

Chapter 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. 1

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 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).² 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.

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, 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'.⁴ 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.⁵

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."⁶ 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 world. It is the nation, a new democratic nation composed of united capital and labor'.⁷

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'.⁸

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 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)',⁹ 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.

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 certainly 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 in the same lines of world privileges as ourselves; that its strength "will be our strength, and its weakening an injury to US'.¹¹ 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 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 'thom they meet only in their leisure', whereas with the British, 'we have to-day the discordant intimacy of business partners and family ties'.¹²

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.'

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 favor of liberalism, and make the organization of a league for the peace an 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.

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'.¹⁵ Obviously, this was a position that conservative imperialism could not possibly subscribe to, although bank capital represented a cosmopolitan interest in Europe as well.¹⁶ 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.'¹⁷ 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.

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'.¹⁸ Hitherto, the European liberal bourgeoisie had been able both to contain domestic working-class pressures and to maintain a degree of autonomy *vis-a-vis* the United States,¹⁹ 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 Russian expansion towards the Mediterranean, while allying Germany with the Austrian-Hungarian attempt to block it or deflect it upon the disintegrating Turkish Empire.²⁰ 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.²¹ 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, ²² 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 1912.²³ 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 historical initiative from socialism. 'Instead of allowing the gigantic scale and complexity of recent developments to frighten him into status-quo thinking', Mayer writes, Wilson 'courageously formulated both his thought and action with a view to steering the onrushing historical forces into orderly channels'.

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 the 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.

Participation on the side of the Entente was, in one sense, a predetermined fact. As Britain and the United States, traditional foes, 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 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. 26

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'.²⁷ 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 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.

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'.²⁹ 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.

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'.³¹ 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'.³² 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'.³³ 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.

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,³⁴ reinforced the hold of imperialist ideology not just over the trade-union bureaucracy, but also over much of the native skilled working class.³⁵ 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.³⁶

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 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'.³⁷ 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'.³⁸

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 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'.³⁹

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.⁴⁰ 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 of Nations in the context of an apparent retreat into hemispheric isolation, 'it fell to private bankers on Wall Street to exert financial leadership'.⁴¹

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 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'.⁴² 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.

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, Paul Warburg and Herbert Hoover.⁴⁴ 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.

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.⁴⁶ 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 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'.⁴⁷

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.⁴⁸

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'.⁴⁹ 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 economic reconstruction) was that of an investor'.⁵⁰ 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 his prestige, contributed to a recovery of the French currency in the spring of 1924.⁵¹ On the French side, Lazard Freres 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).

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 Rene 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.⁵³ 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.⁵⁴ 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 justice – 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.

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 of the American capital market. 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’. In German heavy industry, financial injections were given irrespective of technical level of 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.

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 for the allies, the partners did not relish the notion of raising money for Germany’.

Eventually, the single most important broker in the flow of American money capital to Germany was Dillon, Read & Co., one of the new Wall Street investment banks challenging Morgan in the 1920s. 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. 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. 62

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'.⁶³

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 pact, a 'gesture of moral and psychological solidarity' as his chef de cabinet called it, and not more.⁶⁴ 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. 65 After the publication of his book *Panuropa* 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 Oresdner Bank and Rothschild's Kreditanstalt of Vienna became the trustees. 66

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. Pitstenberg 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.

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. 67

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'. 68 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 Zurich), was forced to step down. 69

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 Gustave 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. 70

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. Diagram 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. 71

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 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 to have been the president. 72

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 inflation. The liberal leaders, Schacht and Stresemann, had attacked the plans for separatism (while Britain had put pressure on France to stop supporting them), 73 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 centered on the DANAT bank, the result of the 1922 merger between the Darmstadter 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 latter owning 21.3% in 1930) now held the reins.⁷⁴ Stock in the German and Luxemburg mining companies formerly in the Stinnes group had been sold to J. Henry Schroder bank in London and to Dillon, Read by Albert Vogler, the trustee after Stinnes's bankruptcy. Vogler 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.⁷⁵ 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.⁷⁶ 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 redirected towards South-Eastern Europe.⁷⁷ 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.

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'.⁷⁹

The French retaliated by withdrawing credit from Rothschild's Kreditanstalt in Vienna, which promptly collapsed. Mocking the Briand 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.⁸⁰ 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, 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.⁸¹

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 DANA T 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.⁸²

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, which was held responsible for the contents of the Young Plan.⁸³ 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.⁸⁴

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 Vogler of the Vereinigte Stahlwerke; Springorum of Hoesch, and Krupp, too; Stauss of the Deutsche Bank; and banker Kurt von Schröder; as well 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.⁸⁵

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 was 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. ⁸⁶

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.⁸⁷ 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.⁸⁸ 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-aggression pact with the Soviet Union was concluded, Fritz Thyssen left Germany in protest.⁸⁹

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 Bruning 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.