

Chapter 8: The Meridian of Atlanticism

1. The Consolidation of Corporate Liberalism

The Kennedy offensive was the last episode of Atlantic unit context of Atlantic integration. The Marshall Plan had mobilized the European liberals and terminated the experiment with national reconstruction based on a broad class truce. In the subsequent period, contraction of American involvement in Europe produced a contradictory array of policies which in one way or another European independence. Behind the essentially transition restructuration of the vestiges of the state-monopoly tendency, like protectionism and nationalism, this independence, however, served to mobilize the forces of modernization, especially after the reactionary imperialist option had to be abandoned after Suez. When the Kennedy administration launched its Atlantic offensive, the restructuration of class relations had been reached at which, the for both American and the Western European bourgeoisie, a concept of Atlantic Partnership, striking a balance between American money and European aspirations, represented an adequate expressions of their combined interests.

Lerner and Gorden, who between 1955 and 1965 conducted five opinion surveys among business and bureaucratic elite panels in Britain, France, and West Germany on the issue of Atlantic relations found 1961 to be the watershed year in terms of European acceptance of American hegemony and of the mode of accumulation on which it was based. 'Europe moved from a phase of anxiety in the first postwar decade, under the impact of "Americanization" into a phase of accelerated growth. . . Our survey shows that by 1961, as the visible benefits became apparent midway through the second decade, the European elites entered a phase of acceptance appreciation of American practices was consolidated which unprecedented acceptance of American policies among the opinion leaders and decision makers of postwar Europe.'¹ 'The conversion of the mainstream Western European bourgeoisie to Fordism, neo-colonialism, and other' American practices' at this juncture, however - and this was crucial with respect to overall Atlantic relations - 'reposed upon a solid basis of confidence in America's power and purpose in world affairs.'²

At a subsequent stage, 'America's power and purpose' became a liability to the corporate-liberal bourgeoisie in Europe, and a series of rival international concepts, like the *Ostpolitik* and the New International Economic Order, would be developed instead, reciprocated by Trilateralism emanating from the United States. In 1960-1965, however, the thrust towards the consolidation of corporate liberalism in Europe, accelerated by the renewed American offensive, was still respectful of American hegemony and remained with the coordinates of Atlantic integration, both at the working class and the bourgeois levels.

Social Democracy and the 'New Working Class'

In the course of the 1950s there was a considerable waning of American influence in European trade-union affairs. As anti-Communism lost its immediate urgency to the European trade-union leadership, AFL-CIO influence within the ICFTU decreased proportionately.³ Moreover, the commitment of effort on the part of the American unions themselves faltered in the context of a general contraction of US involvement abroad. In January 1954 Senator Hubert Humphrey, in a discussion of Communist influence in the

Western European labour movement, complained that not enough was being done by the US unions. Citing France and Italy (and India) as cases in point, Humphrey told Secretary Dulles that he 'happen(ed) to know that the CIO and AFL put hundreds of thousands of dollars in that effort' but that today, they seemed to have 'run out of energy'. Dulles could only confirm Humphrey's observation.⁴ Similarly, foreign unions dependent on American funds, like the French Force Ouvrier declined in national influence during this period.'

At the same time, however, that US trade-union influence was contracting, the adoption of American production techniques and forms of work organization was producing new differentiations within the European working class - a trend that was accelerated during the Kennedy offensive. The notion of a 'new working class' became the standard label for describing this process of the restructuring of the European working class as a consequence of Americanization and Fordism. The idea was given a paradigmatic formulation in Serge Mallet's well-known book, *Nouvelle classe ouvriere* (1963) - a collection of case studies of which the first, on the French Caltex refinery, was dated 1958.⁶ In production processes of this type, characterized by a high organic composition of capital, specifically Western European restructuring of the occupation; hierarchy took place, resulting in an unusually large category of middle-level technicians. In the United States in the late 1960s, professional engineers substantially outnumbered middle-level technicians, but in Western Europe, 2 to 4 technicians worked alongside every professional. This was reflected in the fact that the discussion of the 'new working class' was a specifically European concern; in the United States (aside from a small intellectual current in the student movement), the theoretical discussion of modern forms of labour aristocracies remained centred on skilled craftsmen.

Capital reacted to the rise of technical labour by introducing management techniques benefiting the level of education and training of the new workers. Since neither traditional authoritarianism nor Fordist paternalism were adequate for dealing with self-conscious workers handling advanced production processes, a degree of apparently autonomous socialization of production was allowed to develop. In reality, workshop autonomy, job rotation, and other devices tended to subordinate workers to capital anew, under the conditions of fully automated production (most widespread in the chemical and electrical-machinery industries). *Neo-fordism*, - as Palloix has called this further stage of subordination (which he moreover associates with a specific international division of labour therefore represented both an apparent leap forward for the 'new workers' autonomy and a renewed appropriation by capital of the informal relations among these workers. ⁸

In the United States, where the number of new worker-technicians was limited and the mobility between social classes was relatively high, the recomposition of the working class did not significantly affect working-class politics in the 1960s. In Western Europe, on the other hand, the proportion of new workers was greater, and had a more salient impact on the more sharply defined class structures. The rise of the new labour processes and the spread of technocratic ideology nurtured a new current within the workers movements, Social Democracy in particular. (Even in West German) engineers and technicians, unlike the United States, were overwhelmingly oriented to the left-liberal and social-democratic part (the political spectrum. ⁹) Ideologically this new tendency represented an amalgam of state-socialist tradition with the productive-capital concept of control in the context of the ascendancy of international finance capital. It resulted in the

organizational breakthrough of a distinctly corporate-liberal element in European Social Democracy, most prominently represented by Willy Brandt and François Mitterrand.

In Germany, the rise of Brandt coincided with a rapprochement with German capital. As the future President Heinemann noted in 1954, the SOP in 1918 had made peace with the Western political system; next, the party would have to make peace with the Western economic system. ¹⁰ The 1959 Godesberg Programme did just that. It allowed a further penetration of capitalist ideology and actual capitalists into the SPD. Whereas before, only some firms in the food and retail industry had entertained relations with the party, in the early 1960s prominent capitalists like Deist of the Bochum steel-workers and Moller, the insurance director, declared themselves socialists or close to socialism. ¹¹

As Braunmühl has shown in her biographical sketch of Brandt ¹², his technocratic internationalism and, hence, loyalty to the offensive configuration of Atlantic capitalism, had been a constant theme in his politics. While Brandt's star rose through the various incidents at the Cold War frontline at Berlin, it was Kennedy himself who perceptively understood the meaning of Brandt's attitude for his eventual strategy of Atlantic Partnership. In his seminal 1957 article in *Foreign Affairs*, Kennedy wrote that 'American policy (had) let itself be lashed too tightly to a single German government and party'. Declaring, somewhat prematurely, that 'the age of Adenauer is over', Kennedy argued that 'the fidelity to the West of the Socialist opposition is unquestionable, and yet sometimes our statements and actions seem almost to equate them with the puppet regime in East Germany.' Significantly, Kennedy traced the rise of the Brandt tendency in the SPD to more fundamental changes in European society, warning that 'in all of Europe a new generation is coming to power, and it is dangerous to become alienated from them'. ¹³

These changes also affected Atlantic trade-union relations. From 1960 on, when the SPD overtly attuned its policy to the NATO line, there was a marked improvement of relations between the AFL-CIO and the SPD which extended to relations with the DGB. This amelioration of the Atlantic climate at the labour level was further enhanced by the erection of the Berlin Wall in August 1961. ¹⁴ In 1961, however, Brandt, then Mayor of West Berlin and SPD candidate for the Chancellorship, made clear that his Atlantic allegiance long-term stability of a humanized capitalist order. 'A Weste weakness is revealed in the fact that the highest degree of integration was achieved by a large number of nations is in the field of defence' (Brandt wrote). 'An elementary striving for security provisions stronger than the recognition that effective union is necessary in the economic and political fields. . . (the North Atlantic Alliance) might be strengthened as a means of cooperation and integration'. ¹⁵

As we shall see below, however, the actual partners of the United States in Germany during the Kennedy offensive were the liberal elements: Erhard, Friedrich, and others. Only during the second half of the 1960s were the German Socialists admitted into the government. Brandt, as Minister of Foreign Affairs, in this function was able to take up the Stresemann policy of expansion into the East, which dovetailed with the interests of German capital and represented a reemergence of the *Mitteleuropa* strategy of interwar vintage.

In the Netherlands, the Socialist Party (PvdA) likewise in 1959 adopted a new party programme. This programme converted the anti-capitalism of the previous programme (dating from 1947) to a corporate-liberal approach, in which capitalism was

treated as a residue from an earlier era and the 'new workers' were expressly catered to. The Socialists only briefly participated in a Centre-Left coalition in 1965-66. The modernizing generation within Social Democracy in this period emerged in the form of a 'New Left' tendency, combining elements of detente policy with technocratic tenets. The Socialist Party leadership had suspended party subsidies to its student organization, considered too far to the left, but soon found itself challenged by a host of new groups from the membership. From the broad array of student and democratization movements, a technocratic tendency eventually was able to take over the PvdA.¹⁶

In Belgium the combination of Atlanticism and technocracy became hegemonic within Social Democracy during the Kennedy offensive. It was embodied by Spaak and Spinoy respectively. The combination of the two policy lines provided the key ingredient in the government of the Christian Democrat Lefevre which entered the stage in 1961 after the belated reorientation to metropolitan Fordism and the Atlantic circuit of capital which the loss of the Congo finally imposed on the Belgian economy. Spaak, who had just left his post as Secretary-General of NATO, 'was the political exponent of Atlanticism in Belgian politics'.¹⁷ Spinoy, on the other hand, 'could boast unconditional support of the Flemish Socialists in parliament and of the Flemish trade-union leadership. In fact, Spinoy was a functional complement to the ruling duo Lefevre- Spaak. Spinoy represented the hold on the Ministry of Economic Affairs by the technocratic and pragmatically thinking generation in the Belgian Socialist Party.'¹⁸ Although this was not the first time the Belgian Socialists participated in the government, at no earlier occasion had the Atlantic dimension combined so clearly with the simultaneous penetration of the technocracy associated with the new industries prominent in recently industrialized Flanders.

As far as the British Labour movement was concerned, the adoption of perspectives associated with corporate liberalism likewise was accompanied by the rise of a new generation in the leadership headed by Hugh Gaitskell. The permeability of the Labour Party to the policies espoused by Gaitskell derived from a perennial susceptibility of the Labour Party to modernization and to the idealism of the American offensives. Labour policy, Nairn notes, had been shaped in the course of a gradual transition from the Empire to the Commonwealth, and the Grand Design of the Kennedy offensive with respect to the newly emerging nations fitted well into the set of concepts developed by Labour in this process.¹⁹

The impact of the Fordist mode of accumulation on class consciousness among British workers was corroborated by the influential work of Anthony Crosland, *The Future of Socialism* (1956). Inspired by his discussions with the red-baiting American journalist Daniel Bell, whom he knew from the CIA-sponsored Congress for Cultural Freedom (CCF) and the *New Leader*, Crosland adopted Bell's ideas on the irrelevance of class struggle ideology to the modern living conditions of the working class. Crosland's ideas, in turn, were adopted by Gaitskell, who also had close links with the *New Leader* and the CCF, and who actually had been a participant (with Crosland, Bell, Denis Healey, and Rita Hinden) in the 1955 CCF Conference in Milan at which the 'end of ideology' thesis was extensively debated.²⁰

The conflict between the old generation of reformist socialists and the new one of corporate liberals in the Labour Party came to a head in 1959. The day after Labour's election defeat, Crosland, Roy Jenkins, and Douglas Jay met at Gaitskell's house and agreed that a break with the socialist heritage of the Party had become mandatory. Within a week Jay wrote an article demanding the

abandonment of the clause referring to 'common ownership of the means of production' in the Labour Party programme. *Socialist Commentary* in early 1960 commissioned a public opinion survey (which the Labour Party had not been able to pay for itself) to show that the nationalization demand indeed was a liability to the Party. However, at the Party conference of 1960, Gaitskell's attempt to delete the nationalization plank ('clause four') met with unexpected resistance from the trade unions; on another issue, that of defence policy, the Campaign for Nuclear Disarmament succeeded in having its demands adopted by the conference. With Gaitskell challenged on all sides, the Labour right wing went over to the attack. In October 1960, 25,000 copies of a pro-Gaitskell pamphlet were distributed by a committee chaired by Fabian General Secretary William Rodgers. Generous support from anonymous sources allowed Rodgers to set up office and establish the Campaign for Democratic Socialism, which "challenged the Labour Party majority and the unions with an unprecedented and successful propaganda campaign. Anti-nuclear sentiment was channelled into opposition against an independent British deterrent, thus underwriting Kennedy's interpretation of an MLF."²¹

With loyalty to NATO restored, the relation to the EEC remained a source of contention within the right wing itself. When Gaitskell in 1962 united the Party in opposition to Britain's application for EEC membership by mobilizing nationalist sentiment, he alienated the Rodgers group, and the pro-Marketeters turned to Roy Jenkins instead.²² In October 1964, the general election brought Labour to power. Its election manifesto had pledged renegotiation of the Nassau/Polaris agreement and reiterated the Party's opposition to independent nuclear deterrents or a Norstad MLF. Embarking on a policy of tripartite corporatism, formalized in the National Economic Development Council of 1961 and accepted by the TUC in 1962-63, the Atlanticist Labour leadership of Gaitskell, Callaghan, George Brown and notably, Harold Wilson, yet failed to mobilize the working class behind corporate liberalism. As Middlemas writes, 'The compromise embodied in Harold Wilson's attempt to break out of the vicious old circle of debate about socialism into the new painless world of technology and intervention via industrial regeneration was not completed.'²³ The NATO allegiance of the Wilson government was embodied by Denis Healey as Secretary of Defence. Besides other activities referred to already, Healey in 1958 following a Bilderberg discussion with Shepard Stone of the Ford Foundation participated in setting up the Institute of Strategic Studies in London as a NATO think tank.

In Italy, the Kennedy offensive likewise coincided with the entry into the government of the (majority) Socialists of Nenni, who had formerly been excluded. The opening to the left was motivated by a wish to secure the allegiance of the non-Communist trade unions to a policy of consolidation of the 'miraculously' developed economy. A pro-Atlantic position on the part of the Socialists was made a *sine qua non* of government participation.²⁴ The existence of a Socialist minority party which was the product of the Marshall offensive (the PSDI) put this party in the better position in the 1963 elections and its gains compared favourably to a slight percentage loss of the PSI. The real breakthrough of a new generation in the Italian Socialist Party rejecting Marxism and oriented to corporate liberalism was of a later date.

This was also the case in France, where the equivalent of the Godesberg Programme was adopted by the new Parti Socialiste (PS) in 1972. Although the new working class had politically manifested itself before - in the CFDT and in the radical left party PSUC of which significantly, Mendes-France had become a member as well) - it

failed to live up to the vanguard role it had been prophesized to perform in the May 1968 revolt.²⁵

As Farhi writes, the alliance between the big bourgeoisie and small capital in Southern Europe as a consequence of a relatively undeveloped capitalism postponed the rapprochement between finance capital and the new workers along American and Northern European lines. This prevented the crystallization of a modern Social Democratic party capable of developing a partnership with finance capital, and left the mass of the workers to strong Communist parties.²⁶ Mitterrand in France, and to some extent, Craxi in Italy, (like Papandreu in Greece, Gonzales in Spain, or Soares in Portugal) are in the process of both modernizing Social Democracy in the Godesberg sense and breaking the hold of the Communists over the workers in their respective countries. Although this process no longer can be directly associated with the American Atlantic offensives, it still represents an instance of the international extrapolation of the original New Deal synthesis. Its immediate centre, however, is Northwestern Europe; its Roosevelt is Willy Brandt and the Socialist International; and its universalist concept is the New International Economic Order.

European Liberals and the Perils of Partnership

The Kennedy offensive also created the conditions in which the liberals and Liberal parties in Europe were able to recover lost ground in national politics. This renewed prominence was a function of the reassertion of Atlanticism and the corollary decline of 'Euronational' options, but also reflected the underlying changes class formation. In some aspects, the new liberalism was rather close to its former self, as it expressed a resurgence of the money-capital concept elicited by the specific opportunities American industrial expansion held out to internationally-oriented European commercial and bank capital. But then, the Liberal parties and tendency were also subject to the restructuring towards corporate liberalism spurred on by the American offensive. To the extent this was the case, their Atlanticism tended to be attuned much more to the Partnership arrangement.

In Italy, the Liberal Party (PLI) profited from the Centre-Left coalition inspired by the Kennedy offensive only in a negative way. The PLI, because of its association with Fascism, had lost the bulk of its electoral support to the DC after the war. As far as specific fractions of the capitalist class were concerned, the PLI in the 1950s organized the private and private-family capitalists sticking to an orthodox liberal concept. When a Centre-Left solution of the blocked political situation in Italy began being contemplated in the DC, Confindustria, the employers' organization, took its distance from the party and supported the PLI. In 1963, this support contributed to the electoral success of the PLI, which was able to mobilize conservative voters disaffected by the Centre-Left strategy PLI by the DC under Fanfani; the party scored a post-war high of 27%.²⁷

The Fanfani policy aimed at securing the hegemony of the corporate-liberal fraction in Italy and was congruent in key respects with the Atlantic Partnership concept. Its main bulwark in the capitalist class was the advanced Torino group of Fiat and Olivetti. In the 1950s, FIAT concentrated upon developing the domestic market, in which it enjoyed a virtual monopoly. As Valletta, FIAT head in this period and chairman of CEPES, testified, the basic market is the domestic market'. By the early 1960s, however, FIAT was realigning its strategy to combine domestic accumulation, internationalization (the linchpin of adopting the Atlantic Partnership perspective).

According to Sampson, it was Kennedy himself who suggested to Valletta the idea of cooperation with the Soviet Union that ultimately resulted in the construction of the Togliattgrad car works. Valletta's successor, Agnelli, was prominent in the neo-liberal party PRI and favoured a conciliatory, offensive approach to the working class (the corporation had a tradition of accommodating its skilled workers). For his part, Olivetti, who died in 1960, even claimed to have built a 'new kind of enterprise going beyond socialism and capitalism.' His attempt in 1959 to establish an American foothold by acquiring Underwood, however, proved too ambitious.²⁸ In 1964, Aurelio Peccei of FIAT, who later became known as the founder of the Club of Rome and sponsor of the New International Economic Order concept, was put at the head of Olivetti. ²⁹

Through its support for Fanfani and the dynamic state sector seeking to replace the sterile and defensive rightwing bloc of the 1950s, the Torino group collided with a reactionary industry coalition composed of Pirelli, Falck, Pesenti (Italcementi), Confindustria, and the electricity holdings fearing nationalization. Scorning the PLI, therefore, the corporate-liberals of the Torino group supported the small PRI. The Secretary-General of the PRI, La Malfa, became Minister of the Budget in the Centre-Left coalition and introduced the economic planning legislation intended to consolidate the rapid capital accumulation of the previous 'miracle' period. The inclusion of the Socialists was also meant to serve this purpose, but when La Malfa decided on a sharp deflationary turn of economic policy in 1964, the PSL considerably harmed its relations with the trade unions. ³⁰

In France, the situation was much complicated by the rise of Gaullism and the further strengthening of presidential powers in 1962. The policy of compromise with small capital initially had reinforced the right-wing liberals of Premier Pinay's Independent Party, CNIP. De Gaulle's policy of rejecting American hegemony and the emphasis on the French nuclear strike force led to Pinay's dismissal as Premier in January 1960, but this was not the last crisis caused by the President's apparently anti-American policy. When in May 1962, de Gaulle again lashed out against the United States in his press conference on the French nuclear force, the CNIP members in the one-month old Pompidou government were instructed to vacate their government posts. Unlike the MRP ministers, the Independents refused to follow the instruction of their party however. Giscard d'Estaing, De Broglie, and Jacquinon representing the upper layer of the bourgeoisie and, more generally, the most international fraction of French big capital by their decision to stay, broke with the fraction of small capital organized in the CNIP.³¹

This episode marked a crucial development in class and party formation in France, reflecting the underlying shift towards the hegemony of the corporate-liberal synthesis. Pinay's Independents, representing small capital and the middle classes were associated with 'the discredited Fourth Republic and with the values of what was rapidly becoming an obsolete, rurally oriented society'.³² Giscard's Independents on the other hand represented the fraction of French capital keyed to the liberalization of the international economy spurred on by the American offensive and domestically were able to mobilize the younger and more urban bourgeoisie. ³³

As Minister of Finance in a cabinet led by another banker (Rothschild director, Georges Pompidou), Giscard was in a key position to take the necessary measures for reinforcing the French franc at the expense of French industrial capital. Domestically, a liberal deflationary policy was launched in September 1963. Next, in 1964 Giscard proposed a plan for creating extra monetary liquidity to deal with Atlantic currency

problems, to be distributed in proportion to the gold holdings of the various participating countries. This plan was undermined both by the opposition of the United States and by de Gaulle's hard line on a return to the gold standard. The latter's concern, highlighted by the President's February 1965 press conference on the subject, shows that Giscard's policy was tied to the specific circumstances characterized by the American offensive, to which the liberal Giscard was much more responsive than the nationalist entourage of de Gaulle.

When the American offensive subsided and the climate for working out Atlantic arrangements deteriorated due to American policy in Vietnam, Giscard in January 1966 was removed from his post; 'partly', according to Davidson and Weil, 'because of the apparent failure of his domestic anti-inflation program, but part was also because of his suspected readiness to work for an agreement with the United States'. His successor, Debre, geared French monetary policy back to the gold standard doctrine favoured by the Gaullists.³⁴

Still in the period of Atlantic unity, Giscard's group participated in an attempt to create a single liberal party out of the various scattered factions. In this moment 'vital to their class' in Gramsci's sense, the Radical Socialists of Servan-Schreiber, Lecanuet's Centre, and Giscard's Republicains Independents between 1963 and 1965 tried to form a unified liberal party capable of attaining itself to the changed circumstances of the new presidential system, economic rationalization, and decolonization. Conflicts within the constituent parties, as well as the results of the elections in the late 1960s, terminated the undertaking. Only in 1972, did the Centre and the Radical Socialist join forces as a new party, the *Rejonateurs*. Servan-Schreiber's party, which carried on the tradition of Mendes-France's modernizing Radical Party, in its following resembled the adherents of Giscard's Independents, but the big capitalists supporting it (notably the Schlumberger group), like Mendes-France and Servan-Schreiber themselves, traditionally had preferred a partnership policy to the all-out liberalism of the Atlantic Union tendency. The Centre, finally, inherited a corporatist tendency from the Christian Democrat MRP. Its president, Lecanuet, who had been the last president of the MRP before it was dissolved in 1966, was a pronounced Atlanticist. ³⁵

At the organizational level, therefore, the unified Liberal party did not materialize, and neither did the Liberal parties attain a good election result in 1962. The impact of the Kennedy offensive in the relatively insulated political system of Gaullist France remained limited to the temporary prominence of Giscard following his break with Pinay. But because of his apparent loyalty to de Gaulle - which in Giscard's case rested upon an appreciation of the strong executive established in 1962 rather than on his support for the policy of national independence - Giscard lost the support of the outright Atlanticists and liberal Europeanists, who turned to Pinay instead.

The most prominent representative of the Atlantic Partnership or Euramerican concept in France was Jean Monnet. 1962 was Monnet's year of triumph, in which he thought the partnership of equals between the United States and the EEC, by which the Soviet Union could be effectively checked, was actually materializing. In Monnet's view, this would entail European military autonomy as well. 'Equal partnership must also apply to the responsibilities of .. common defence', he wrote in an Italian newspaper in April 1963. 'It requires, amongst other things, the organization of a European atomic force including Britain and in partnership with the United States.'³⁶

Monnet's concern over a European defence role fitted narrowly into his concern for the modernization of French industry, but also reflected his concept of making the

Americans support French initiatives towards channelling West German ambitions into supra-national arrangements, a tradition established by Briand. The establishment of a corporate-liberal synthesis in Western Europe as a bulwark against socialism was Monnet's ultimate ambition, setting him apart from his former associate, Pleven, who tended to shrink from upsetting traditional economic arrangements in France. 37

The web of economic interests in which Monnet and his associates were active is particularly revealing. Himself associated in the late 1920s with Blair and the Bank of America, Monnet's eventual network in private finance comprised the Lazard Freres, Lehman, and Goldmann, Sachs groups in New York, which after the war increasingly gravitated to the Rockefeller orbit. Pierre Uri, Monnet's right-hand man, was European director of Lehman Bros. Lehman partner George Ball, the architect of the Partnership policy, had close relations with Monnet due to his activities as legal counsel of the ECSC and the French delegation to the Schuman Plan negotiations. Robert Marjolin, one of Monnet's assistants in the First Modernization Plan, a proponent of Keynesianism and a member of the Socialist Party, subsequently joined the Chase Manhattan board. 38

The views espoused by Monnet and the corporate-liberal bourgeoisie increasingly challenged the Gaullist Euronational concept that they so far had travelled along with. Lerner and Gordon found that the French elite panels they interviewed showed a rising appreciation of Atlantic integration, to the point of becoming opposed to the Gaullist policy in the post-1965 period. In 1965, Pinay was offered enormous sums of money if he was willing to run against de Gaulle as a Europeanist and liberal candidate. French capitalists, according to a poll held at the time by the magazine *La Vie Francaise* among the presidents of the top-100 major French companies, were almost evenly split between de Gaulle and Lecanuet, who eventually accepted the offer Pinay turned down. 39

All along, the Americans were attempting to intervene directly in French politics. In a conversation in December 1960, recorded by Alphand, Couve de Murville complained that 'it was indecent of the Americans to pay French politicians and parties', of which he claimed to have proof. Alphand suggested that Couve see Allen Dulles, the head of the CIA, to discuss the matter. But, as Couve told him, it was Dulles who made the payments.40

It would take until the 1968 crisis, and the further maturation of corporate liberalism and the accumulation pattern on which it reposed, before the majority of the French big bourgeoisie came to accept the need for a more flexible political system, capable of digesting serious social challenges more smoothly than Gaullist one-party rule. In June 1968, family outsider Edmond de Rothschild in *Le Monde* argued for the need of a third force between Right and Left in France. His support for Poher's candidacy against Pompidou, the confidant of the main Rothschild branch at the Rue Laffitte, in the Presidential elections of 1969 did not bring the desired result however.41

In West Germany, the resurgence of Atlantic liberalism contributed to a reentry of the liberal Free Democrats into the government. In the spring of 1961, some time before the elections, newspapers under the influence of industry began to stress the need to draw the FDP back into government, even if the Christian Democrats secured an absolute majority in the upcoming elections. This was motivated by the need to balance the labour wing of the CDU.42

The 1961 elections were a victory for the renewed FDP. After the decline in the 1950s, the party, in which the corporate liberals meanwhile had secured hegemony, won 12.8% of the vote: its best performance before and since. One of the leaders of the

modernists who now dominated the party, future Federal President and eventual chairman of the Bilderberg Conference, Walter Scheel, became Minister of Economic Cooperation, a post which significantly had been left vacant after FOP Chairman Blucher had vacated it in 1956.

In the course of its re-entry into the government, a significant episode took place which brought out the shift from small capital to the big bourgeoisie within the FOP, and in this respect may be compared to developments leading to the split between Pinay's and Giscard's Independents in France. In the new government, the post of Minister of Finance went to H. Starke, the general manager of the Chamber of Commerce in Bayreuth, a small town in Bavaria. Starke represented the tendency in the small and medium bourgeoisie that tended to interpret the anti-cartel and liberal line pursued by the Minister of Economic Affairs, Ludwig Erhard, as an anti-monopolistic policy.

The real thrust of capital accumulation in this period, however, was towards concentration and internationalization of the strongest capitals, in spite of such apparently 'populist' instances of liberalism as the lowering of property taxes or the re-privatization of Volkswagen in 1961. The freedom of the big banks was consolidated by the new bank law in 1961, and within the corporate structure, the smaller owners' interests were seriously prejudiced. Under the Nazi law which remained valid until 1956, changing the legal status of companies and special tax provisions encouraged the majority owners to proceed with consolidating their hold on the companies in their orbit. A court decision in 1962 terminated resistance of the small shareholders.⁴³

Starke's appointment at the key Ministry of Finance, therefore, was intolerable to the upper layer of the bourgeoisie, who in the prevailing circumstances were reinforcing their position and who were led by Otto Friedrich, the informal leader of the Atlantic Union tendency in the German bourgeoisie. Friedrich instead favoured the appointment of R. Dahlgren, the president of the Economic Affairs Committee in the Bundestag and a fellow director of his in the Phoenix rubber company, partly owned by the American Firestone concern. Friedrich's preferences prevailed and in December 1962 troublesome Starke was removed from his post and succeeded by Bahlgrun.⁴⁴ Blessed with the prominence of the liberals and the hegemony of the big owner's point of view, bank capital and retail interests fared particularly well in the profit-distribution process from 1963 on.

In Belgium, the fate of the liberal Party in the Kennedy offensive resembled that of the Italian PLI. Here, too, the modernizing elements in the bourgeoisie acted through the Christian Democrat and Socialist parties to capitalize upon the opportunities offered by the combined effects of the penetration of American methods of production and actual American investment. The left-of-Spa government, which ruled from 1961 to 1965, and the short-lived Harmel-Spinoy cabinet which held power until February 1966, were the vehicles for this strategy. They launched a full-scale attack on the backward, rentier-dominated structure of the Belgian economy. The tax system was radically altered and a system of advance payments was introduced facilitating tax control of rentier incomes, while at the same time diminishing the dependence of the Belgian state on the traditional financial interests. Also due to the loss of the Congo, rentier incomes declined in the Kennedy offensive period in Belgium. ⁴⁵

The liberal Party by default was pushed to the right, but its electoral success in the 1965 and 1968 elections (after which it declined again) was primarily based on its ability to

capitalize upon processes of rationalization and deconfessionalization characteristic of the period, notably in Flanders. Its success in penetrating formally Christian and working-class sanctuaries in this region (to which end the party abandoned its anti-clerical posture and renamed itself the Progress Party (PVV/PLP) in 1961), did not extend to Wallonia. The conservative element in the party here was dominant. Still in 1974, the Walloon and Brussels liberals drew 75 to 80% of their votes from the small bourgeoisie; whereas in Flanders, almost half of Liberal voters were workers. 46

In Britain, the marginal position of the liberal Party prevented it from adequately expressing the modalities of class formation. Yet the liberal effect of the Kennedy offensive was again noticeable, as it had been in 1950. The 1959 general election went to Macmillan, but 'what was more surprising was the spectacle of a modest Liberal revival'.⁴⁷ The Liberals put up the greatest number of candidates since 1950, and on the average increased their vote in the districts where a Liberal candidate stood, resulting in an increase of their seats in Parliament from six to nine. The Macmillan cabinet meanwhile resorted to deflation again in 1960. Rentier interests still were strong, and 1961 brought renewed measures to defend their cherished pound against impingement by expansive policies. By now, such expansion immediately threatened the balance of payments, since the failure to modernize British industrial capacity translated rising demand straight into growing imports for which no competitive exports compensated. When an expansive policy was tried again by the new Chancellor of the Exchequer, Maudling, in 1962, it led to a new balance of payments crisis, forcing the Wilson government to make a deflationary turn again soon after its assumption of power in 1964.⁴⁸

The Dutch Liberals, finally, had already entered the government in 1959, but the De Quay cabinet was of a marked conservative and narrowly Europeanist orientation except for the Atlanticist Ministry of Foreign Affairs. Still in 1960 and 1961, the government resorted to credit restrictions to put a brake on industrial expansion; the corporatist mechanisms of collective bargaining were abandoned from 1959 on. In the Defence Ministry, which was held by the Liberal Party VVD, the two tendencies, Atlantic and European, confronted one another, and following a serious conflict the Europeanist sphere-of-interest line triumphed. The initial minister, Unilever director Sydney van den Bergh, in the struggle over the choice of a new fighter plane then in progress seemed willing to contemplate the Northrop Freedom Fighter on the basis of a direct transaction with the Americans. Others in the Defence Department, however, were more responsive to the plan of the German Minister of Defence Strauss to produce Lockheed Starfighters through a German-Belgian-Dutch consortium. Strauss estimated that the Lockheed deal would allow German industry to develop a modern arms manufacturing capacity which fitted into his strategy for a European nuclear force. Rumoured contributions to the CSU party treasury in this case may have helped to underscore this preference, since a choice for the likewise available Dassault Mirage was attractive to Strauss from this very vantage point, too. ⁴⁹ After Van den Bergh had sent the Dutch air force chief Schaper to California to find out about the Northrop plane, a scandal involving the Minister's private life was sensationalized in the French and German press which led to his fall. His successor Visser, the secretary of the Dutch employers organization, had worked with the Germans during World War Two and was more inclined to yield to West German pressures. Following discussions with Strauss in December, 1959, the De Quay cabinet decided to buy the Starfighter. 50

With the formation of the Marijnen cabinet in 1963, based on the same parties, liberalism was reinforced, with the Atlantic aspect particularly prominent. At the Defence Ministry, Visser was replaced by the Catholic navy officer and former state secretary " P. J. S. de Jong, who subscribed to the Atlanticist tradition of the Dutch Navy. The MLF plan, which hitherto had been rejected, now was endorsed by the Dutch government as a means to strengthen Atlantic integration and prevent other countries from achieving nuclear independence. 51 The Atlanticist turn in the Netherlands in 1963 was in part relayed through Germany; the formation of the Erhard government notably 'raised the hopes of the free-traders'.52 When in 1965, a conflict over the liberalization of the media brought down the government, the Liberal Party did not return in the next cabinet.

In all European countries, the Liberal parties were directly affected by the Kennedy offensive and the processes of class formation which it sought to guide by its Atlantic Partnership policy. In Germany and France, the growth of the FDP and RI both expressed the rise of modernizing technocracy and the predominance of the Atlantic fraction of the bourgeoisie. In Belgian Flanders, the Liberal Party also showed signs of developing in this direction, but in Wallonia, its middle-class constituency made for a conservative orientation of the party. The corporate-liberal impulses developing in the class structure accordingly were translated into actual policy by a Christian Democrat/Socialist coalition. In Italy, a similar pattern occurred, while the Liberal party PLI was forced into the conservative position demanded by a constituency of the lesser bourgeoisie, a Centre-Left coalition undertook to modernize the country's economic structures. The PRI, which in some respects approximated the profile, the renewed FDP in Germany or the British Liberals, had a negligible following in the country, however (about 1 %). In the Netherlands the Liberal Party VVD was a conservative party, comparable to the PLI.

The Christian Democrat Response

Within Christian Democracy, the liberal tendency again won the upper hand in this period. In Germany, NATO allegiance was the major factor, and the renewed adherence to American leadership was of importance also for the shift in the position of Dutch Christian Democracy. In Italy, the restructuration of class relations to fit the Fordist accumulation pattern was the major factor, and this dimension was also decisive in Belgian Christian Democracy. Hence, the course of events in the two trendsetting countries of Germany and Italy can illustrate the larger pattern of events.

In Germany, Erhard's position within the CDU was reinforced again from 1960 on. Having lost considerable prestige as direct American intervention in German affairs dimpled, Erhard at the close of the 1950s had several serious clashes with Adenauer on economic policy. His effectiveness was prejudiced by the fact that Berg, the conservative leader of the organization of German industry, had privileged access to the Chancellor in these matters. Only in March 1961, did Erhard, the then Minister of Finance Etzel, and the President of the Bundesbank (and Schacht's former collaborator) Blessing, succeed in convincing Adenauer of the immediate necessity to embark on a policy of deflation and revaluation of the Deutschmark. After this success for the Liberals, on which Berg was not consulted in advance, the Atlantic turn within the CDU was accomplished in several steps.

In November, the Christian Democrat Schroder, the director of Klockner steelworks, at the insistence of the FDP became the new Foreign Minister in the coalition government. Schroder's Atlanticism not only had been reinforced by the record sales of his company in the United States, but also because of his conciliatory policy towards Eastern Europe and the Soviet Union, which dovetailed with Kennedy's offensive approach. Within the CDU, it was Schroder who, together with Erhard and Thyssen director Birrenbach led the opposition against the Paris treaty with France.⁵³

In December 1962 the *Der Spiegel* case against Strauss, which arose out of a confrontation between the new American and the existing West German strategic doctrines, led to the dismissal of the Bavarian advocate of German nuclear capability. Polls held immediately afterward showed that Strauss's fall was strongly approved of by Left and Liberal voters, but CDU/CSU voters, and notably the Catholics among them, were still divided and confused. *Der Spiegel* role in the reaffirmation of the Atlantic alliance and liberal democracy, moreover, cost it the advertising accounts of the traditionally continentalist Hoechst chemical concern and of the Bosch Ail electrical engineering company. ⁵⁴

In the course of 1963, Kennedy's appearance at the Berlin Wall, which underlined the American guarantee, reinforced the Atlanticists' position. In October, Erhard succeeded Adenauer as Chancellor. Although Adenauer as chairman of the CDU continued to attack the liberal Atlantic turn, and Schroder in particular (whom he reproached for spoiling the relation with France by dropping the demand for a reorganization of NATO);⁵⁵ the trend towards renewed acceptance of Atlantic integration was not reversed.

In Italy, during the 1950s, the combined weight of the small middle class, and notably, the small farmers' organization, Coldiretti, had provided the conservative capitalists organized in the Confindustria and the landed interests in the Confagricultura allied with them with a sufficient following to keep the DC to the Right once the liberalizing impulses of the Marshall offensive had subsided. ⁵⁶ Parallel to the split in the employers' front, however, which led to a separate organization (Intersind) regrouping the dynamic public industries in 1957, a modernizing tendency developed in the DC. This tendency, represented by Gronchi, Matte, Vanoni and Fanfani, sought to put into practice a concept of control based on the reconciliation of big capital and the organized working class. In contrast to the German situation, modernization of social relations in Italy required an opening to the Left, and the traditionally 'Mediterranean' and 'Third Worldist' outlook of the Fanfarani group gave it excellent credentials among Social Democrats in particular. Among the Italian Communists, who began taking the distance from the Soviet Union from 1956 on, this strategy eventually evoked a certain sympathy as well, although for the time being, Fanfani's aim, as he publicly confirmed, was still to 'woo the Socialists away from the Communists'. ⁵⁷

Rather than taking the Atlantic dimension as their point of departure, the Italian Christian Democrats gave priority to consideration of domestic stability during the transition to the new phase political development necessary for controlling the restructuring of existing class alliances. At the DC Congress of January 1962, which the decision to attempt an opening to the Left was made guarantees as to the maintenance of capitalist relations of production and imperialist allegiance had to be explicitly added so as not create the impression that a transition to socialism was being prepared. ⁵⁸ The forces supporting the Centre-Left solution had been mentioned already. Confindustria, sticking

to the undiluted capitalist viewpoint and close at the time to the PLI, opposed the arrangement, which contributed to the sharp decline of the organization's influence in the 1960s.⁵⁹ Contrary to the markedly Atlantic Union orientation which prevailed in Germany and the Netherlands during the Kennedy offensive, the Italian episode had a distinct Atlantic Partnership, and even 'Gaullist' quality, which was brought out by such instances as FIAT's Togliattigrad project, and by agreements with France in which the Italians supported French industrial innovations (like SECAM colour television) and military prototypes (notably the Mirage fighter plane and the AMX 30 tank).⁶⁰

2. The Emergence of Atlantic Fordism

The American offensive was in full swing when Kennedy was assassinated in late 1963. For at least two more years, American policy remained geared to the offensive configuration of social imperialism and the internationalization of finance capital. Until his own election in November 1964, Lyndon Johnson, who took Kennedy's place, 'was . . . thought of, and was acting, as the care-taker of the Kennedy Administration'.⁶¹ Johnson was inherently more willing to follow a moderate foreign policy, but he was propelled by the forces set in motion during the previous two years and felt obliged, among other things, to escalate the US military presence in Vietnam which the Kennedy cabinet had decided just before the President's fatal visit to Dallas.

Domestic reform still was being framed in the expanding context of economic growth and commitment abroad, and Barry Goldwater's conservative alternative was particularly inopportune in 1964, the year of the Civil Rights Act. In the course of the election campaign, Johnson obtained a congressional mandate 'to take all necessary steps, including the use of armed force' in South-East Asia in the Tonkin resolution of August 1964. Once again, a 'peace' candidate drawing on a legitimacy won by social reform obtained a mandate for entering a foreign war. The Tonkin resolution was 'signed by Congress in an atmosphere of urgency that seemed at the time to preclude debate', Senator Fulbright, who accomplished the feat, wrote in retrospect.⁶²

Popular consensus was only consolidated when, following his landslide victory, the architect of Tonkin announced his Great Society Program in the State of the Union address of January 1965.

Promising further measures in line with the anti-poverty program promulgated one year earlier, the President thus rewarded the working-class and black voters who had turned out massively to vote for the Democratic ticket. A limited medical insurance programme, educational and regional measures, as well as a softening of immigration laws meant to accommodate 'ethnic' groups, was duly enacted. ⁶³

These measures were not just calculated tricks to obtain a free hand in Vietnam. They were designed to satisfy rising popular aspirations, and were made possible by continued economic expansion. But whatever the degree of honest compassion with the poor and underprivileged on the part of those who devised and administered the new social legislation, its function was to reinforce the legitimacy of the Executive in serving the interests of American capitalism, and these in turn could only be served in a context of international expansion. Vietnam was seen as the test of US willingness to support its interests in the periphery at large, apart from the importance of South-East Asia proper as a source of tin, tungsten and rubber.

The social-imperialist mechanism connecting domestic reform with self-righteous expansion was always in one way or another consciously articulated by the top leadership. In the case of Lyndon Johnson, the basic idea was presented to him when he sought expert advice on a grand conception befitting his new responsibilities. The historian and later special consultant to the President, Eric Goldman in a private meeting on 4 December 1963, explained to Johnson that mounting social tensions were threatening the effectiveness of both domestic and foreign policy. Encouraged by the President, Goldman went on to point out that 'faced with such situations, past Presidents had drawn the country together by calling upon the doctrine of national interest. . . and (emphasizing) the Office of Presidency as "the steward" of the needs and aspirations of the general population.' Referring to Theodore Roosevelt as a proponent of this strategy, Goldman stressed that 'it was important to do this. . . because a too sharply divided nation was an immobilized nation, incapable of carrying out a coherent foreign policy or meeting the demands of the domestic scene. A President who effectively identified himself with the national interest was in a position to lead away from the stale, obstructive emotions associated with past divisions. . . towards the kind of attitudes that met changed circumstances'.⁶⁴

Historical awareness of the social-imperialist mechanism, of course, could not by itself control the objective processes it sought to grasp, which were operative irrespective of the degree of consciousness on the part of the actors in them. By 1965-66, both the optimism and economic boom had spent themselves, and the contradictions of the attempt to overcome domestic class struggle by a mixture of reform and expansionary policies came to the surface. The emancipation struggle of the black population, in particular, threatened to push beyond the limits envisaged by liberal reform. With Black Power rising behind the peaceful figure of Reverend King, 'white backlash took on a new meaning as well'.⁶⁵ The countermobilization of the white middle class also affected the attitude towards the war in Vietnam. Support for American intervention there shifted from the optimistic idealism of the New Mandarins to a more vitriolic and reactionary nationalism.

As long as domestic economic expansion lasted, the corporatist truce dictated by near-full employment remained intact. The guideposts programme reached a high-water mark in 1964, the year of the Tonkin resolution, when it was given a more prominent place in the economic policy of the Johnson Administration. 'The year 1964 was perhaps the heyday of the guideposts', Mills writes, 'in which they experienced an unusual degree of overt presidential support'.⁶⁶ Union support for the Vietnam war developed in line with the general expansion of the American economy. As unemployment went down and war orders began pouring in, the unions in this respect probably spoke for a majority of American workers. 'The war was far away and jobs were a reality'.⁶⁷

American economic policy with respect to the profit distribution process in the Kennedy offensive at first seemed to stick very much to the balanced budget philosophy of the 1950s. The emphasis was on incremental tax measures rather than on stimulating industrial production by expansive budget policy, incidental injections apart. Under Johnson, a major tax revision was enacted. By that time, the profit share of manufacturing, industrial share prices, and overall corporate income were already moving upwards, so that the meaning of the tax cut lay primarily in the profit-distribution sphere rather than in making Kennedy's campaign pledge to 'get the nation moving again' come true.⁶⁸ The 1964 tax cut reduced effective corporate tax by introducing new depreciation

schedules and a 7% investment tax credit. This contributed to sustaining the current rate of investment, and in terms of profit distribution the benefits accrued particularly to corporations. Dividends, on the other hand, profited from the 1964 tax cut only with considerable delay.⁶⁹

The expansion of the American economy interacting with the Kennedy offensive simultaneously was extrapolated to the Atlantic level through foreign investment. In the Marshall offensive, the export of 'public' capital, i.e., the US government-to-government loans and assistance programmes, had accounted for a negative balance for the USA in the Atlantic economy; now, various forms of investment in Europe produced a comparable negative balance.

The wave of American investment in Europe causing the negative balance was composed of several elements. First, there was a jump in portfolio investments, from \$1.8 billion in 1957 to \$5.4 billion in 1964, at which level they remained, roughly speaking, for the rest of the decade.⁷⁰ US direct manufacturing investment in Western Europe grew from \$2.1 billion to \$6.5 in the same years, but in 1969 had reached \$12.2 billion already.⁷¹ In the initial phase of the Kennedy offensive, American capital moved mainly to 'other Europe' which may be roughly equated with the EFT countries (with a strong over-representation of Britain), whereas by 1963-64, the continental EEC share in incoming US direct investment was relatively enlarged. In terms of capital fractions, the rise of US direct investment in Europe in this period notably concerned productive capital. As far as European investment was concerned, a comparable movement towards the internationalization of productive capital to the United States became visible only from 1968 onwards. It took until 1973 before Western European productive investment in the United States reached the level of the hitherto predominant European direct investment in American bank, insurance and oil ventures.⁷²

The Kennedy and Johnson administrations attempted to stem the outward flow of capital in order to prevent the deterioration of the US balance of payments and protect the integrity of the American domestic economy and the social-imperialist compromise worked out in its context, but their measures only served to accelerate the internationalization process. The Interest Equalization Tax of 1963, meant to prevent US money capital being used for internationalization of production, led to the creation of the 'Euro-capital' market; the 'voluntary balance of payments program' launched in 1965 and, notably, its conversion to an obligatory programme in 1968 further swelled the Euro-capital (and Euro-money) markets.⁷³ Together with US bankers' concern to prop up their domestic competitive position as 'world-wide' institutions, internationalization of bank capital in response to these developments led to a synchronization of the international circuits of money and productive capital as international finance capital. By then, a truly Atlantic capital seemed imminent, not only involving an intra-company division of labour in the context of a reintegration at the Atlantic level of the circuits of commodity, money, and productive capital, but also engendering a commensurate format of labour relations and profit distribution.

An Atlantic Format of Labour Relations

In the same period, a form of 'company feudalism' specifically associated with the international spread of American industry, but restricted in its positive effects to the better-off workers, developed in the context of the ICFTU. In November 1964, at the

Automotive Department meeting of the International Metalworkers Federation in Frankfurt, a decision was taken to establish World Corporation Councils. This form of organization represented an extension of the corporatism practiced by the International Trade Secretariats, and was an initiative of Walter Reuther of the UAW.⁷⁴ From 1966 on, WCCs were formed in the automobile, chemical and, rubber industries, practically all in the North Atlantic area. The WCC's tend to push up the wage level in the European affiliates of US companies and accordingly caused frictions between American and European trade unionists as long as the latter stuck to their national bargaining strategy.⁷⁵

The WCC's fostered the crystallization of a privileged fraction of workers. The Michelin wcc stated the purpose of its organization was protecting the interests of the 'long serving workers' in prosperous parts of the world'.⁷⁶ The flow of benefits increasingly became a two-way affair, benefiting American employees of internationalized firms as well, but all the same remained confined to privileged workers in the Atlantic area. 'By holding out the possibility of international trade unionism', a trade-union leader wrote 'the ITs and WCCs have simultaneously held back the development of stronger forms of working-class organisation and smoothed the way for the further growth of the Transnational Corporations.'⁷⁷ Pointing out the selective solidarity of the WCC's, Etty and Tudyka in their study quote a UAW pamphlet stating that the WCC's at insurance for the strong and at the same time the best hope of strength for the weak'.⁷⁸

However, the Kennedy offensive stopped far short of the full internationalization of US industrial relations, and by the late Atlantic unity at the late 1960s level of the comprehensive international union organizations was breaking down. As we shall see in the next chapter, in line with the brief hegemony of an independent-spirited corporate-liberal bourgeoisie in Europe, the Fordist compromise would be recast in a European framework, in which the German co-determination tradition would become the frame of reference European trade-union organization.

The Flow of Portfolio Capital

The acceleration of the internationalization of American capital after the establishment of the EEC affected the various segments of the bourgeoisie associated with it differently. Interacting with different forms of foreign investment and national differences in profitability the prominence of either rentier or real capital in the American economy may be tentatively associated with particular concepts of Atlantic unity through the profit-distribution process.

The rate of profit realized by American capital in Europe was the rate of profit of European capital or slightly above it. This r profit was well above the rate attained by American firms operating in the United States during the 1950s. Under these circumstances, the internationalizing manufacturing ventures tended to gravitate to the critical mass of interests clamouring for a strong dollar, like banks, oil companies, owners of savings, and portfolio investors with interests abroad.

In the early 1960s, domestic operations became more important again as a consequence of expansion under the Kennedy offensive. The rate of profit of American manufacturing at home rose above the profit rate on all US foreign direct investment, and approximated the rate attained by American capital in Europe. Although direct investment in Europe kept on increasing, US industrial capital gained a new interest in domestic production and internationalization through commodity exports. The expansion of the military budget, and the Vietnam War, all played their part in this respect.

After the European recession of 1966-67, rates of return on American capital in the area improved significantly, and restored, in terms of economic policy coalitions, the situation of the late 1950s.⁷⁹ This time, however, American direct investors in Europe represented a much more important fraction of aggregate US foreign investment. Whereas, in the 1950s European holdings only accounted for about 5% of all profits made through foreign direct investment; by 1970 it had risen to almost 15%.⁸⁰ In contrast to the general rate of profit in the United States, profit rates of major American multinationals, which had fallen from their war levels except for the late 1950s, after 1965 again stabilized or even, in the case of General Motors, increased.⁸¹

For American portfolio investors in Europe, the rate of return varied greatly for different countries. During the period 1951-69, the mean rate of return on common stock owned by US investors was 17.1% for investments made in Germany, 10.6% in Italy, 9.7% in the Netherlands, 8.6% in France, 6.2% in Britain, and 3.6% in Belgium (portfolio investments in US companies brought a mean rate of return of 11.5% to American investors).⁸² As to the actual firms invested in, chemical companies were most important as far as Germany was concerned. 25% of the capital of the successor companies of the IG Farben combine (BASF-Bayer-Hoechst) at the beginning of the 1950s was owned by foreigners, notably Swiss and American investors (who also owned 12% of Bayer).⁸⁷ The most important investment object in Italy was Montecatini, a renowned 'blue chip' on the New York Stock Exchange. Philips, KLM, Royal Dutch/Shell (one of the first major European concerns to be introduced at the New York Stock Exchange in 1954) were the favourite shares as far as Dutch capital was concerned. For France, it was P  chiney, while Unilever and British Motors were favourites in Britain.⁸⁴ Significantly, in the early 1960s a restructuration of American portfolio investment in Europe began, corresponding to the level of development reached by European capital in terms of Americanization and the growth of finance capital. As *Fortune* reported in 1962, 'the more sophisticated investors in Western Europe have recently been turning their attention to banks, insurance companies, and companies that serve the consumer market.'⁸⁵ German and Dutch insurance companies, German banks, and Dutch Robeco investment company, Belgian Gevaert, and French Perrier were prominent in the new wave.

The list of high-return countries for portfolio investors was quite different from the list of high-return countries for direct investors. Taking two years, 1957 and 1963, as examples (one at the outset and one at the high tide of American direct investment in Europe), the picture for non-distributed profits on American direct investment yields almost the opposite result in rank-order. For 1957, Belgium heads the list with 30.4%, followed by Britain, France, West Germany, the Netherlands, and Italy. For 1963, the percentages have fallen, but the rank order was only changed for Germany, now third instead of France, which is fourth.⁸⁶ With due caution, then, it can be argued that in periods of prominence of rentier capital in the United States, the portfolio investors in Europe were part of the critical mass of interests willing to accommodate German ambitions and tendencies towards continental European unification and autarky. In the offensive periods characterized by corporate and industrial reinforcement in the United States, on the other hand, the activist perspective of the direct investors contributed to the orientation towards Great Britain and towards offensive Atlantic unity in American foreign policy. Although evidently not sufficient to explain these orientations, the international dimension of the profit distribution process of American capitalism does identify sources interest supporting one or the other orientation.

Among the European countries with important portfolio investment in the United States, Great Britain and the Netherlands were the most prominent. During the war, foreign ownership of American stock declined at least relatively. From the 5% to 7% of American corporate stock owned by foreigners in 1937, only 2% remained in 1954.⁸⁷ From the late 1950s on, portfolio investment in the United States increased again. The United States and Great Britain in the period 1960--1975 were the main portfolio capital importers; Switzerland, Belgium and Luxemburg, and Italy were the main portfolio exporters. For West Germany and the Netherlands, the export and import of this form of capital were roughly in balance.⁸⁸

The actual flow of portfolio capital from Western Europe to the United States cannot be identified for the individual countries, since much of it went through intermediaries in Switzerland, Luxemburg, or London. Confining ourselves to the countries under review, a 1967 IMF study trying to locate the domicile of foreign stock and bond owners in the Atlantic area found that, relative to population, Belgium and the Netherlands were the largest foreign portfolio investors; in terms of portfolio capital export in the period 1962- 1974, also divided per head of the population, Belgium/Luxemburg and the Netherlands again headed the list. In both cases, Italy followed at a distance, while Switzerland was on top when all European countries are taken into account.⁸⁹ These results should not come as a surprise since the share of national income accruing to rentiers (dividends, rent and interest) in 1967 for the Netherlands was 16.4%, for Belgium 10.9%, and for Italy 9.0%. French and German rentier incomes, on the other hand, accounted for only 4.3% and 2.8%. The British percentage was in between: 7.5%.

To the degree that rentier incomes in Europe were related to American corporate expansion, rentiers in these countries were part of the critical mass of interests supporting Atlantic unity policies in their respective countries. In the late 1950s and again from 1962 to 1965, European investors made large investments in dollar bonds (floated, incidentally, by European public authorities), showing their preference for dollar holdings.⁹⁰ A straight-forward coincidence between the actual increase of European rentier incomes and American corporate expansion can be noted only in the case of Germany, but this does not by itself invalidate the hypothesis of the different profit preferences underlying different orientations to Atlantic unity.

3. Vietnam and de Gaulle

While the processes of internationalization and equalization of accumulation conditions for international capital were still developing, their original driving forces in the American class structure showed signs of slackening. By mid 1965, the combined effects of war expenditure and Great Society programmes began having an inflationary impact. The corporatist guideposts, having been renewed by the Johnson administration for 1965, were now undermined by industrial expansion and an exhaustion of the labour supply. Wage increases in excess of the guide-posts were wrested from the employers, and by 1967-68, the guide-posts for all practical purposes were abandoned.⁹¹

Support for American activism abroad correspondingly suffered. At the AFL-CIO convention in December 1965, a clause on the peaceful ending of the Vietnam War was adopted to accommodate union opposition against the war, of which Walter Reuther and

Emil Mazey of the VA W had made themselves the spokesmen. Meany and the rest of the leadership rejected the clause, but it was included nevertheless at the request of Vice-President Humphrey. Humphrey intimated that the Johnson administration would not like to see an open controversy on the convention floor destroy the image of solid trade-union support for its Indo-China policy. In 1966, a conflict related to foreign policy erupted within the AFL-CIO when Reuther publicly accused the organization of working with the CIA.⁹² Although it would take several more years before a distinct trade-union opposition to the war developed, the class truce underlying the Kennedy offensive and enforced by the corporatist guidposts programme was broken. As before, the effectiveness of the controls in terms of labour peace lasted as long as the offensive remained more or less proportionally intertwined with domestic reform, but greatly diminished when the self-confident optimism underlying both gave way to reactionary countertendencies.

As far as the relations between fractions of capital were concerned productive capital started losing ground to money capital from 1966 on. In due course, the liberal format of trade policy was abandoned. By 1967 protectionist pressures were stronger than in the 1950s: the Johnson administration's 1968 effort to extend the Trade Agreements Act met with a host of protectionist bills. In the ensuing legislative battle, most of these were defeated, but the extension proposal went down as well.⁹³ Meanwhile, friction with Europe was increasing as a result of divergent interests in the sphere of international monetary relations, dramatized by the growth of American investment and the application of extraterritorial jurisdiction by the United States. As the President of the International Chamber of Commerce, IBM chief Thomas Watson, observed in 1967, 'the great international wave that created the Kennedy Round and raised us to where we are is beginning to break itself on the rocks of squarrels.'⁹⁴

European unwillingness to follow the dictates of American policy in the economic sphere was bolstered by growing popular revulsion against the war in Vietnam. From the vantage-point of the Western European corporate-liberal bourgeoisie, the Atlantic Partnership concept was becoming detrimental to long-term interests of imperialism by tying the Europeans too closely to an American policy rejected at home as well as in the Third World. Henry Kissinger, in a 1965 book, recognized the element of revenge in the recalcitrance of Western Europe with respect to American leadership. 'Some European leaders', he wrote, 'are now repeating the American argument of the fifties: that the larger interests of the free world are sometimes served by allowing for differing, occasionally even competing, Western approaches to the emerging nations.'⁹⁵

In this perspective, it was not surprising to discover France in the front row of the restive European allies. Having been duped and replaced by the Americans in Vietnam when still entrapped in its colonial past, de Gaulle's Fifth Republic now was part of a Western Europe reconquering a world position on a modern industrial basis. Moreover, in that context, France was the only continental power of consequence able to freely express its ambitions to play a military role of adequate dimensions. The existing structure of NATO, which the French President himself had tried in vain to change in 1958, was a serious obstacle in this respect. As one of the General's generals noted in 1966, 'the military organization of NATO has become virtually a body without a head. . . because the major subordinate commands, entrusted to American generals and admirals, have tended to become independent of the inter-Allied hierarchy while depending directly on the

Pentagon in their capacity as commanders of American forces.⁹⁶ In May 1966, de Gaulle cancelled French military obligations under the NATO Treaty. In a letter to President Johnson, he reassured the American leader that France would renew the signature to the Treaty when it expired in 1969. The basic allegiance to the capitalist world accordingly was not in doubt; the disagreement was on the actual use of military force by the partners of the alliance, and hence, French non-cooperation remained confined to concrete command arrangements established in 1949-50.⁹⁷

Reacting to de Gaulle's letter in October 1966, President Johnson made it understood, if we accept Finletter's rendition, 'that the hopes for a "big alliance" which would concern itself with worldwide matters would have to wait for the day when the crisis in Southeast Asia was settled'.⁹⁸ The contrast with the Atlantic and universalist euphoria of 1961-62 could not have been more explicit.