

## Chapter 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 neatly 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. In 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'.<sup>2</sup>

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 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.<sup>3</sup> 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).<sup>4</sup> 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.

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 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.<sup>6</sup> 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.

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 prime foreign financier of the fast-growing US railroad networks. 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. 9

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 phantasies 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 hardly be exaggerated') 10 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. 11 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.<sup>2</sup> (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 up by E.C. Grenfell.<sup>13</sup> 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, Clivedon, became the famous meeting-place of the Round Table notables. Curtis was made secretary.

## 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'.<sup>15</sup> 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 period was largely financed by foreign funds, mainly from Britain, the Netherlands, and Germany.<sup>16</sup>

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.

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.

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

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'.<sup>20</sup> 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.<sup>21</sup>

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 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. <sup>22</sup> 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'. 23

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 General Electric and its German counterpart, AEG).<sup>24</sup> 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.<sup>25</sup> 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'. 26

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. 27

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. 28

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 these countries which was the typical product of the era of the internationalization of money capital, its liberal internationalism was neither hegemonial 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.<sup>29</sup> 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 Delbruck, Schickler, one of the private banks in the orbit of the Metalgesellschaft. In 1937, on account of his expertise in international money transactions, Abs was coopted into the board of directors of the Deutsche Bank.<sup>30</sup>

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. <sup>31</sup> The characteristic form of German internationalization, however, was the interlocking expansion of bank capital and technologically advanced industry. The great electricity holdings ageBosch, and Siemens - together with the Deutsche, and Dresdner Banks formed the core of this faction, which also loosely included the light chemical industry (BASE 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'. <sup>32</sup>

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. <sup>33</sup> The 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, Meldelssohn & Co. was the chiefforeign banker of the Russian Czar, while Bleichroder, another key Berlin bank, was strong in Austria and Italy. The Cologne banks, meanwhile, were intertwined with French interests.

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 of 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 Deutsch (Dresdner Banks, DEGUSSA, Bosch, one steelmaker (Becker), mining representative.<sup>35</sup> By this time, the liberal-international fraction of the bourgeoisie, led by Walter Rathenau of AEG an head of the liberal employers' organization, Gustav Stresemann already been defeated by the conservative alliance between heavy industry and the big landed interests. <sup>36</sup>

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.<sup>37</sup>

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 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. 38

Amsterdam was the pivot of the capital circuits between Indies, Britain, and, subsequently, the United States. Between 1864 and 1912, the import from Indonesia of tin, petroleum, tea 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-deal 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*. The biggest Dutch bank at the time, the *Twentse Bank*, associated with the textile and machinery industry, 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*.<sup>40</sup> *H. Colijn*, the most prominent spokesman of the liberal-internationalist fraction in Dutch politics, was 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'.<sup>41</sup> 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.<sup>42</sup> Yet when after World War One this group made itself the 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, Eugene 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.”<sup>43</sup>

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, Schneider and De Wendel, as well as the 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’,<sup>44</sup> 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, 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.<sup>45</sup>

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 Bleichroder, 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 favor 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 favor 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.'<sup>46</sup>

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.

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 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.