

Chapter 4: The New Deal Synthesis

1. The Rise of the State-Monopoly Tendency

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

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

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

The codification of Lenin's works in Soviet Marxism, which fossilized their articulation of Marxist method and revolutionary tactics into official doctrine, in due course also elevated the analysis of *The Impending Catastrophe* to the level of standard theory. At the 1960 Moscow conference of Communist parties, state-monopoly capitalism, hitherto used loosely and as a theoretical category developed mainly in the GDR, was officially adopted as the scientific designation of advanced capitalism as such. The experience of the 1930s, when the main capitalist states resorted to an interventionist and corporatist policy intended to save capitalism from the crisis of its liberal mode of accumulation (but when Comintern Marxists still rejected any comparisons with the programme of *The Impending Catastrophe*), in hindsight was declared to be the formative period of state-monopoly capitalism. 3

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

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

represents a critical moment in the crisis of the theory of state-monopoly capitalism, its reformist assumptions, and the Communist parties clinging to its tenets.

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

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

The state-monopoly tendency in the bourgeoisie, on the contrary, estimated that capitalism could profit from a mitigation of economic liberalism and a systematic state intervention. As indicated in Chapter One, such ideas had been propounded from the late nineteenth century on by Hobson, Ford, and others, and gradually, their reasoning came to be shared by a generation of the bourgeoisie dependent on state support, cartelization, and other economic arrangements contradicting the money-capital concept and the liberal order. When laissez faire exploded in 1929 and failed to respond to orthodox liberal methods of reviving it, the productive-capital concept gravitated to a hegemonic position and the condition of capitalist society elevated the fractional interest of the state-monopoly tendency to the level of the apparently general interest. The concrete forms of its breakthrough and the political struggles accompanying them differed greatly, but everywhere in the North Atlantic area the corporatist restructuration of class relations, the 'domestication' of the circuit of money capital under state auspices, and the crystallization of sphere-of-interest arrangements in the international field unmistakably signified the triumph of the state-monopoly tendency.

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

The Rockefeller Nexus

In the decade after 1909, the American iron and steel industry ceded its position as the fastest growing industry to the transportation machinery, oil, and chemical industries.⁴ The most dynamic component of the transportation machinery category, the automobile industry headed by Ford, in the same period embarked on a course of international expansion which would make the bourgeoisie associated with it part of the mass of interests which in the later stages of the New Deal threw in its weight for the international extrapolation rather than national consolidation of Fordism. As we shall see below, this development helped predetermine US hegemony in the restructuration of Atlantic capitalism after the Second World War, since in Europe a comparable breakthrough of the automobile industry and the concomitant restructuration of capital towards a relative-surplus-value, progressive-accumulation configuration did not occur.

The state-monopoly tendency in the American bourgeoisie, therefore, had its centre of gravity primarily in the two other fast-growing sectors: oil and chemicals. Unlike the automobile production firms, these industries faced stiff competition from their European counterparts, organized in powerful cartels. The cartel movement, which had its epicentre in Germany, was a key factor obstructing the growth of a consumer-durables sector, but otherwise enhanced Europe's competitive position. In order to bolster the position of American firms in meeting this competition and combining with or against European cartels, Congress in 1918 passed the Webb-Pomerene Act qualifying US anti-trust law in its extra-territorial aspects.

The support for the state-monopoly concept on the part of the American oil industry was relayed through the anti-liberal thrust of its cartel orientation rather than being a straight reflection of the productive-capital vantage-point,⁵ since the revenues of oil capital were predominantly composed of commercial profit and ground rent. Although it was integrated into the emerging automotive complex at an early date (US gasoline sales surpassed those of kerosene for illumination purposes just before World War One), the oil industry much more than the automobile industry remained dependent on state support, even apart from its publicly subsidized link to the national soil through the depletion allowance. A.C. Bedford, president of Standard Oil of New Jersey, set the example for the other Rockefeller companies in this respect by his presence on Bernard Baruch's War Industries Board during World War One.⁶

J.D. Rockefeller, the genius behind the Standard, was already a proverbial tycoon in the 1890s, but the real history of the Rockefeller financial group began when they stopped managing the Standard Oil companies and shifted their main activity to banking. Between 1920 and 1930, the Rockefellers acquired the Equitable Life insurance group and the Chase National Bank, putting Winthrop Aldrich, John D. Rockefeller Jr.'s brother-in-law, in charge of their operation.⁷

The contribution of the Rockefellers to the characteristic profile of the state-monopoly tendency in the USA lay in two areas. In the field of labour relations, they developed a strategy of pre-empting trade-union organization via industrial representation schemes. After the Ludlow massacre of 1914, in which a tent camp of Colorado Fuel & Iron strikers was machine-gunned and burnt down, killing eleven children, J.D. Rockefeller, Jr., who was the principal owner of the company, began to venture into the labour-relations field. Having been publicly exposed as supporting the CF & I management throughout the conflict, Rockefeller hired the Canadian politician Mackenzie King to work out the eventual Industrial Representation Plan. The plan envisaged regular discussions between workers and management representatives under company auspices, without interference from 'outside' unions. Partially as a result of this example, corporate welfare and representation schemes proliferated during the open shop 1920s. In the meantime, the Rockefellers continued to fund advanced behavioural research (like Charles Merriam's group at the University of Chicago), while sponsoring a new category of labour relations experts, of whom Arthur Young of the Rockefeller-financed Industrial Relations Counsellors, Inc. was the most prominent.⁹

The second contribution of the Rockefellers to interwar capitalism was their elaboration of a politics of rivalry with Britain and co-operation with Germany. Nelson Rockefeller, one of J.D. Jr.'s sons, became the main protagonist of this viewpoint. As was the case with Aldrich, who as a public spokesman was the counterpart of Morgan's

Lamont, Nelson's importance lay in the area of political strategy rather than economic management. In the course of his apprenticeship at the Chase Bank in London, Nelson adopted the cartel outlook prevalent at the time, albeit with an internationalist accent commensurate with the global reach of the Standard Oil companies and their joint ventures. In this context, he also came to share the anti-British prejudice of the directors of Standard Oil, N.J. of which the German, Heinrich Riedemann, who was the director of international strategy, continued to be the vehement protagonist long after the world cartel agreement with Royal Dutch/Shell and Anglo-Persian was concluded in 1928.¹⁰

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

Paribas in the interwar years played a key role in the effort to emancipate France from the hold of foreign oil interests. In the process, the bank became a stronghold of the state-monopoly tendency. Successively, Paribas participated in the formation of the Omnium Internationale des Petroles in 1920 (set up to manage the Rumanian oil holdings held by the Deutsche Bank until 1918), the Cie. Standard Franco-Americaine (with Standard Oil), and the Cie. Française des petroles (CFP), the national oil company established in 1924.

The main protagonist of French interests in this context was Ernest Mercier, who together with Louis Loucheur may be considered as one of the effective leading figures in the state-monopoly tendency in the French bourgeoisie. Besides holding key posts in the electricity industry, Mercier headed both the Omnium and the CFP; in politics, he was the driving force behind French right-wing corporatism through the *Redressement Français*, in which managers from the oil, chemical, and aluminium industries were organized.¹² Mercier in 1928 represented French interests in the negotiations with Standard's Walter Teagle over the French share of Middle East oil, typical of the sphere-of-interest struggles conducted in the period. Paribas, which had interests with both parties mediated in this matter, but by establishing Standard Franco-Americaine (the future Esso-Standard), Standard Oil already had become a silent partner in the development of a 'national' French oil industry. Standard was also the majority owner of the Le Havre refinery set up by a consortium of US companies under the Webb-Pomerene Act, which started production in 1933. At the diplomatic level, Standard's interests at a critical juncture were looked after by Teagle's brother-in-law, W.C. Edge, who was Hoover's ambassador in Paris. ¹³

With Germany, a comparable web of connections developed. Standard Oil's German subsidiary, DAPG, was already operating profitably in the 1920s, and again, to quote the official company history, 'benefited from the general rise of economic activity after Adolf Hitler came to power.' DAPG had a market share of 29% in 1938, which made it the most important oil company in Germany. ¹⁴ Standard's connections with Germany ranged from the world of banking (Deutsche Bank, Warburg) to that of shipping (on account of its important German tanker fleet), and most of them survived

World War Two. Several cartel agreements, moreover, linked Standard Oil to the German chemical combine, IG Farben. These agreements, regarding synthetic oil and rubber, were vital to German industrial autarky as well as to the country's military capacities.

This company policy fitted into a broader strategy pursued by the Rockefeller group. In 1934 the family public-relations expert, Ivy Lee, was sent to Germany to discuss with IG Farben how its image, and that of the Third Reich in general, could be improved. ¹⁵ Eventually, the agreements between Standard and IG Farben became a public scandal when after the loss of South-East Asian natural rubber supplies to the Japanese, US capacity for making synthetic rubber appeared to have been sold to the Nazis. After the war, IG Farben was dismantled, but the German connections of the Rockefeller group were carried over to the Atlantic integration context, in which they notably made themselves felt in the sphere-of-interest interludes between the American offensives.

Of the internationalists gravitating to the Rockefeller orbit in the interwar years and adopting a pro-German and sphere-of-interest outlook in the process, the Dulles brothers and their group were the most prominent. Religion provided the occasion for an early connection between John Foster Dulles and J.D. Rockefeller, Jr. Together with his endowment of labour-relations research and behaviourist social science, Rockefeller in the 1920s and early 1930s became the most important financier of liberal and ecumenical Protestantism, subsidizing such organizations as the Interchurch World Movement and the subsequent World Council of Churches. Rockefeller, Secretary of State Hughes, and Dulles wanted to ensure that religion would adapt itself positively to such new phenomena as mass consumption and American expansion abroad. ¹⁶ Although the ecumenical movement clearly cannot be reduced to Rockefeller influence, it is clear from the memoirs of the Secretary General of the World Council of Churches, Visser't Hooft, that Rockefeller money and Dulles's personal involvement were major factors in the organization's development and international policy. (The fact that wartime discussions of federalist European unity, involving Rossi, Spinelli, and partially inspired by Bonhoeffer, were held in Visser't Hooft's home in Geneva and that Visser't reported on them to Allen Dulles, who as head of the European Bureau of the Office of Strategic Services (OSS) likewise was in Switzerland, further add to the significance of the connection in terms of the present discussion.)¹

As with the Rockefellers, the Dulles brothers played a historic role in shaping both the economic and political form of modern Atlantic imperialism. Sullivan & Cromwell, the Wall Street law firm in which they were partners and which they turned into a financial group in the 1930s, was the American agent for IG Farben and the Vereinigte Stahlwerke, while the brothers were also directors of IG Chemical Corp. Sullivan & Cromwell had further links with the German Schroder Bank and with Lazard Freres; Allen Dulles was a director of the J. Schroder Banking Corporation in New York. ¹⁸

Kuhn, Loeb in the interwar years also became part of the Rockefeller orbit. Its German partner, the Warburg bank, because of the anti-semitic terror in 1938 was renamed Brinckmann, Wirtz & Co., but the connections with Kuhn, Loeb and with

Rockefeller were not affected. Shortly after the war, R. Brinckmann became chairman of the board of the German affiliate of Standard Oil. 19

These particular personalities and financial groups shared an inclination to sphere-of-interest arrangements in international relations loosely linked to a pro-German orientation that in many respects dovetailed with the mobilization of 'isolationist' industrial and agrarian forces in the Middle and Far West of the United States. Drawing on the productive-capital concept typical of industry as well as on the anti-chrematism of the agrarian Populists, the prevailing outlook in these regions complemented the Rockefeller. Dulles position in terms of international preferences but otherwise failed to transcend the immediacy of the state-monopoly configuration. As Schuker notes, 'in the Middle and Far West particularly there existed a potential for coalescence of pro-German sentiment with traditional isolationism and agrarian hatred of the ill-understood Eastern "money interest"'. 20

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

A second major centre of isolationism developed in Cleveland heavy industry. The iron and steel industry underwent a major-transformation when it was geared to the expanding automobile, engineering, and oil industries. This transformation at the level of the technical labour-process was marked by the introduction of the continuous wide-strip mill in the 1920s. As a consequence, US Steel, the original near-monopoly organized by Morgan, lost ground to newcomers catering to the flat steel market. These firms, concentrated notably in the Cleveland area, in turn, became the torch-bearers of reactionary nationalism in the interwar years. Charles Hook of the American Rolling Mill Company (ARMCO) which had developed the new type of rolling mill, was a close friend of conservative Republican Senator Robert Taft, while the Cleveland steel companies (Youngstown Sheet & Tube, National and Republic), were all linked to the isolationist, anti-New Deal wing of the Republican Party. Through the Mather family (owning Youngstown and Republic in Cleveland and Inland Steel in Chicago) the Cleveland and Chicago heavy-industry groups were linked among themselves. Kuhn, Loeb was the underwriter of the Cleveland steel companies. 21

Although the postwar export interests of some of the firms in this nationalist bloc would modify their opposition to international activism, the context of their rise to prominence remained relevant. In the Eisenhower administration, where George Humphrey (of the Cleveland Hanna-Mather group) and John Foster Dulles held the reins at the Treasury and State Departments respectively, this fraction reasserted itself and demonstrated by its actions the pertinence of its lineage to the sphere-of-interest configuration of the interwar years.

Hi-Tech Industries of the 1920s

Turning next to the other bastions of the state-monopoly tendency in the North Atlantic area, the chemical industry (including rayon) may be singled out as a sector which would continue, at later junctures, to manifest its interwar heritage. The chemical industry, of course, predated the state-monopoly era, but, as with the oil industry, it was only after World War One that it became a social force of consequence. As *Fortune* put it, 'Chemically.. .the chemical industry dates from Leblanc and 1791; industrially, the chemical industry was recognized only after the World War'.²²

The American chemical industry, the third fastest growing national industry in the decade 1909-1919, was notorious for its protectionist and cartel propensity. Originally lagging behind the German chemical firms, the confiscation of German patents during the war put the industry firmly on its feet and enabled it to participate as an equal in the sphere-of-interest arrangements with its counter- parts on the other side of the Atlantic. Having hitherto followed a conservative policy of self-financing, the industry now opened itself to the massive infusion of bank capital. Thus, Du Pont de Nemours, the great munitions trust which out of its war profits had been able to gain control of US Rubber and General Motors, was forced during the 1921 recession to turn to Morgan for credit to absorb losses incurred by GM. Since the chemical industry had most to fear from German competition, it tended to be less receptive to pro-German policies than the Rockefeller or Dulles groups, which through their financial or direct investment stake in Europe could participate in the autarky or quasi-autarky policies pursued by the European states in the period. This applied not only to the smaller Allied Chemical & Dye, whose chairman Orlando F. Weber had a reputation as the 'vigilant defender of the American chemical industry against foreign invasion' (*Fortune*), but also, in spite of General Motors' European investments, to Du Pont itself.²³

In Germany, the chemical industry had a much longer history. The tendency towards autarky championed by the German chemical industry in a sense related to the origins of the industry as an attempt to produce synthetic equivalents of natural products ever since medieval alchemists had tried to make gold. The necessity for synthetic replacements made itself felt whenever European powers were denied access to the sea. Thus, the industrial applications of chemistry experienced a first breakthrough at the time of the British blockade of France during the Napoleonic wars. Later, the centre of gravity in applying the results of science to industry shifted to Germany, where a weak capitalism without colonies had to marshal all available assets to engage in foreign competition. The experience of the British blockade during World War One only reinforced the implicit concepts on which the development of chemical industry had hitherto been based and actually fostered the conviction among German chemical engineers and capitalists that economic autarky was the only viable basis for prosperity. American competition in the interwar years contributed to the continued economic relevance of this idea.²⁴

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

control, still attacked the cartel policies of heavy industry. Duisberg's successor, Carl Bosch, on the other hand, came from explosives and fertilizer plants at Oppau and represented the autarkic tradition of Hoechst. By the time Bosch took the reins, German experiments in the direction of a corporate-liberal synthesis had failed due to the inability of the technologically advanced, export-oriented firms to generalize a strategy of relative surplus-value production and to subordinate to that end heavy industry and its cartels.²⁵

As far as international cartels were concerned, IG Farben up to the close of the 1930s had concluded 162 separate cartel agreements with American firms²⁶ of which the agreements with Standard Oil have been mentioned already. The oil and chemical cartels were inextricably interwoven: ICI for instance held 10% preferential shares in one of the licensing companies for synthetic oil jointly owned by Shell and Standard under the latter's world rights for the hydrogenation process obtained from IG Farben.²⁷

ICI was, in fact, the single most important outpost of the state-monopoly tendency in Britain. Formed in 1926 out of Brunner-Mond, Nobel, United Alkali and British Dyestuffs, its directors distinguished themselves as architects of corporatism in Britain. Sir Alfred Mond, the chairman, following the General Strike of 1926 took the initiative to open discussions with the TUC on a flexible format of British labour relations. Lord McGowan, one of the prominent directors, headed the advisory committee on the cartelization of electricity distribution companies.²⁸

The manifold links between ICI and German capital predisposed the fraction associated with it to a lenient attitude with respect to German expansion as long as this could be contained within a sphere-of-interest arrangement. The Anglo-German Fellowship, which had its office on the Unilever premises, and in which ICI officers and stockholders like Sir John Simon were prominent, in this context served as a vehicle for ascertaining Hitler's intentions and maintaining his good will.²⁹ Significantly, the pro-German groups at his juncture generally were in favour of a neo-colonialist reconversion of the British empire as well; after the war, ICI notably stuck to this line and threw in its weight for British participation in Western European integration rather than banking on Commonwealth ties.

As in other countries, the predominance of a strategy basically deriving from the requirements of productive capital did not prevent particular banks from subscribing to it. In Britain, the Midland Bank and the Philip Hill merchant bank in this sense were a product of the state-monopoly era. As Aaronovitch writes, 'The rise of the Midland Bank and the Hill-Higginson group in relation to the older merchant banks was possibly based on the shift towards domestic industry before the older merchant banks were able to muscle in.'³⁰ The Midland Bank was a major investor in ICI and had a joint directorate with it in the person of Lord McGowan.

In France, the chemical industry likewise was a major catalyst in the formation of a state-monopoly tendency in the bourgeoisie. The Gillet empire in the Lyons region constituted one pole of the 'Lille Lyons axis' which linked it with the Motte textile interests in the North, and which the American historian, Quigley, sees as the backbone of the state-monopoly tendency in France as it crystallized in the 1930s.³¹ The Gillet family whose interests ranged from the chemical firms of today's Rhone-Poulac and Kuhlmann to Pechiney, the aluminium group, and the Credit Lyonnais, was backed by

the dominant Protestant banking-house of the interwar-years, Mirabaud. The banks specifically associated with the state-monopoly tendency in France, apart from Paribas and Lazard Freres, were Worms & Co., constituted as a bank in 1928; the Credit Commercial de France; and the Banque Nationale du Commerce et de l'Industrie (BNCI), which was established in 1932 and in 1966 merged with the Comptoir National d'Escompte into today's Banque Nationale de Paris.³² In politics, the Lille-Lyons axis was represented by Louis Loucheur, who was associated with the Motte family. The BNCI had its front man in Pierre Laval. As we shall see in next chapter, the state-monopoly tendency only really took power in Vichy, when most of the French empire was virtually amputated from the motherland and the weight of liberal colonial capital was accordingly reduced. Before the war, the influence of the new industries expressed itself only in coalition arrangements, in which Tardieu, the 'darling of the technocrats', was a prominent figure sharing the same vantage-point.³³

Everywhere, the chemical industry contributed to the formation of a generation in the bourgeoisie rejecting cosmopolitan liberalism and subscribing to sphere-of-interest arrangements in international affairs. The autarkic impulse also was a formative force in the rise of the mainly European synthetic yarn-and-fibre industry which expanded eight-fold between 1920 and 1929 surpassed wool as the textile raw material on the eve of World War Two. AKU (today's AKZO) in the Netherlands, launched by Rotterdam/Ruhr coal merchant F. H. Fentener van Vlissingen; SNIA Viscoj in Italy, converted to rayon production in 1929 by Franco Marinotti; Courtaulds in Britain; and lesser firms in other European countries, retained their cartel and state-monopolistic propensities formed in this era. As in the chemical industry generally, managerialism was prominent here. In Belgium, it was personified by the figure of Roger de Staercke, who managed chemical and rayon firms on behalf of the Solvay and Janssen owner families. Fascist tendencies also were at work in the world of chemical industry: in Germany IG Farben and in Italy, G. Donegani, the founder of Montecatini, who was an important supporter of Mussolini.³⁴

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

In the field of labour relations, the electrical engineering firms were particularly dependent on quality labour. They needed high-quality performance by their manual labour power, but also had to establish a smooth working relationship with their engineers, on whose inventiveness they depended for product innovations. At Siemens, the maintenance of a trained workforce was given top priority. As Sohn-Rethel relates, the Siemens workers, whether the blind women and girls employed on account of their sensitive fingertips, or the engineers, were seen as the essential factor in the company's

success and were paid relatively high wages. For the greater part, the workers were hand-picked specialists at their jobs, often trained in three-year courses at the expense of the company. They lived in Siemens-town and were well taken care of. Fascism eventually destroyed the subtle forms of the subordination of labour at Siemens and in comparable companies, substituting instead the absolute surplus-value strategy of the German war economy. 35

In the United States, labour relations were likewise developed with circumspection by the employers in the electrical engineering industry. The pioneering Hawthorne experiments in industrial psychology in the 1920s were conducted at Western Electric, but as early as the turn of the century, General Electric took the initiative to establish an apprentice school for training workers, which by the time of World War One had set the standard for an organized group of industries typical of the era, like International Harvester, Westinghouse, and Western Electric. 36

In terms of international orientation, the German electrical companies had held a strong position even in the United States, but after World War One they shared in the general decline of internationally operating German capital. Siemens after its adventure with Stinnes in 1930 was forced to borrow \$14 million through Dillon, Read & Co., without however surrendering to foreign interests. Like the Deutsche Bank, to which it had a long-standing affiliation, Siemens belonged to the fraction of German capital maintaining their autonomy *vis-à-vis* US capital in the period. AEG, on the other hand, turned toward General Electric in 1929 for support in its struggle with Siemens; a development which coincided with increased influence of the Dresdner Bank in the AEG board of directors. 37

A major investor abroad, and through Owen Young directly involved in the rehabilitation of the Atlantic circuit of money and finance capital, General Electric in response to the crisis of 1929 developed seminal proposals anticipating the New Deal. Its contribution to the formation of a state-monopoly tendency in the American bourgeoisie, although merely transient from the company point of view, was crucial in determining the form of American state intervention and represented an early instance of the corporate-liberal synthesis. In late 1931, Gerard Swope, head of General Electric, at a meeting of the National Electrical Manufacturers Association presented a plan for compulsory cartelization of American industry, to be supervised by a board of employers and workers. Within a month, the Swope Plan had been endorsed by key liberal capitalists, including Henry I. Harriman, president of the US Chamber of Commerce. Baruch incidentally had proposed a plan like this already in 1925, but his plan was part of a more restricted and, isolationist concept of control. 38

In Britain and Belgium, the electrical engineering industry was dominated by foreign interests, notably General Electric and Westinghouse. In Britain, the major domestic factor in the electrical engineering industry, the Lazard group with English Electric, was part of the appeasement bloc as a corporate member of the Anglo-German Fellowship, but after the war gravitated to the pro-Atlantic fraction. Lord Brand, the managing director of Lazard Bros. at the time, was a major figure in the Cliveden set and the British Round Table Society; director Adam Marris joined the UK embassy in Washington in 1945 and played a key role in the preparations of the Marshall Plan.39

In France, the electrical engineering industry was penetrated by the ever-present General Electric group, but otherwise constituted a bulwark of the state-monopoly tendency. Mercier, Loucheur and A. Petsche held important posts in the industry. Detoef, of Alsthom (of which Mercier, too, was a director), was a prominent advocate of corporatist labour relations and championed Franco-German rapprochement. Significantly, electrical engineering was the only industry in which an industrial entente of the type foreseen in the Bruning-Laval agreement of 1931 In fact materialized. 40

Philips of the Netherlands, finally, was a typical product of the state-monopoly era. Specializing in electrical household appliances, the company undersold its competitors by its low wages and by a 'feudal system of exploitation', as the president of General Electric's international division called it in 1935. The American company's influence in Philips, on account of its 18.7% investment and a licensing agreement, declined in the 1930s. Anton Philips, the founder, was an admirer of Henry Ford, who upon his visit to the Netherlands in 1930 made him chairman of the board of Ford's Dutch subsidiary. In a 1945 article, *Fortune* correctly qualified Philips as a 'firm believer in cartels'; the company ever since has tended to define its interests in terms of some form of European cohesion.41

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

2. The Corporate-Liberal Synthesis

The Depression marked the watershed between the era of liberal internationalism and a new era characterized by the compartmentalization of the Atlantic economy under the aegis of the productive-capital concept and the state-monopoly tendency in the bourgeoisie. This 'Great Transformation' for a time seemed to develop along parallel lines on both sides of the Atlantic, but in the course of the American New Deal, US state monopolism became part of a renewed outward thrust, in which 'progressive' state intervention was inserted into a revitalized liberal internationalism. In Europe, on the other hand, state monopolism galvanized the mass of interests opposed to orthodox liberalism only in a negative, tendentially reactionary way.42

Fordism and the automotive complex supporting it were the key factors shaping the transformation of American state monopolism into the corporate-liberal synthesis, providing the specific ingredients for both its social-imperialist aspect and the internationalization of finance capital from the United States. Ford's mass production

strategy allowed him to break the resistance of skilled labour- power to its subordination to capital, tap the reservoir of cheap unskilled workers, and dramatically raise the rate of exploitation. In combination with the economic and social aspects enumerated in Chapter 1, Fordism through the generally competitive dynamic of American capitalism and its 'rational' class structure rapidly became the hegemonic mode of accumulation, spreading well beyond the actual automobile industry.

Articulating high living-standards and a flexible format of labour relations with a new lease on life for the steel industry through the continuous production of sheet steel, the American automobile industry engendered a veritable automotive complex involving the oil, rubber, and glass industries, pioneered new marketing and maintenance practices, and stimulated the development of road networks, suburbanization, new forms of vacationing, and so on. After the steam engine and the railroad, here was another truly epoch-making innovation of industrial capitalism. 43

Already in the 1920s, therefore, the accumulation of capital in the United States and the strategies of the main financial groups in large part revolved around the automobile industry. Du Pont de Nemours' acquisition of General Motors stock was significant in this respect, and when Dillon, Read & Co. in the interwar years challenged the hegemony of Morgan, this involved, next to their plunge into the Atlantic circuit of money capital, an (ultimately abortive) attempt to build a rival automotive complex out of Chrysler and Goodyear Tire and Rubber, with which they confronted the General Motors/US Rubber combination (controlled by Du Pont and Morgan) and Ford/Firestone. 44

At the same time, the American automobile companies from an early date engaged in active internationalization in response to the tendency of European governments to protect their weak automobile industries by tariffs. In Britain, when McKenna imposed a 33 1/3% protective tariff in 1915, more than one-quarter of the automobiles produced in Britain came out of the Ford subsidiary already. 45 In France, Ford's first direct investment dated from 1913, while the German automobile industry was virtually divided between General Motors and Ford in the course of the 1920s.

In Europe, automobile production largely remained the domain of skilled workers until after World War Two. Here, the low value of labour-power in the context of a more hierarchically stratified class structure tended to act as a brake on the rationalization of production along Fordist lines. Narrow national markets, and a heavily cartelized steel industry resisting its transformation into a supplier of cheap sheet steel for automobile production, often reinforced by various forms of shop-floor resistance, effectively frustrated the introduction of new methods of producing and selling popular automobiles. Cars accordingly were expensive and bought only by the wealthy. In 1938, every fifth American drove a car, whereas in Western Europe, the ratio was 40:1.46

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

In Germany, according to Gossweiler, Opel, owned by General Motors, in the interwar years belonged to the Dresdner Bank/DANAT Bank grouping together with AEG and comprador strongholds like Thyssen; the Daimler-Benz and BMW firms, meanwhile, were part of the Deutsche Bank group. Hitler's car for the common man, the Volkswagen, remained a prototype until after the war. In France, Lazard and Paribas in 1936 cooperated with the rubber monopoly Michelin, the main owner since 1934, in the reorganization of the ailing Citroën. Renault, also linked to Paribas, at this point still refused state interference but after the war was put under national supervision. In Italy FIAT, an independent and internationalist concern, resorted to Mussolini's protection to consolidate its virtual national monopoly during the critical interwar years. In the Netherlands, the buildings of the Spijker factory, the last national car firm, were sold to a paper manufacturer in 1929.⁴⁷

If in Britain the automobile industry flourished compared to the depressed situation on the continent, this occurred under the specific conditions of the Imperial Preference System and the corporatist collusion between capital and labour under the auspices of the state-monopoly tendency in the bourgeoisie. The breakthrough of a consumer-durables industry and the rise of strong automobile firms like Austin and Morris here represented a protracted 'consumption' of British imperial hegemony rather than a restructuring of industry towards a Fordist accumulation pattern, as is testified by the resistance put up by the steel industry to the introduction of a continuous wide-strip mill and the conditions of its eventual operation in 1939.⁴⁸

In the United States, the restructuring of class relations towards the progressive accumulation pattern and the new corporate-liberal concept of control was consummated between 1933 and 1941. Roosevelt's New Deal, far from representing the realization of a clear-cut program, consisted of a process of class formation in which various fractions, through intense struggles, successively were integrated into the new hegemonic coalition, while others dropped out after having been temporarily included. The transition from the crisis of liberal internationalism to the new corporate-liberal synthesis passed through four main phases. ⁴⁹

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

The eventual corporate-liberal coalition of mass-production industries, 'reformed' international bank capital, the state apparatus, and, at a subordinate level, the domesticated trade unions, henceforward would remain committed to the

arrangements of the era of American hegemony and Atlantic integration, through which the Fordist mode of accumulation and the class compromises on which it rested were extrapolated- to the international level. Yet, only during the offensive phases, with the domestic US economy going at full tilt and the Democratic Party in command, would this configuration be geared to its full potential, articulating state intervention, social imperialism, internationalism and activism abroad.

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

Corporatism in Labour Relations

The elaboration of synthetic concept of control with respect to the working class was a crucial achievement of the New Deal, and an integral aspect of the Roosevelt offensive's export model of class relations. The basically private forms of labour control associated with the new industries of the 1920s failed to contain the intense class struggles erupting between Roosevelt's election and World War Two. The industrial welfare and representation schemes pioneered by Rockefeller, and hardly challenged by the restrictive organizing practices of the AFL, generally had involved only the better-paid, skilled workers. They had functioned to make the workers accept the reduction in wages dictated by the orthodox policy of deflation, but left unorganized the larger mass of semi-skilled production workers, often already outside the integrative context of Anglo- Saxon culture.⁵⁰ When in the course of the crisis mass unemployment spread, class consciousness among this segment of the working class grew.

Through the mobilization of millions of working-class new voters and the resulting expansion of the active electorate, the campaigns of Franklin Roosevelt in 1932 and 1936 swept away the Republican-dominated electoral system established by McKinley's landslide of 1896. This overturning of forty years of Republican big-business electoral hegemony raised the spectre of mass radicalization. Thus, America's most eminent academic economist, Irving Fisher, warned President-elect Roosevelt that close observers of local working-class opinion were 'smelling revolution'.⁵¹ This threat, in turn, functioned to loosen the liberal deflationist orthodoxy of a critical segment in the ruling class. The example of the Swope Plan shows that in certain capitalist circles a state- monopoly solution was actively contemplated.

Indeed, quasi-heretical state intervention in monetary and financial policy had been attempted first under Hoover, who created the Reconstruction Finance Corporation, a major instrument of state intervention through the Truman period. Hoover, however, did not dare to venture into the field of forced cartelization along the lines proposed by the Swope Plan. ⁵² It was only the grounds well of the working-class movement which removed these hesitations. As banker James Warburg noted in his diary in March 1933, 'There is tremendous and increasing pressure for inflationary

relief from all possible sources and taking all possible forms. . . .Cheapening the dollar would make all these people happy at least for a certain length of time, and during this time it will be possible to develop a real program'.

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

However, Roosevelt's appointment of a woman, Frances Perkins, over the opposition of the AFL, signalled a new approach to the mass of unorganized workers. Arguing that 'unorganized as well as organized labour should be represented' 54, the Administration inserted NRA's famous section 7a, which recognized labour's right to organize within the company and to engage in collective bargaining at the industry level. This everywhere encouraged the unorganized to organize, and trade unions to press new demands. However, strikers who turned to Washington for help in the face of employer victimization (which was extensive everywhere in the first years of the New Deal) quickly discovered that NRA chief Hugh Johnson and Secretary Perkins were more interested in the success of the integrative mechanisms of the NRA, and its impact on the macro- economy, than in any particular rights or struggles of the working class as such. 55

Although the Supreme Court—a last bastion of economic liberalism—ruled the NRA unconstitutional in 1936, its assumptions still guided the Roosevelt Administration's search for a corporatist format of industrial relations. If, on one hand, the New Deal had to overcome employers' resistance to unionism *tout court*; on the other, it had to constrain and 'deradicalize' the more militant tendencies of the rank-and-file working class. The first major challenge was the great sit-down wave of 1936-37 which, for virtually the first time in American history, saw a mass transgression of employer property rights. Faced with awesome company repressive apparatuses (private police forces, extensive 'fink' networks, etc.), organizing committees of the newly-formed Committee (later Congress) of Industrial Organization(s) launched epic sit-downs; first in the Akron rubber industry, then in the very heart of General Motors' power: its Flint, Michigan Chevrolet complex. This new form of working-class action, which won recognition for the CIO's rubber and auto unions, put the companies on the defensive since they were compelled to limit the use of force for fear of damaging plant and equipment. In 1937, however, Congress, with the assent of the Administration, outlawed sit-downs. The unions, despite rank-and-file protest, complied and returned to picket-lines outside the plants: with the result of 10 dead and 26 wounded outside a Republic Steel plant in South Chicago in 1937.⁵⁶

Also in 1937 pressure was brought to bear on the Roosevelt administration to cut public spending for employment and thus quell working-class militancy. The

recession came in the midst of the CIO drive and worked both to undermine the workers' will to strike and to bolster the employers' will to resist. 57 At this juncture, the AFL took the offensive, and as a result of its greater financial resources and broader support in the capitalist class, succeeded in recapturing much of the territory lost to the CIO and more. The AFL in the previous period had lost influence as a consequence both of mass production and deskilling tendencies, and because of company feudalism; now that the lightning advance of the CIO was halted, the AFL veered back to its original pre-eminence by combining some of the lessons it had been taught by the new organizing practices of the CIO with its rich experience of class collaboration.

The restructuration of labour relations from the pre-New Deal format to the new Fordist pattern far from obliterated the forms of some of the previous arrangements. Company feudalism paradoxically was reinforced in some sectors, like chemicals and business machinery, where the challenge of the CIO spurred employee-representation schemes and pre-emptive wage comparability. But if the overall outcome was heterogeneous (also due to the fact that the protracted struggle of the working class took place under changing legal and political conditions), the compromise, worked out on the national level, between high-productivity industry and organized workers became its dominating feature. In the course of the Roosevelt offensive, organized labour first had to be cut down to size to make this compromise attractive to the capitalist class; but once this renewed subordination was achieved, the corporatist mechanism allowed for a relatively smooth interplay between the big unions' economic demands and the expansion of American capital. The AFL and CIO both supported labour-saving mechanization in exchange for pay rises for the stably employed workers forming their core constituencies. The miners' leader and strategist of the CIO drive, John L. Lewis, right after World War Two was the first to accept such a deal openly. 58 Eventually, this compromise also functioned in the context of the internationalization of American capital, making the AFL and CIO junior partners in the post-war organization of an informal American empire.

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

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

plant, level, and the German pattern of plant councils evolving into a national compromise (postponed to the post-war era after its initial failure in 1928).

In Britain, which in terms of the transition to a Fordist pattern of accumulation occupied an intermediate historical position between the United States and continental Europe, the state-monopoly tendency materialized in the specific form of a conciliatory tendency within both the capitalist and the working classes. Due to the dominant position of the international commercial and financial interests, industrial capital at an early date was forced to work out a basis of agreement with the workers, notably in the new industries. Since these often were operated by relative outsiders (Americans in the electrical engineering industry, Germans in chemicals, the Quaker families in the food industry), these experiments did not immediately or hostilely incite the established, liberal ruling class.⁵⁹

In the Depression, these experiments, which after the General Strike of 1926 had gained prominence through the Mond-Turner discussions already referred to, were elaborated as a general framework of labour relations, exemplified in the Macmillan Report of 1931.⁶⁰ Although the British bourgeoisie was not above contemplating new forms of state intervention—a 1927 Tory manifesto inspired by Mussolini's New Order carried the signatures of Churchill and Harold Macmillan—only the Labour party could invest all its political capital in a prospective corporate-liberal synthesis. The stability of real wages in Britain during the crisis, contrasting sharply with developments elsewhere, did much to strengthen the hand of the right wing of the trade unions and the Labour Party, allowing them to plot a course of state intervention along reformist lines compatible with the corporate liberalism championed by the United States after the war. The early break with Marxism under the auspices of the Fabian Society greatly facilitated the absorption of Keynes's recommendations for a euthanasia of the rentier class and a calculated deficit policy for employment; although formulated by an avowed enemy of the working class, this recipe found its historical executor in the Labour Party, being the only political force in Britain basically committed to modernization and an enlarged state role.⁶¹ It was this ideological homology which eventually would turn the TUC, the Labour Party, and leaders like Ernest Bevin into crucial relays of American influence and intervention in Western Europe.

In some contrast to the British pattern (which on account of economic and historical similarities was also influential in the Netherlands), German Social Democracy developed its prototypical contribution to the corporate-liberal synthesis from the vantage-point of productive capital in direct production. In Germany, there was a strong tradition of company feudalism in the metalworking industries employing skilled workers. Worker and employee committees had been in existence in German companies since 1891 and had become compulsory in 1916, but the self-elected workers' councils transcended the corporatist format. This was evident at the close of World War One when the revolutionary shop stewards among the skilled metalworkers led them into a struggle that for a time seemed to develop in a genuinely revolutionary direction. Their initiative was not followed by the semi-skilled workers in the larger factories, however, and the German majority Socialists and the trade unions, working closely with enlightened capitalists of the type represented by

Walter Rathenau, were able to recapture control of the councils movement in the years that followed.⁶²

This course of events demonstrated the inability of merely syndicalist movements, no matter how revolutionary, to provide a viable alternative to a vision of reformed capitalism, which by its own workings, and Henry Ford's in particular, seemed to hold out the promise of fulfilling the workers' material needs. In Germany, this reformist ideal was elaborated out along the lines of the Keynesian critique of money capital, but due to its origins in the councils movement remained linked to a concept of industrial democracy rather than being state-oriented. Here, not just the state, but the large corporation already was seen as a neutral instance. The notion that production 'unjustly', 'capitalistically', was subordinated to the interests of money capital was taken as a starting point for several influential studies by leading Social Democratic theoreticians. Fritz Naphtali in 1928 recommended that the workers' representatives take part in the management of large corporations, and eventually, of state economic policy as well. The socialization of labour within the plant, and the promise of more harmonious industrial relations that it held out, led Naphtali to believe that socialism might not need a violent struggle after all. 'Though it is far from US', he wrote, 'to conceal the highly capitalist nature of the new forms of organization, we believe that from this development. . . a major impulse in the direction of the democratization of the economy will result and is beginning to do so already.' A comparable point of view was put forward in Eduard Heirmann's *Soziale Theorie des Kapitalismus* of 1929.⁶⁴

Social-Democratic ideology, proceeding from the assumption that socialized labour in the factory represented a major step towards an overall planned economy – and, if managed democratically, possibly its equivalent—was dependent on the capacity of modern mass-production industry to provide a relatively high standard of mass consumption. When Naphtali's and Heinmann's studies were published, this was already proving an illusion. In the prosperous year 1928, when the boom associated with the influx of American capital was at its peak, the real wages of the entire working class were still not above the pre-war level. Mass consumption accordingly failed to develop sufficiently, and eventually the trade unions in the relatively 'progressive' industries (e.g., chemical, electrical, etc.) which had achieved a semblance of nation-wide bargaining through arbitration, had to swallow the across-the-board lowering of wages through the Emergency Decree of December 1931.⁶⁴ Only after World War Two did the managerialist and technocratic doctrine of Naphtali and Heinmann become relevant again in the context of Atlantic integration. Cementing and in some respects transcending the productive-capital concept, this outlook tended to favour coalitions between productive capital and organized labour, and at the state level, between finance capital and Social Democracy. In the Federal Republic, this led to company co-determination schemes favouring productive investments to the detriment of dividend payments, and to the adjustment, through the Godesberg Programme of 1959 and other policy changes, of Social-Democratic policy to the corporate-liberal and Atlantic unity concepts.⁶⁵

3. The New Deal Versus Rentier Control

The failure of liberal-internationalist capitalism to revive its economic order after 1929 also brought about, in due course, a fundamental restructuring of profit distribution as well. The stock market crash and the bank crises of the early 1930s had made abundantly clear where the weak links in the system were to be found. In the margin of the momentous class struggle which accompanied the agony of liberalism, small savers clamoured for the money invested abroad by investment banks operating in the international circuit of money capital. In the United States, these investments became the object of the Senate investigation led by Ferdinand Pecora. Three billions of the eight billion dollars of foreign bonds which the large investment banking houses had sold to the American public in the the 1920s had defaulted.⁶⁶ The uproar among the small savers, coinciding with the battles of the mass-production workers, further added to the turbulence of the period and to its apparent anti-capitalist thrust. In fact, what was at stake was the need to emancipate industrial capital from the tutelage of the investment banks and the petty investors' community. As Keynes put it in the Concluding I Notes of his *General Theory*, 'with the disappearance of (the rentier aspect of capitalism) much else in it besides will suffer a sea-change. . . (But) the euthanasia of the rentier, of the functionless investor, will be nothing sudden. . . and will need no revolution.'⁶⁷

The Banking Act of 1933 was meant to separate the functions of money-dealing commercial capital from the interest associated with fictitious capital. Several banks had anticipated the restructuring: in 1932, the security affiliates of the National City Bank of New York and the Chase National Bank were set up as independent companies. Winthrop Aldrich publicly spoke out in favour of the separation of commercial and investment banking. In order to save the position of the Chase Bank (and Aldrich's), the Rockefellers decided to sacrifice chairman Albert Wiggin to the Pecora Committee. At the National City Bank, a comparable fate was reserved for Chairman Mitchell.⁶⁸

The Morgan Bank, forced to split into a commercial bank and an investment company renamed Morgan, Stanley, could not bear the brunt of the attack, since it was the virtual embodiment of Atlantic, money-capital in the United States. Although J.P. Morgan, Jr. professed to welcome the inflationary measures of the administration, the consternation at the bank was complete. Lewis Douglas, a financier of the group, upon being informed of Roosevelt's decision to devalue the dollar, lamented that it meant the 'end of Western civilization'.⁶⁹ James Warburg, too, approved of inflation as a temporary measure, but the transfer of the legal title to the gold of the Federal Reserve to the American state in 1934 as part of the initial state-monopolism forced him to resign as Roosevelt's adviser and join the anti-New-Deal Liberty League.

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

moreover, their awareness of the need for structural change apparently transcended even immediate economic interest or resentment against anti-Semitism on the part of the Morgan interests. Thus, one could hear Paul Mazur of Lehman Bros. complaining over the 'tragic lack of planning' in the capitalist system, while Sidney Weinberg, a Lehman partner and head of Goldman, Sachs, was assistant campaign treasurer of the Democratic National Committee in 1932 and 1936.⁷⁰ According to Burch, W. Averell Harriman, head of the pro-Roosevelt Business Advisory Council (BAC) formed in 1935, acted as the liaison between the Jewish bankers and the Rockefeller group.

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

At the same time, a new horizon was opened for capital by the internationalist turn the Roosevelt Administration was making. The Reciprocal Trade Agreements Act of 1934 already revealed the administration's strategy of providing a new international framework for the envisaged industrial expansion. Compared to the previous deflationary policy bolstering the dollar, and to the Hawley-Smoot tariff established under Hoover, the traditional emphasis between trade and foreign investment was clearly reversed as internationalization of capital was hinged on the expansion of US industrial capacity at home. In line with the 1933 bank policy, the new Export-Import Bank was set up as a means to shift foreign investment risks to the state, while at the same time, as J.F. Dulles observed with a keen eye for the political dangers inherent in a domestic mass-consumption economy, 'allowing foreigners to acquire goods for which domestic consumers would otherwise have to be found.'⁷¹

Thus Hull's free-trade policy brought agreements with the Netherlands and its colonies and with Belgium; in 1936, a reciprocal trade agreement was concluded with France and its empire. The combination of sales prospects abroad with the dampening effect of business abroad on domestic wages eventually offered a way back into the Roosevelt coalition to some of the disaffected industrialists. Thus, while General Motors head Sloan had followed the Du Pont representatives out of the BAC in 1935, a vice-president of the same firm in 1936 publicly declared that because of Hull's trade policy he would vote for Roosevelt in the November election. ⁷² As part of the same strategy, steps were taken towards monetary stabilization in the Atlantic area. The agreement with Britain of 1934, extended to France following the devaluation of the franc in 1936, prefigured the Bretton Woods system by stipulating mutual consultation in advance of parity changes as a means to facilitate the flow of trade and payments. ⁷³

However, the sphere-of-interest policy in international relations inherited from Hoover, still remained the overall framework of US foreign policy in the earlier New Deal period. As late as 1936, Roosevelt instructed his ambassador in Berlin to be alert to proposals coming from Hitler which might ensure peace, thereby allowing for German objectives abroad.⁷⁴ Politically, Roosevelt persisted in the policy of non-

interference in European affairs, until his 'Quarantine the Aggressors' speech of October 1937 announced that the strategy of accommodation with the Fascist powers had been abandoned.

The Subordination of Money Capital in Europe

On the other side of the Atlantic, comparable developments took place, albeit with less opportunities for bank capital to recover in the context of international finance capital. In Britain, although the City had triumphed when Churchill had put the country back on gold, the industrial interest, represented by the employers' organization FBI, after 1926 succeeded in challenging the automatism of subordinating national economic policy to the interests of money capital, and effectively promoted its concept of tripartite corporatism. The National Government formed in 1931 was the expression of this shift, and if the liberal fraction supported it, it was primarily on the assumption that the spectacle of national unity would shore up confidence in the pound.⁷⁶ The drastic deflationary policy upon which J.P. Morgan had made new loans to Britain conditional, forced the underlying fractional differences to the surface. The fact that the final incident which caused the critical loss of confidence leading to the break with gold in September 1931 took place in the British Navy symbolized the decline of the maritime-liberal fraction. The 'mutiny' of sailors over their pay cuts thus inaugurated the hegemony of the state-monopoly tendency led by Neville Chamberlain and John Simon, which, in turn, forced the liberals (whether in the Labour Party like Snowden or in the Liberal Party, like Samuel) out of the government in due course. As far as the banks were concerned, a separation of functions was not necessary since the merchant banks already were distinct from the joint-stock commercial banks.

In Germany, the subordination of money capital took the form of a temporary majority participation by the state in the banks most deeply involved in the post-war Atlantic circuit of money capital (DANAT and Dresdner Bank), whereas the Deutsche Bank, which through its merger with the Discontogesellschaft even more became the bank of the state-monopolistic heavy industries, was only indirectly supervised. The DANAT bank collapsed and the Dresdner Bank suffered heavy losses in the bank crisis of 1931. The two banks merged in 1932, and the German state took an interest of 75% in the new institution, compared to a 35.6% participation by the central bank in the Deutsche Bank. The latter eventually emerged from the bank crisis reinforced at the expense of its rivals. In the Third Reich, the banks were re-privatized without any separation of functions.⁷⁷

In Italy, the IRI was founded in 1933 as a holding for the deficitary industrial assets hitherto held by bank capital. In this way, a separation of functions was achieved in practice. As a result of the losses incurred, the Banca Commerciale, the Credito Italiano, and the Banco di Roma also passed under the influence of the IRI. Of these, the Commerciale was the main outpost in Italian banking of the State-monopoly tendency; its head, E. Conti, was also the founder of the national oil company AGIP and incidentally belonged to the minority in the Italian bourgeoisie which all along had opposed Fascism. The Bank of Italy in 1936 was put under state supervision, too, but retained considerable autonomy.⁷⁸

As major foreign investors, the other continental European countries attempted to cling as long as possible to original gold parities. Belgium was the first to leave the

gold standard in 1935 after having already separated holding and deposit banks. The subordination of money capital here was part of the emancipation of Catholic Flanders, with its light industry and agriculture, from the tutelage of liberal Wallonia and Brussels, where the financial aristocracy controlling the coal and steel industries had its fiefs. 79

In France, the separation of functions had to wait for the liberation from the Nazi occupation. As in Britain, the distinct existence of a banking aristocracy and a lesser banking bourgeoisie already pre-ordained a certain separation of functions of bank capital. The Popular Front reforms also included a reorganization of the central bank, but until 1941 the banks largely circumvented central bank interference due to the ample liquidity at their disposal. The nationalizations of 1945 finally terminated the independence of the biggest banks, made them subordinate to the modernization plans, and introduced a strict division into three categories. 80

In the Netherlands, which together with France was the last country to leave the gold standard in 1936, no separation of functions was carried through and the subordination of money capital was postponed until the postwar crisis of the dominant colonial and shipping capital bloc. 81

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

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

Warburg rejoined the Roosevelt regime and became leading missionaries of the corporate-liberal ideal.

In Europe, however, the subordination of money capital led to a generalization of state-monopolistic controls of the economy, postponing the restructuration of class relations by imposing a reactionary united-front configuration on the bourgeoisie, first in Italy and Germany, and subsequently in Hitler's Europe. In sharp contrast to the New Deal, Fascism did not effectively transform the structures and concepts developed in the liberal context, but remained confined to acting out a cruel caricature of a restructuration of the class structure by its genocide of the Jews and the annihilation of working-class organizations. As Gramsci already observed in his *Prison Notebooks*, the Fascist order 'has operated to shore up the crumbling positions of the middle classes and not to eliminate them. . .' Because of 'the vested interests that arise from the old foundations', Fascism was becoming 'more and more a machinery to preserve the existing order just as it is rather than a propulsive force'. 82