979, Atlantic military unity was once more confirmed when Carter, Giscard, Schmidt, and Callaghan (Labour's Atlanticist Foreign Secretary who had replaced Wilson as Prime Minister in 1976), summiting on the island of Guadeloupe, decided to go ahead with the installation of new American strategic nuclear missile in several Western European NATO states. Callaghan was able to attach a proposal to simultaneously start negotiations on the nuclear weapons balance with the Soviet Union in order to convince the public of NATO's good intentions, but the single olive branch did not take away widespread concern over the possible consequences of the introduction of 572 new nuclear missiles.

As a result of its waverings over Iran and Nicaragua, as well as its deflationary economics, the Carter administration was swept away in 1980 by the Reagan landslide. Meanwhile, a vote of censure had brought down the Callaghan government already in 1979, and Schmidt and Giscard, too, before long were removed from the scene. Bowing to the military and monetary exigencies of the Reagan administration's hard-line unilateralism, their successors have shown themselves incapable of formulating a new comprehensive concept of control adequate to the realities of the post-Atlantic world economy while preserving a minimal degree of imperialist unity. As the passive revolution of Atlantic Fordism draws to a close, and the phantom of nuclear annihilation hovers over the Northern Hemisphere, the urgency of restoring global anti-imperialist unity can only increase.

Appendix:

The Profit-Distribution Process

The profit-distribution process is the terrain of struggle over the distribution of the realized mass of surplus-value. In the real world of capitalism, where rates of profit are never actually equalized, the ceaseless competition between individual capitals, financial groups, and capital fractions shapes a dynamic hierarchy of profit distribution. The power of particular class fractions, nationally and internationally, develops in dialectical interplay with variations and shifts in this distribution.

1. Basic Capital Fractions

Each of the classical capital fractions claims a specific form of profit in this distributive competition. Mandel distinguishes four principal types.⁸⁰⁴ (1) *Entrepreneurial and founders' profit*. This is the profit accruing to functioning industrial capital, consisting of directors' and board-members' salaries, dividends on preferential stock, and non-distributed profits. (2) *Commercial profit*. The revenue of traders, dividends and non-distributed

⁸⁰⁴ Ernest Mandel, *Traité d'économie marxiste* (Paris, Éditions Générales 10/18, 1969), vol. 2, p. 238.

profits of trading companies. Mandel also includes interest on money-capital, which is technically correct (as it refers to money-dealing capital), but for practical purposes in our study has been attributed to Mandel's next category: (3) *Bank profits*—partly appearing as interest, partly as undistributed profits or dividends of banks. (4) *Ground rent*.

As fractions of social capital, these distributive categories relate to the total mass of profit, while the rate of profit denotes the ratio of surplus-value to total capital. The share in the total mass of profits accruing to a particular fraction indicates the degree to which that fraction has been able to appropriate new wealth. All other things being equal, the greater the turnover of industrial capital, the greater the mass of profits it produces. Hence, the periods of US industrial expansion accompanying the Atlantic offensives could be expected to show a relative increase of the profit-distribution share claimed by American industrial capital.

The role of bank profits, on the other hand, becomes especially prominent when accumulation on a given technical basis has to be abandoned and capital must be amassed in money form to enable its reinsertion into technically renewed production processes. The mobility of bank capital entitles it to the strategic role in periods of the restructuring of capital and production structures. At such junctures, its flexibility contrasts most sharply with the immobilization of industrial capital in fixed assets and unamortized technologies. Of bank capital, Marx emphasized that 'the accumulation of the wealth of this class can proceed in a direction quite different from that of real accumulation', and that 'loan capital accumulates at the expense of both industrial and commercial capital'.⁸⁰⁵

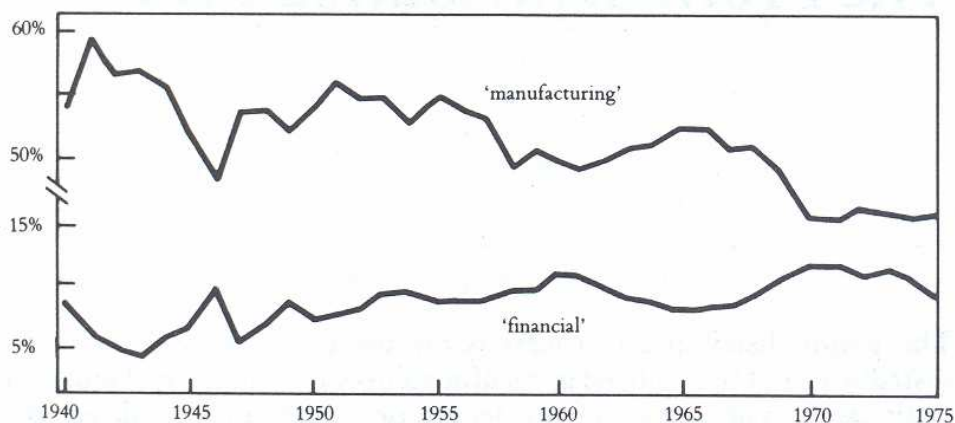
Commercial capital, finally, is able to reinforce its economic position particularly in the upward movement of the business cycle when inventories are revalued and rapidly depleted due to growing demand. New capitalists easily make their appearance in the market, since the initial capital required for commercial activities is relative small, and credit is readily available in this situation.

⁸⁰⁵ *MEW*, Vol. 25, pp. 495, 519.

With this general remarks in mind, let us example empirical evidence of the changing prominence of the major capital fractions in the business cycle.

For the United States, the percentage share of total corporate profits has been calculated for the three capital fractions deriving from the basic functional forms of capital: i.e., bank capital, industrial capital, and commercial capital. Taking the necessary data from the *Economic Review of the President* of January, 1977, I allow 'total financial' to represent bank capital; 'manufacturing' for industrial capital; and 'wholesale and retail trade' for commercial capital. In Figure A.1 the fluctuation ratios for bank capital and industrial capital are portrayed.

Figure A.1
Percentage Share of Bank Capital and Industrial Capital in
Total Corporate Profits, USA, 1939-1975



Source: *Economic Report of the President 1977* (Washington, DC, US Government Printing Office, 1977) p. 279 (Table B-79).

As might be expected from their definition as phases of enhanced real accumulation, the offensive, Atlantic-unity periods show improvements of the industrial-capital profit share, accompanied by simultaneous declines in the shares of bank capital. (World War Two and the Roosevelt offensive, of course, are superficially anomalous. Corporate super-profits tended to be realized more as capital gains on publicly-financed factories

and fixed-capital assets than as normal balance-sheet profits or dividends.)

In the category 'total financial', real-estate investment trusts are included although, like mining capital, they also appropriate a ground rent. Likewise the oil business ('petroleum and coal' in the statistics) is treated as a component of the manufacturing category, although it realized both ground-rent and commercial profit (50% of the workforce of the American oil industry is employed in sales and distribution and only 20% in direct production).

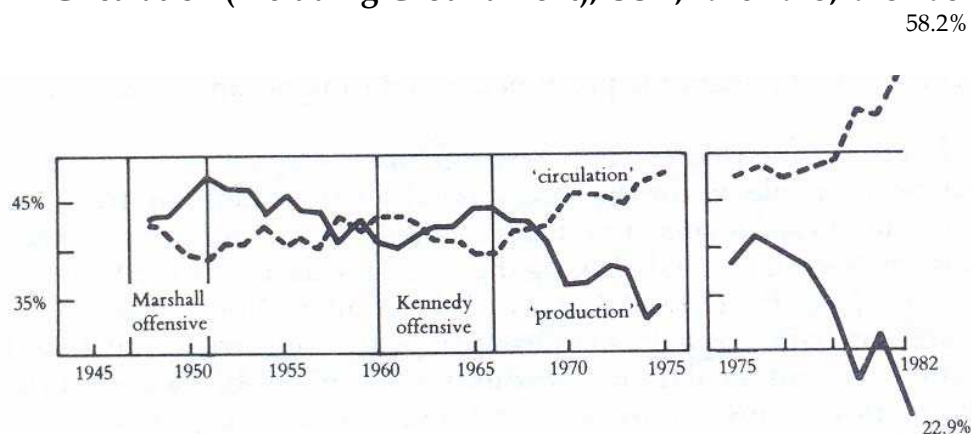
Since 'petroleum and coal' represent 10-20% of manufacturing profits in the period under consideration, and because the political profile of the bourgeoisie associated with the American oil business generally has fitted much more into the mass of interests whose ideal-typical concept of control revolves around the money-capital vantage point rather than the social-imperialist industrial concept, it has been transported to a composite category of capital engaged in circulation. This fraction would include financial, trade, petroleum and coal, and 'transportation, communication, & services'. In this composite faction, bank capital, petroleum and coal together make up more than one-third of the percentage.

The inverse variation of the percentages is not self-evident, since together they almost reach the 100%. In Figure A.2, we have the resulting picture for the years in which data are presented in the *Economic Report of the President* (extended for the period 1975-1980 on the basis of the *Report for 1983*). The graph illustrates the inverse movements of productive and circulating capital in offensive and defensive period, respectively. It also shows the dramatic decline of the profit share of productive capital after 1966, testifying to the crisis of Fordism and the rise of the new liberalism.

As in the case of the oil industry, the statistic used here lumps together individual capitals within which the weight of the different fractions of social capital may vary greatly. The concentration and centralization of capital increasingly leads to a situation in which individual capitals come

to represent social capital in microcosm, combining the different functional forms of capital, and hence, the formerly independent capital fractions specialized in handling them, in the structure of a single corporation. The oil industry was transported to another category simply because it was a fish too big to leave in the wrong tank, but the remaining figures still contain a degree of unreliability on this account. Therefore we have to settle for an approximation of the varying weight of fractions as they are given, assuming that the overall pattern of profit distribution will be reflected in the individual capitals combining different functions in their organization. At the social level, the prominence of either the productive-capital or the money-capital concept will not be affected; only the background of its individual proponents may be.

Figure A.2
Profit Shares of Productive Capital and Capital Engaged
In Circulation (Including Ground Rent), USA, 1948-1975, 1975-1982



Source: *Economic Report of the President 1977* (Washington, DC, US Government Printing Office, 1977) pp. 279, 281 (Tables B-79, B-80); *Economic Report of the President 1983* (Washington, DC, US Government Printing Office, 1983), pp. 258, 259 (Tables B-83, B-84). The industrial percentage for 1975 is not identical in the two editions.

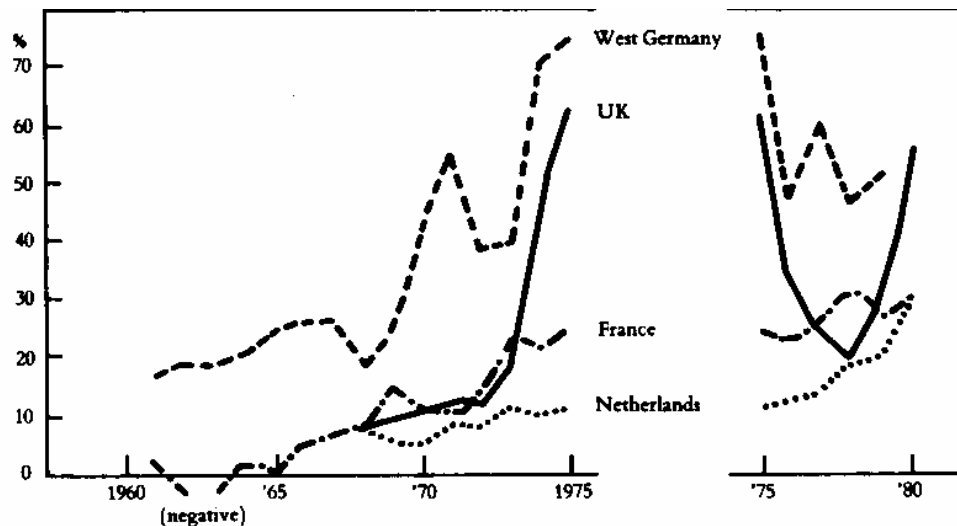
For Western Europe, business statistics covering the period under review are hard to come by, and profits in particular are treated by the authoritative statistical institutions with due discretion. Profits of various capital fractions comparable to those in American publications are

generally not available. In the 1980s edition of the OECD National Account Statistics, 'savings of corporations' are differentiated for financial and non-financial institutions. For Western Germany and France, moreover, the series extends back to 1961; for Britain and the Netherlands, the figures are specified from 1968; for Italy, the series begins with 1970; while figures for Belgium are not provided. For West Germany, France, Great Britain, and the Netherlands, 'savings of corporations' for financial and non-financial corporations and quasi-corporate enterprises have been calculated as a percentage of total corporate income as defined by the same source.

Straightforward comparison of the resulting percentages with the US figures is hardly possible, since the method of calculation combines two forms of profit differentiated by amortization and self-financing. Still, the relative performance of the financial *vis-à-vis* the non-financial fraction may be meaningfully compared to the US trend. Negative percentages indicating years in which a category suffered loss, depressing the sum total of corporate income and inflating the share of the opposite category accordingly, are indicated by 'negative'.

As was the case with the United States, the crisis of European industrial capital is expressed in a rising trend of the share of bank profits. In order to show that the relative rise of money capital in the profit-distribution process is not simply the effect of the distortion caused by the huge losses in the real sphere during 1974-75, Figures A.3 and A.4 also show developments for 1975-80.

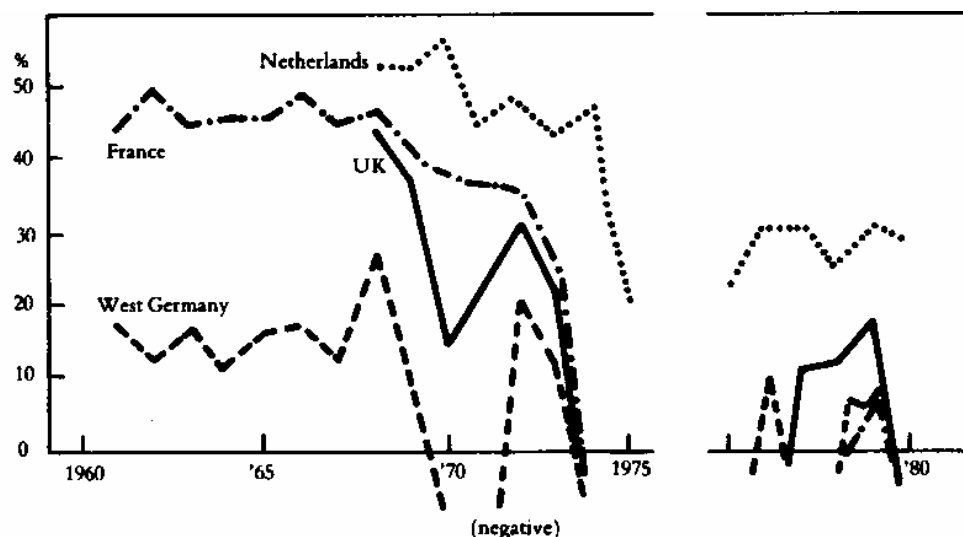
Figure A.3
Profits of Financial Corporations as a Percentage of Net
Corporate Income in Four European Countries, 1960-1975,
1975-1980



Source: OECD, *National Accounts of OECD Countries, 1963-1980* (Paris, OECD, 1982), Vol. II (country tables).

Due to the extreme imbalance between high financial profits and low non-financial profits and total corporate income in the Italian figures, the attempt to visualise them runs into the limitations of the mode of calculation and representation. Still, as far as the general trend is concerned, the Italian data would only accentuate the picture of a rising share of money capital.

Figure A.4
Profits of Non-Financial Corporations as a Percentage of
Net Corporate Income in Four European Countries,
1960-1975, 1975-1980



Source: OECD, *National Accounts of OECD Countries, 1963-1980* (Paris, OECD, 1982), Vol. II (country tables).

2. Income Categories

Next to the variations in the functional corporate profit shares accruing to the most concentrated capitals, a subordinate, complementary tidal movement of profit incomes takes place along the vertical axis distributing profit among corporations, rentiers, and self-employed entrepreneurs (small and medium capital). These categories figure in the national account statistics as 1. *corporate income* or *corporate savings* (used alternatively depending on the editions of national account statistics); 2. *household's property income* (rent, interest, and dividend); and 3. *households' entrepreneurial income*. From these categories, although already more remote from the distinctions presented by Marxist theory, the functional aspect still is not entirely absent.

In households' property income, fictitious capital in its atomized, individual form is represented straightforwardly, while corporate income, by contrast, conflates fictitious and real capital. In this case, the class aspect resides in the potential confrontation between functioning capital (whether industries or banks) and the rentiers. From another angle corporations as an income category also face the recipients of households' entrepreneurial income as big versus small capital. Since in the category 'households' entrepreneurial income' (or 'independent traders' as they figure in some national account publications), farmers are included next to self-employed artisans and traders, ground rent also forms part of the actual income.

The form of property in the hands of individual persons which is most conducive to accumulation is the ownership of securities. This form of property, which is represented by 'dividends' in the category 'households' property income', represents fictitious capital directly interconnected with the movement of real capital. The owners of corporate stock are more directly involved in the movement of social capital as capitalists; the private real-estate owners (category 'rent'), and the owners of savings (category 'interest') participate in the profit-distribution process as residual, secondary agents of capital, unable to exert any influence but a negative one on capital accumulation.

A further distinction within the category of share-owners along this real/rentier axis is the one between the small share-owners owning stock as savings and the owners of preferential stock and big blocks directly controlled by them. The latter, the corporate owner-managers or 'millionaire-managers' as Menshikov calls them, are not merely interested in dividends, but look at the company from a managerial point of view. Contrary to the notion of the 'managerial revolution', this class fraction is not replaced by hired managers: on the basis of the available data, Bendix concludes that 'the proportion of heirs in the business elite of each generation had gradually increased.'⁸⁰⁶

⁸⁰⁶ Bendix, *Work and Authority*, p. 229; Menshikov, *Millionaires*, p. 15.

Now enrichment from stock ownership proceeds in two forms: through dividends, or a capital gains, i.e., upward changes in the value of a given portfolio (or real estate). For the corporate owner-managers, capital gains are more important than dividends, because they represent the combined value of their property rather than merely a share of distributed income. Moreover, capital gains are much larger than dividends. In the income brackets between \$500,000 and \$1 million in the United States, more than half such income was accounted for by capital gains in 1964; according to Babeau and Strauss-Kahn, $\frac{3}{4}$ to $\frac{4}{5}$ of all property formation in the United States derives from capital gains.⁸⁰⁷

The issue of dividend payments versus consolidation of profits may pit the smaller rentiers owing a diversified portfolio against the corporate owner-managers more closely interested in the long-term prospects and overall financial position of their company. The owners of big blocks, profiting from tax rates on capital gains varying from 25% in the United States to zero in the Netherlands, are not dependent on dividends, so conflict with the smaller rentiers has become a familiar phenomenon of annual shareholders' meetings.

Within the ranks of the class fractions thus defined—i.e., share-owners versus rent and interest recipients, and corporate owner-managers versus mere dividend recipients—the varying prominence of productive and money capital and the concomitant concepts of control are reflected and reproduced. In the phases of enhanced capital accumulation, productive capital expands, capital gains accrue to share-owners, and the corporate owner-managers thrive in their dual capacity. In periods of slack economic growth, however, when industrial capital has to allow an increased share of accumulation funds to pass through the hands of the agents of fictitious capital in the context of the restructuration of capital, bankers, bondholders, and even the owners of savings temporarily rise in power as a single block. Meanwhile the small shareholders' interests are either taken care of by the banks, or they are the victims of the destruction of capital accompanying the restructuration process.

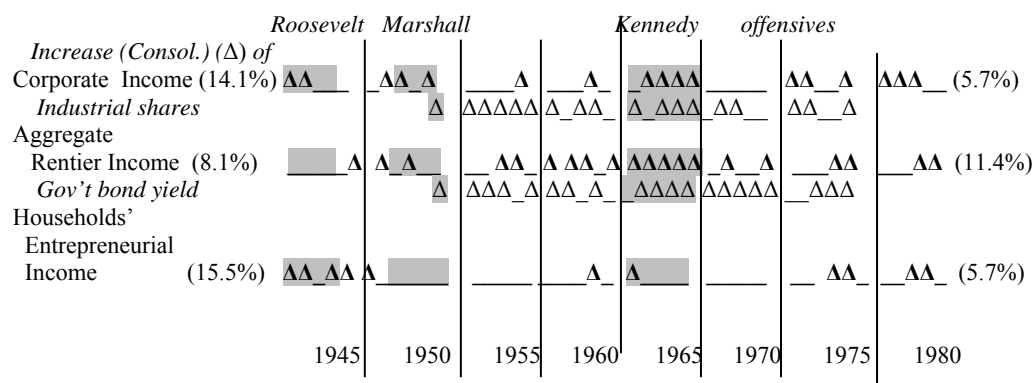
⁸⁰⁷ Babeau and Strauss-Kahn, p. 119; Menshikov, *Ibid.*, p. 35.

Utilizing American national account statistics, we observe that corporate income improved its share in 1941-42; 1947-48; 1950; and 1962-65. Apart from the expected years of corporate financial expansion, two years in the slack 1950s (1956 and 1959), and the two years of Nixon's New Economic policy (1971 and 1972), were also years in which corporations were able to improve their position within the profit-distribution process.

Households' property income (rent, interest, and dividends), until 1960 also tended to fit out expectations: rentier years were 1945-47; 1949, and the Eisenhower years, 1953 to 1958 (with an interruption in 1955). In the Kennedy offensive, capital incomes improved both along the real and the rentier axes. If we look at the actual figures behind the symbols in Figure A.5, however, we see that the improvement of corporate income in the Kennedy offensive (and the prices of industrial shares) are of a much bigger order than the improved performance of rentier incomes (or the increase in government bond yield).

In Figure A.5, we have tried to capture the differentiation between the various categories of rentiers (along the real/rentier axis) by indicating the years in which industrial share prices rose and capital gains were made, next to years in which corporate income improved. The performance of the more passive element in the rentier class, is measured by the variation of interest on long-term US government bonds, next to the years in which rentier incomes improved in the income distribution. To complete the picture, years in which small capital, that is, households' entrepreneurial income, improved, have also been indicated. The Δ symbol in the figure indicates a year in which the income share increased or remained constant following an increase. It thus denotes the incidence of a potential reinforcement of the corresponding class fraction. The percentages at the left and right of each row denote the long-term trend in which the variation took place. For the main categories, the period 1975-80 has been added for the sake of completeness.

Figure A.5
Corporate Income, Capital Gains on Industrial Shares,
Rentier Income (Aggregate and Government Bond
Yield) and Small Capital in the Profit Distribution
Process, USA, 1940 (1949)-1980) (Years of Increase or
Consolidated Increase)

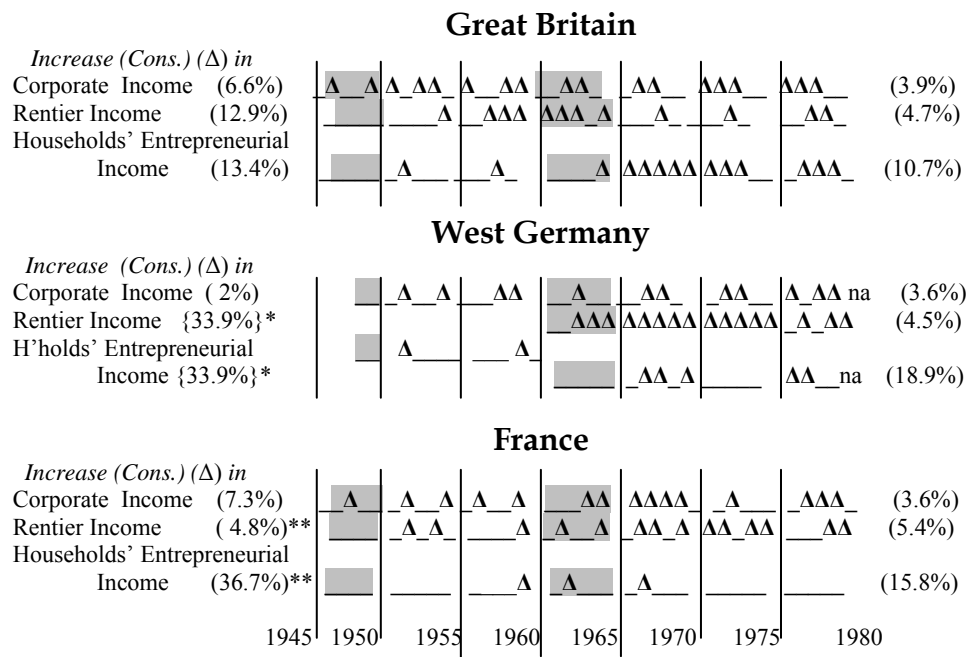


Sources: Corporate, Rentier, Households' Income: UN, *Statistics of National Income and Expenditure*, Statistical Papers H-4 (New York, UNO, 1953), p. 52; OECD, *Statistics of National Accounts 1950-1961* (Paris, OECD, 1964), p. 208, Table 4; OECD, *National Accounts of OECD Countries, 1961-1978*, vol. II (Paris, OECD, 1980), p. 24 (Table 6); OECD, *National Accounts of OECD Countries, 1963-1980* (Paris, OECD, 1982), Table 6. Share Price Index (1975=100) and Government Bond yield, 1950-1975, IMF, *International Financial Statistics Yearbook 1979* (Washington, DC, IMF, 1979), pp. 428-429.

On the whole, the corporate emphasis of the offensive periods contrasts with the rentier emphasis of the defensive periods (keeping in mind what was said about the actual values involved in the Kennedy offensive). As to small capital, its share in the income distribution declined from a maximum of 19.6% in 1946 to 6.5% in 1975 due to the processes of concentration and centralization of capital. Figure A.5 indicates in which years this tendency was temporarily stalled.

Finally, the comparable data for the three largest Western European economies are presented in Figure A.6 (main income categories only).

Figure A.6
Corporate Income, Rentier Income and
Small Capital in the Profit Distribution Process
in Three European Countries (Years of Increase or
Consolidated Increase)



* German rentier and households' entrepreneurial incomes combined until 1960

**1950; rentier and households' entrepreneurial incomes for 1945-50 are combined.

Sources: Country Tables in UN, *Statistics of National Income and Expenditure*, Statistical Papers H-4 (New York, UNO, 1953); OECD, *Statistics of National Accounts 1950-1961* (Paris, OECD, 1964); OECD, *National Accounts of OECD Countries, 1961-1978*, vol. II (Paris, OECD, 1980); OECD, *National Accounts of OECD Countries, 1963-1980* (Paris, OECD, 1982).

From the figure, it transpires that in the years in between the US Atlantic offensives, British corporate income improved (or consolidated an improvement in the previous year) in 14 years; whereas rentier incomes in those years increased or consolidated an increase in only eight cases. So in this case the Atlantic economy, in which the accumulation dynamic shifts from one side of the Atlantic to the other, appears to have continued to

operate. In the years of the Marshall and Kennedy offensives, on the other hand, there was no difference between the improvement of the corporate and rentier incomes. In West-Germany and France, the effect is weaker as far as these indicators go. In the Federal Republic, during the offensives rentier incomes improved in three years, corporate incomes in one; in France, rentier incomes in two, corporate incomes in two. The years of diminishing Atlantic cohesion show no overall trend (11 years of corporate income increase, 13 rentier years in Germany; 12 each in France). However, particular episodes do stand out: in France, for instance, the across-the-board reinforcement of capital incomes (corporate and rentier) during the second half of the 1960s (the 'American challenge' period of enhanced concentration of capital); in West-Germany, the rentier emphasis of the Kennedy offensive period.

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