

Chapter 9: The Crisis of Atlantic Integration

1. Europe Versus America

In spite of the various setbacks to Atlantic integration, an imaginative optimism as to the eventual full de-nationalization of capital remained strong throughout the 1960s. George Ball in two articles in *Atlantic Community Quarterly* in 1967 and 1968 argued the need to overcome national legal constraints imposed on internationally operating companies by creating a commensurate legal sphere through international law. In the same period, Carl Gerstacker was making his famous wish about locating the Dow Chemical headquarters on an island owned by no nation and 'pay any natives handsomely to move elsewhere'.¹ But in the real world of the North Atlantic area, the national states, or the natives for that matter were not so amenable. The reality of capital as a totality of competing individual capitals, and their concrete existence as class relations within specific spatial confines, worked against the unifying trend.

Enjoying new prestige on account of its economic prosperity and its domestic and international reformism, Western Europe compared favourably in world opinion to a militarist United States applying unrestrained violence in Indo-China. In the emerging climate of detente with the Soviet Union, the internationalization of capital from Europe, which in the course of two decades had been transformed from a commercial parasitism on the spread of American capital to a major process in its own right, increasingly could be supported by the European states irrespective of American preferences.

Taking its distance from the excesses of American imperialism however, implied that the European bourgeoisie also had to restructure the basis of its hegemony at home. As in the immediate postwar years and again in the 1950s (albeit now commanding an economic structure nearly matching the American one), the bourgeoisie in the various Western European countries was forced to formulate its concept of control in less transcendent terms, articulating national rather than international interests and aspirations. More particularly, American hegemony itself, and the entire structure of Atlantic integration developed in its context, lost its effectiveness as an expression of a presupposed general interest. The emancipation of West Germany, formalized in 1968 by the transfer of the Allied right of intervention to the Federal Republic by the Emergency Law, moreover removed a linchpin of the supranational European component of Atlantic integration. Helmut Schmidt asserted the new sense of Germany sovereignty when he wrote that 'Dreams of "Atlantic Union Now" or "Instant Europe" must give way to expectations more closely geared to realities: wider and deeper cooperation, without necessarily institutional perfection.'²

The tendency towards a more pragmatic approach to Atlantic and European relations, abandoning the supranationalism of the previous era (and dramatized in that respect by the 1965-66 crisis of the EEC), was noticeable in the other countries as well. Here, too, it was a corollary of the primacy that economic issues had assumed over international political and military arrangements. ³ For the Americans, acceptance of the new international posture of Western Europe ran against the ingrained perception of Europe as part of a US-led Atlantic system: 'Looking back over the statements of leading State Department officials', Senator Frank Church wrote upon his return from a fact-finding tour of Europe in 1966, 'one is struck by the fact that they seem to hold out for

Europe no alternative between our form of unity or chaos, no awareness that European sentiment may have shifted towards a different arrangement, that what might have been achieved in the vision of such men as Jean Monnet when Europe lay prostrate after the war may no longer represent a practical possibility.⁴ New attempts at ultra-imperialist collusion would be made in due course, but the old framework was definitively abandoned.

Le Deft Americaine

The tendency of the internationalization of European capital to acquire increasing autonomy was augmented by state intervention intended to raise the level of concentration and centralization of capital. In Germany in 1966, the Grand Coalition of CDU and SPD replaced the Christian-Democrat/Liberal coalition of Chancellor Erhard. In the fall of Erhard, there was already an aspect of removing the comprador Atlantic Union tendency considered too subservient to the United States.³ The new government rested on a broad national class compromise and symbolically included Franz Josef Strauss, now as financial specialist but still committed to attending nuclear status for the Federal Republic (he did not shrink from comparing the 1967 non-proliferation treaty to Versailles)⁶, - as well Willy Brandt, who within a few years would launch the peaceful opening towards the East. Meanwhile, within the labour movement, the DGB parted ways with the AFL-CIO in 1966 when it decided to disregard the 1955 ICFTU decision to refrain from contact with trade unions in socialist countries.⁷

Steps towards a more active state intervention had been taken already in the final stages of the Erhard government, but it wasn't until the first major postwar crisis hit the West German economy in 1966, that a systematic intervention in the economy was launched under the aegis of the Grand Coalition. In 1967, a change in the German Constitution reorganized federal and state finances in order to allow their subordination to a coherent economic policy. The Stabilization Law of 1967 provided the legal framework for active intervention. Karl Schiller was put in charge of its execution as Minister of Economic Affairs, coordinating with Strauss at the Ministry of Finance. A Nazi since 1933, Schiller in his doctoral dissertation of 1940 had argued the advantages of an orderly agricultural world market against a liberal one. In 1946, he became a Professor of Economics, a Keynesian, and a member of the SDP. In the context of European self-assertion at the close of the era of Atlantic integration, Schiller's state-monopolistic background and brought beliefs fitted the prevailing international configuration and brought him the job.⁸

In an immediate reaction to the crisis, the new government headed by Chancellor Kiesinger) launched an investment programme of DM 7.1 billion, together with a strict anti-cartel policy aimed at reinforcing the centralization of capital in the same way that US anti-cartel legislation in the Progressive Era had done. For the first time since the promulgation of the emaciated Erhard Law of 1957, fines were dealt to cartel law offenders in 1967.⁹ Other countries also introduced measures to accelerate the formation of multinational companies capable of standing up to their American counterparts. This was the period when J.J. Servan-Schreiber altered the continent that the 'only real federalism in Europe on the industrial level' resided in American companies reorganizing their subsidiaries on a European basis.¹⁰

But the American challenge was taken up primarily along national lines. In Britain, the Industrial Reorganization Corporation (IRC) was established in 1966. Given the

relatively low level of concentration of British capital, mergers were much more numerous than in continental Europe, and had been since the Macmillan period. Now that the state was actively engaged in speeding up the process, a new wave of mergers, in which 10% of all British capital assets changed hands, was set loose in 1967-68. When the Heath government in 1970 abolished the IRC to economize on its costly successes, British companies had re-established themselves firmly among the leading world corporations. 11

In France, a policy of selective accumulation was continued when Giscard in 1966 was replaced by Oebre. A special tax deduction to stimulate the modernization of equipment was introduced in the same year. In the Fifth Plan for 1966-70, the concentration and centralization of French capital was one of the principal goals. 12

In Italy, the major chemical company, Montecatini, was re-organized with an eye to a more active international role. The production structure reflecting the autarkic and protectionist traditions of Montecatini, subscribed to by the original owners and by president Carlo Faina, no longer was adequate for an international strategy. Montecatini by this time sold half of its output abroad and 35% outside Europe. In 1965, a coalition of corporate-liberal elements, working through the second man, G. Macerata, and not informing Faina, engineered a merger with the electricity holding, Edison. The owners of Edison in this way secured a foothold in an expanding private company after the nationalization of the electricity holdings by the Centre-Left government of Fanfani. 13 This example illustrates the subordination of state intervention to private capital accumulation; wherever major private interests were prejudiced, public action was corrected promptly. A notorious example was in the case of the Italian energy monopoly ENI and its independent-minded head, Mattei, whose mysterious death in 1962 cleared the way for the agreement with ESSO concluded a year later. 14

In the Netherlands, the Centre-Left Cals cabinet of 1965 did not survive the challenge posed to the oil companies on the issue of North Sea oil exploitation. It was brought down by Norbert Schmelzer, the future Foreign Secretary, whose allegiance to the oil companies (it was revealed later that he was on the payroll of Gulf Oil) in this case proved stronger than his party loyalty. The subsequent governments, however, continued to support the reinforcement of industrial capital, and the formation of AKZO out of AKU and the chemical company KZO may be mentioned in this respect.

In Belgium, 'mini-Gaullism' under Van den Boeynants hardly reversed the passive role of Belgian capital in the internationalization process, of which only the 'denationalized' holdings like Empain were excepted. After the merger of GJvaert, the photographic firm, with the German Agfa in 1964, this period saw the sale of the Belgian rayon monopoly Fabelta to AKZO in 1969.

The centralization of public funds and energies necessary to weld together the strongest capitals into viable international firms, and the corresponding elevation of the rate of exploitation, everywhere required renewed compromises along national lines. Thus the national counterpoint to the imminent Atlantic circuit of capital was strengthened. The need to mobilize the entire spectrum of national capitalist interests - expressed in the profit-distribution process as an across-the-board reinforcement of all forms of profit income (except for Belgian small capital: cf. the Appendix) - inevitable galvanized retrograde elements as well, which in turn hampered the envisaged rationalization process.

In Belgium, a fiscal reform made the collection of the 20% dividend and interest tax dependent on its being declared by the rentiers; 15 in Italy, the nonproductive ruling strata of the South likewise reinforced themselves as parasites on the productive economy

of the North in spite of the modernization attempts undertaken, sometimes with US capital involved, in the 1950s. (A related problem in Italy was the diminishing dynamism of the state sector. Led by progressive Catholics like Mattei, the state sector had played a crucial role in the transformation of the Italian economy and class structure. As the once all-powerful position of the Christian Democratic Party came under fire, however, government banks and industrial firms increasingly became part of the defence-line, and the intensity of political struggles over appointments in them increased to the detriment of efficient management. 16)

In Britain, on the other hand, successive measures prejudicing rentier incomes (repealed only in 1979 by Mrs. Thatcher) tended to favour the active segment of the lesser bourgeoisie (represented in the income distribution data as 'households' entrepreneurial income') instead. 17

The mobilization of backward elements and the concomitant reassertion of retrograde concepts of control produced specific contradictions, notably in France, where after the modernization spurt under Giscard the full weight of authoritarian nationalism sought to re-impose itself. The explosion of May 1968, ten years after de Gaulle had come to power, should be considered in this light as well.

On the other hand, this episode had a wider significance in that it marked a grounds well of popular aspirations elicited by the changes implied by a new mode of accumulation. 1968-69 in all of Western Europe saw the working class the most combative since Liberation. But whereas in the strongest economy, West Germany, the wage slice of income for the first time since the war declined, 18 in the Southern European countries the consummation of the break-through of Fordism through these class struggles worked to enhance the position of the working class to a level befitting the more complex productive and consumptive function ascribed to it by the new mode of accumulation.

Coinciding with the crisis of Atlantic solidarity, this synchronization of the reproduction conditions of the working classes of the various countries further contributed to the specific European format, as well as the eventual co-determinationist content, of the response to their militancy. In 1969, when the AFL-CIO left the ICFTU on account of European trade unions' contacts with Eastern European counterparts, the ICFTU EEC unions formed the European Free Trade Union Congress (ECFTU). In 1973, this organization was expanded to include unions from Western European non-EEC countries and renamed the European Trade Union Congress (ETUC). Between the two dates, the adjective 'Free' was dropped as a consequence of the detente with Eastern Europe, achieved by Pompidou and Brandt. The concept on which the ETUC was formed still was firmly capitalist, only the Atlantic Free World concept was exchanged for the co-determination tradition of the German DGB. This corporatist approach in the early 1970s became the criterion by which WFTU unions were admitted to the ETUC. CGIL admission (over DGB opposition) coincided with its agreement with FIAT on union participation in investment decisions. This step was applauded as '*Mitbestimmung a la FIAT*' by sympathetic West German observers, but was criticized by the Italian non-Communist Left as a form of complicity with capital. The CGIL's participation in the WCCs also worked to pave its way into the ETUC. Also in 1973, the French CFTD was admitted into the ETUC. The CGT, however, which stuck to its traditional militant line of action, was not admitted in spite of its application.

The 'European' option in the circumstances could not but present itself as a possible solution to some other common problems of the Western European bourgeoisie. In his comments on Servan-Schreiber's *Deft américain*, Louis Armand, a prominent leader from the French state sector who briefly had served as the first president of Euratom, argued that Europe should unite, not in the 1950's sense of a closed bloc, but '*a la carte*', to develop new technologies to reconquer a world position.²⁰ Nuclear energy obviously was such a new technology, with an obviously important military dimension. For a time, Britain, although still outside the EEC, in this respect played an important role as a catalyst.

Britain in this area held some of the keys to a European answer to the American challenge, and the prospective pay-offs of its technological leverage probably were crucial considerations in the renewed attempt to join the EEC. At a time when the number of new orders for nuclear reactors was still sharply rising, Britain possessed the technology of both gas diffusion and the ultra-centrifuge methods of enriching uranium. This gave it the opportunity to add critical weight to either the French plans for defining nuclear integration in Europe on the basis of gas diffusion, or to join (as it eventually did in 1970) the 'Atlantic axis' linking Britain, the Netherlands, and West Germany in the ultra-centrifuge project, with General Electric (US) in the background. In a 1969 article, Edward Heath, who eventually was to perform the feat of British entry in 1972, argued that a British-French nuclear deterrent might be formed which 'could be held in trust for Europe'. Emphasizing his distance from the United States by contrasting the American idealist tradition with British realism, Heath had some warm words for Strauss's nuclear plans and also referred to the willingness to contemplate the common deterrent (which the Tory leader had proposed as early as 1966) on the part of the recently established government of President Pompidou.²¹ Events however showed that in this case, the crisis of Atlantic integration was not compensated for by Western European unity. ²²

In fact, the general tendency towards disintegration along national lines proved the strongest also in cases where a 'European' approach apparently prevailed. One such area concerned the organization of a European neo-colonial preserve. The development aid programmes of the EEC through the European Development Fund in practice served to perpetuate the former national empires, of which the cost was socialized among the EEC member states while the benefits continued to accrue to the original overseers, notably France. The contraction of US international involvement, which include by two-thirds drop in American development aid to the Third World states associated with the EEC between 1962 and 1972, only contributed to the renewed pertinence of the original bonds.²³

Within the established EEC domain, agricultural policy had been elevated to the supranational level in 1967 as national tariffs were eliminated. Several ambitious plans were launched to rationalize European agriculture, aimed at lowering food prices and setting free the hidden labour surplus on the land; both as a complement to the policy of enhanced industrial accumulation. The new agricultural policy, however, was jeopardized when the German mark re-valuated and the French franc devaluated in 1969, and a solution was found in artificial exchange rates for agricultural products which proliferated as monetary disorder increased. Soon, not even a semblance of a common agricultural market was left except for giant common surpluses produced at supported prices. From a class point of view, this was still rational since farmers everywhere constituted a key factor in the conservative bourgeois blocs supporting the inter-nationalization policy

domestically.²⁴ At the EEC Summit in The Hague in 1969, the French demand for artificial exchange rates was conceded in exchange for French leniency with respect to the admission of Britain, Ireland, and Denmark, crucial to the sphere-of-interest strategy pursued by Schiller. For Pompidou, as a close collaborator commented later, the envisaged economic union also implied the independence of the European continent. ²⁵

The new dynamic of European integration, and its redefined conditions (of which the abandoning of supranationality, the price of French 'reentry' in 1966, was the most important), was capably exploited by the Heath government (elected in 1970) to break the domestic stalemate in British politics and provide the British ruling class with a new international concept. Redefining the national interest rather than remaining within the previous coordinates, Heath succeeded in temporarily restoring bourgeois unity by the bold turn towards Europe: giving the ruling class, as Nairn writes in a perceptive analysis of this juncture, 'new political *élan* and a desperately needed sense of achievement and purpose'. 'What the European question provided was the perfect catalyst for such unity, subjectively. Hard-pressed, in the middle of the game, the ruling class simply changed the rules to make quite sure they stayed on top.' ²⁶

However the European strategy, and the Heath policy for that matter, proved valuable only for a short time. The integrative trend, amplified in 1973 with renewed federalist emphasis, culminated in late 1974, when the Belgian Prime Minister, Tindemans, was commissioned to write a report on the issue. When the Tindemans Report, recommending a common economic, foreign and defence policy, was published a year later, Europeanism had spent itself and the report fell in a void. Only the direct elections for the European Parliament, harmless in themselves but useful for legitimizing the assertion of the international interest in national economic policy even a possible strong-arm policy, or in case of an emergency in one of the member states, were endorsed. ²⁷

Another dimension, further transcending the regional confines which a new international concept of control was projected, was the area of East-West detente. If the new Europe hardly caused concern among US policy-makers, the Ostpolitik of Pompidou and Brandt did so all the more. The Third Force projections of de Gaulle had been rejected by the Atlanticist bourgeoisie, for one thing, because they were thought to weaken the Western European spirit of resistance against the Soviet Union. When the detente policy was continued by Pompidou and Brandt, confusion within the American ruling class was manifest - adding to a more general uncertainty about the position of the capitalist system now that the United States was bogged down in Vietnam and was unable to shape the course of events.

The Ostpolitik had been cautiously embarked upon in 1967, but entered a new phase when Brandt, at the head of a Socialist-Liberal coalition, assumed power as Chancellor in 1969. In his concept of *rapprochement* with the East, Brandt inherited the Kennedy approach. As Braunmühl writes, the fact that the states of Eastern Europe had maintained themselves for a quarter of a century could not remain without consequences for anti-Communist ideology. Taking the long-term view, instead, Brandt proceeded from the assumption that sooner or later, the imperatives of modern production (rather than an 'awakening' of Eastern Europe to Social Democracy), established by long-term cooperation agreements between East and West, would force 'normalcy' upon the socialist states.

Whereas in Kennedy's view, however, 'slowly undercutting the foundations of the Soviet order' was to be achieved through unity, for Brandt an enlarged and vigorous

Western European Unity was the preferred means.²⁹ Since this option presupposed an economic emphasis of East-West relations if the Western side was to retain the initiative, Brandt took up the heritage of Stresemann (and also was awarded a Nobel peace prize for it). Stresemann had settled the issue of Germany's Western borders in order to gain a free hand in the East; Brandt in the changed circumstances had to settle the issue of West Germany's Eastern borders to do the same.

Although never really abandoning their mistrust of Brandt, the fraction of German capital which in the inter-war years had attempted to develop a 'Middle-European' strategy for expansion (the IG-Farben complex, the electrical firms, and the autonomous internationalist element in heavy industry Krupp, GHH, Mannesmann) were prominent in expanded trade with the Eastern European countries, and their representatives accompanied the Chancellor and other cabinet members to Moscow in 1970 and 1971.³⁰

Among the 'old German hands' in the American policy-making elite, concern over economic advantages which in this way might accrue to their European rivals at a critical juncture for American capitalism mixed with a more basic anxiety that the wider interests of imperialism could be jeopardized by Brandt's policy. As the conditions for coordinating foreign policy in an Atlantic framework deteriorated, the Western European countries might be induced to jump to any commercial opportunity and eventually succumb to neutralism. McCloy in 1970 declared that a 'race to Moscow' between Paris and Bonn was already in full progress. ³¹

One of the policy strategists who was able to project the Brandt policy in the wider context of a renewed, global offensive was Zbigniew Brzezinski - David Rockefeller's international adviser who eventually would assist in working out the Trilateral concept for inter-imperialist relations as an alternative to the Nixon policy. In 1966, Brzezinski had argued that the quest for autonomy by the Western European countries should be made part of a new offensive, in which the reunification of Europe was the ultimate objective. He argued that the reintegration of Eastern Europe into the world market would compensate in the long run for the temporary disintegration of the Atlantic alliance. Moreover, the attraction radiating from a European Community showing a willingness to cooperate with the East would be incomparably greater than that of a troubled Atlantic partnership based essentially on the division of Europe. ³² 'The proper course for Washington', he recommended in 1970, '... is not to warn the West Germans against moving too fast, thereby making it easier for the Christian Democrats to oppose Brandt. . . but to take an active part in shaping the initiative on the East-West front'. ³³

Common to the yet disparate strategic initiatives undertaken in 1969-71 was their departure from the conceptual basis on which bourgeois hegemony in Europe had so far been based: American supremacy, Atlantic integration, and the Cold War, as well as a passive attitude towards American neo-colonialist penetration in the formerly European periphery. Significantly, the two European leaders who at this juncture cleared the way for new policies and concepts, Brandt and Heath, in 1977 would undersign a proposal - named after Brandt - which synthesized their international concept and extended its basic elements (i.e., reduced arms spending and international integration and reconciliation) to the Third World. The Brandt Report was an obvious attempt to meet the aspirations of the underdeveloped states for a New International Economic Order and at the same time foster the internationalization of European capital.

2. Nixon's New Order

In the United States, the disintegration of the Pax Americana showed itself on the home front in a crisis of the social-imperialist consensus which soon left the confines of the cyclical oscillations between offensive and defensive configurations of the corporate-liberal synthesis. Backlash against anti-war and subcultural protest, on top of fear and hatred of the black liberation movement, mobilized segments of the white middle class behind new leaders appearing on the fringes of the established bipartisan political order. In the support of George Wallace, the ultra-conservative, racist governor Alabama, the traditional party allegiances were dropped in favour of his stand on the issues mentioned.

As far as international relations were concerned, both the frustration over American impotence in Vietnam and the burgeoning anti-war movement fostered an awareness among the ruling class that the corporate-liberal concept of control had to be trimmed of some of its international implications. 'One lesson of the last fifteen years most conspicuous in the Vietnam War', Nixon's later UN ambassador Charles Yost wrote in October 1968, 'is that the capacity of even the strongest power to intervene effectively in other states has been eroded by time, space and history'.³⁴ A few months later, Nixon inaugurated his Presidency with an express reference to the need to cut back on missionary idealism. 'America has suffered from a fever of words, from inflated rhetoric that promises more than it can deliver', he declared in his Inaugural Address of January 1969. 'After a period of confrontation, we are entering an era of negotiation. Let all nations know that during this Administration our lines of communication will be open.'³⁵

In the tradition of Eisenhower, Nixon presided over a calculated demobilization of public opinion as far as America's mission in the world was concerned. He sought to consolidate a domestic, and basically defensive, alliance of the bourgeoisie rather than preserving the offensive configuration of the Kennedy period. Still the administration was well-stacked with prominent corporate-liberal figures. With established corporate lawyers William Rogers and Elliott Richardson at the State Department, David Kennedy of the Continental Illinois Bank at the Treasury, Morgan director George Shultz at the Labour Department, as well as lesser figures trusted by billionaire aristocracy like Melvin Laird at Defence - Nixon seemed assured of sufficient Establishment backing. The continuation of stable ruling-class influence in the Executive was also enhanced by the support given Nixon by renowned internationalists like Arthur Watson of IBM, who had turned away from the Johnson regime in protest against the enforcement of the balance-of-payments programme (Nixon made him Ambassador to France).

However, as domestic labour unrest grew and international problems accumulated without a comprehensive American response, the pressures increased from the less established and more iconoclastic elements in the administration for a fundamental reformulation of policy. With respect to labour, Nixon's appointment of Jim Hodgson of Lockheed to the Labour Department after George Shultz's brief incumbency aimed at consolidating the last bulwark of capital-labour agreement, the defence industries. ³⁶ Special counsel Charles Colson, lawyer of the Teamsters Union and Grumman Aerospace, carried proxies from the same quarters.

The reactionary law-and-order entourage of Nixon, headed by the President's law partner John Mitchell as Attorney General, with Vice-President Agnew as cheer-leader, was reinforced dramatically when former Texas governor John Connally, a New Right convert from the Democratic Party and a lawyer with extensive relations to Texas oil and construction companies, replaced David Kennedy at the Treasury in 1970. Connally; together with Ralston Purina manager Earl Butz, who became Secretary of Agriculture in

1971; Peter J. Peterson, chairman of Bell & Howell, who headed the cabinet-level Council on International Economic Policy (and became Secretary of Commerce in 1973); and Henry Kissinger, the National Security Adviser who bypassed Secretary Rogers on all major issues and replaced him in 1973; supervised the turn to American unilateralism terminating the era of Atlantic integration.

Kissinger's balance-of-power approach to international relations (reflecting the preoccupations of his patron, Nelson Rockefeller) was particularly appropriate in the defensive situation which the United States had been forced to assume. On the other hand, the state-centred diplomatic paradigm that Kissinger adhered to dimmed his perception of global interdependencies and the many-layered class conflicts running through them. Only with respect to East-West relations was his outlook, placing inter-state conflict and diplomacy over transnational relations, temporarily useful for the overall interests of capitalism. On both the North-South and inter-imperialist axes it collided with the powerful forces, eventually swept Nixon from the scene in spite of his landslide victory in 1972.

The first element of the new American foreign policy, *détente*, was pursued from the start of the Nixon period. Congressional hearings in 1968-69 linked export interests with the more transcendent goal of influencing the internal development of the socialist countries. The new Export Administration Act of 1969 removed the 1962 amendment extending the embargo to civilian goods in an attempt to catch up with the growth of Western European trade with Eastern Europe (which in the last ten years had more than tripled to a level 20-times the value of US trade with that area in 1967-69).³⁷ For Kissinger, expanding trade with the socialist countries was seen as the means to obtain leverage on the Soviet Union and China with respect to Vietnam; Nixon's trips to the two countries in the election year 1972 were accompanied by a simultaneous show of force in Vietnam in order to demonstrate US strength. The subordination of the Sino-Soviet split to American diplomacy clearly appealed to the internationalist bourgeoisie, but the underwriting of the Soviet-European agreement on postwar borders in Helsinki in 1972 was criticized as weakness.³⁸

The second dimension of the new foreign policy concerned the economy and, more particularly, the rapidly deteriorating trade balance. In 1970, the Nixon administration embarked upon an expansionist policy meant to bolster the productive element in the capitalist class and mollify organized labour. Both corporate and small capital incomes improved relatively, and even the dramatic decline of productive capital in the profit-distribution process was temporarily reversed. Its price, however, was rampant inflation as the fiscal and monetary brakes suddenly were released. With the exchange rate of the dollar fixed, inflation quickly spread across the Atlantic.

The unilateralism underlying this policy, although not yet fully unfolded, caused grave concern in the traditional East Coast centres of Atlanticism. The *New York Times* warned early in 1971 'that a return to protectionism, capital controls, unilaterally fixed exchange rates and all that would be a tragedy for the industrial nation of the West, both economically and politically'.³⁹ In May, the West German government stopped supporting the dollar. With the mark floating upward, Connally and Federal Reserve Chairman Burns flew to Munich to address a bankers' meeting and exhort the European states to assume a greater part of 'world responsibilities'. European reactions, however, were sceptical and the West German Minister of Economic Affairs Schiller ostentatiously stayed away from the meeting.

In August, the Nixon administration unilaterally decided to suspend gold convertibility of the dollar. It also introduced a 10% surcharge on imports. These measures, which bluntly terminated the era in which the United States assumed responsibility for capitalism as a whole, and thus may be seen as the single most important date marking the end of Atlantic integration under American hegemony, were crucial in mobilizing the internationalist elements on both sides of the Atlantic. Of the remaining internationalists in the Nixon administration, Assistant Secretary of State Tresize, Ambassador to the EEC Schaezel, and C. Fred Bergsten, assistant to Kissinger, left their posts in protest against the Nixon policy. 40

The apparent unwillingness to mend Atlantic relations made the Nixon measures all the more detrimental to Western unity. At a meeting of the Group of Ten in London in September, *Time* reported that Connally 'put on a rare show of obstinacy'. Confronting the European finance ministers with proposals 'too arrogant to be believed', the United States was apparently ready to risk a trade war with the rest of the world.⁴¹ Since the capitalist countries had a common interest in preventing a collapse of world financial order, however, an agreement was reached in December 1971 at the Smithsonian Institution in Washington, which introduced the system of flexible exchange rates that lasted until 1973.

Following Nixon's spectacular trips to Peking and Moscow and his landslide reelection in 1972, relations with Western Europe, which at this juncture passed through a brief period of renewed self-confidence, further deteriorated. As was revealed afterward, Kissinger and Peterson in 1972 worked out a strategy of linkages to force Western Europe into compliance with US preferences in international trade. By threatening to withdraw the American nuclear guarantee, Kissinger and Peterson thus expected to create disunity and provoke old rivalries between West Germany and France, undermining European unity and power.⁴² On 23 April 1973, Kissinger at a meeting of newspaper editors in New York inaugurated the 'Year of Europe' and announced Nixon's intention to work out a new Atlantic Charter before the end of the year. On this occasion, Kissinger outlined his concept of the United States as the power with global interests and responsibilities, while Western Europe was merely a regional power. Afterwards, he apologized for a statement in which he called into question the legitimacy of the Western European governments, but relations with the European states were damaged beyond repair. In May, Pompidou and Heath rejected the offer to meet with Nixon in the framework of a conference of Atlantic leaders as 'premature'.⁴³

The Nixon/Kissinger/Connally policy destroyed the Atlantic constraint and precipitated the crisis of the mode of accumulation which had developed under it. In the monetary field, the unilateral dollar policy provided the liquidity for a global restructuring of capital and at the same time put the United States at an advantage. As Parboni writes, 'The system of floating exchange rates also eliminated any need for the United States to control its own balance-of-payments deficit, no matter what its source, because it was now possible to release unlimited quantities of non-convertible dollar into international circulation'.⁴⁴

The October War in the Middle East provided the Americans with an opportunity to force compliance with the new American international concept on the part of all Western European countries except France. At the same time, it made it possible to shift a huge load of dollars from the European oil-importing states to the OPEV states, who for lack of an alternative continued to bank on American and dollar supremacy. At the time of the Marshall Plan, John D. Rockefeller had declared that to the degree Western Europe

shifted from a coal to an oil economy, the Middle East valve would be turned into the control panel of Western European affairs. 45 Now this son's adviser was in a position to turn some switches on this panel. Capitalizing upon Arab anger over NATO support for Israel and the temporary boycott raising oil prices, the United States obtained a crucial competitive advantage over Western Europe due to its lesser dependence on OPEC oil. At the same time, it augmented its financial power through the recycling of surplus dollars from Europe into the Atlantic circuit, through the Euro-dollar market or straight to United States. Of the \$60 billion OPEC surplus channelled abroad almost one-third according to Wall Street bankers was deposited or invested in the United States by 1974.46

The Disintegration of Corporate Liberalism

The crisis of Atlantic integration was ordained by objective changes in the structure of the world economy. Central to these changes was the interruption of the Atlantic extrapolation of US corporate liberalism and its tendential disintegration into its original components: liberal internationalism and state monopolism. The equalization of accumulation conditions on both sides of the Atlantic disorganized the previous complementarity between the two positions. The Atlantic economy as a distinct entity 'dividing a common fund of incremental energies between its regions in varying proportions from time to time' (Phelps-Brown), which in this sense had allowed the runaway internationalization of American Fordism, disintegrated as American hegemony was recast into a unilateralist framework and the scope of the international circuit of finance capital widened. This development entailed the breakdown of the monetary and trade arrangements established between 1944 and 1947, and, more fundamentally, of the agreement between the American and the European bourgeoisies that their class hegemony rested on the observance of these arrangements and the underlying Atlantic power equation.

The disintegration of corporate liberalism developed along two axes: (1) the loss of industrial capacity and the concomitant disorganization of reformist working-class unity in the face of creeping unemployment; and (2) the hypertrophy of ('stateless') money-capital in the international circuit of capital, interacting with a re-surgence of money-capital in the national class configurations. Both developments converged to resurrect a reactionary-liberal tendency in national politics.

The Atlantic extrapolation of the New Deal presumed wage differentials justifying the transfer of production from the United States to the Old World. At the aggregate level, these differentials narrowed quickly from the second half of the 1960s onwards. In Table 2 overleaf, gross wage costs in the Western European countries are taken as percentage of US gross wage costs.

From this table, it can be seen that the aggregate wage cost differentials between the USA and some main recipient countries of US direct investment were eliminated or sharply reduced between 1970 and 1975. However, important structural changes affecting the working class took place simultaneously. The acceleration of real accumulation in Western Europe in the second half of the 1960s tended to exhaust the reserve army of labour, thus encouraging a wave of immigration of foreign workers from the Mediterranean region. By 1969, France and West Germany each had about 3 million

foreign workers inside their borders, out of a total of at least 10.7 million for nine industrial countries in Northern Europe.⁴¹

The differentiation in the Western European working class which resulted from this influx of foreigners complemented the equalization of the reproduction conditions of the privileged segment of the workers in the Atlantic area through the WCCs and (more diffusely) the successive 'European' trade-union internationals modelled on the organizing principles of the German DGB and strongly under its influence. Throughout the North Atlantic area, this privileged segment of the working class, organized on a tendentially transnational 'business union' pattern and distributing benefits of transnational company bargaining within their class, was matched by a subordinate layer of immigrant workers.

This bifurcation which brought the European countries on par with the United States, activated the entire inventory of racial prejudice, hitherto latent and largely exteriorized through social imperialism. The tendency to promote indigenous workers into jobs above their qualification level, and the corollary segregation of immigrants in low-paid manual jobs whatever their talents reinforced the existing identification of foreigners with 'dirty work' and fostered chauvinist sentiment among better-paid indigenous workers.
48

Between these two extremes, a wide range of unemployed, underemployed, and otherwise 'marginal' workers developed in response to the combined effects of deflationary policy and the growth of runaway internationalization of Western European capital. Burgeoning direct foreign investment from the continental Western European countries and other newcomers reduced the world share of Anglo-American capital in total direct foreign investment from two-thirds in 1970 to one-half in 1978. This investment notably was directed at remaining pockets of cheap labour within or adjacent to the metropolitan areas. From about 1970, employment in manufacturing industries in the traditional centres decreased, while (still within the metropolitan countries) the number of workers employed in new plants created by relocating production increased; rates of exploitation in the latter were higher, and wages below, the corresponding levels in the traditional industries and areas.⁴⁹

It was Ford which in 1969 started organizing its European network of affiliates with an eye to exploiting these differentiations, using a system of 'double-sourcing' (producing components and parts always in two different countries) in order to cut down trade-union power; European carmakers tried the same by pooling resources, while General Motors even achieved a world-wide intra-company division of labour. Fordism however suffered decisively, as cost-cutting on wages cut into the potential mass market for automobiles at the same time.⁵⁰

The investment flowing into the periphery for obvious reasons did not find such a mass market either. As Lipietz shows, investment in apparently booming peripheral areas like Singapore and Hong-Kong, mostly involved the export of Taylorism rather than Fordism, and was concentrated in super-exploiting women in textiles and electronics components production. Where an industrial productivity/mass market articulation seems in the offing, as in Brazil, it is constricted by the fact that the organized mass-production workers constitute but one segment of the working class, while a Taylorist secondary segment (notably women workers), and a rural subproletariat living under conditions approximating slavery, are also part of the working-class structure. Any attempt to adjust the form of bourgeois rule to the requirements of Fordism and the first category of workers would jeopardize the conditions for controlling the remaining two segments. Thus the social whole is chained to a vicious circle of authoritarianism and crisis.⁵¹

The deflationary policies of the metropolitan countries, however worked to foster tendencies in the same direction. Although clearly not as extreme as in the case of Brazil, the trend is unmistakable. In most metropolitan countries the contours of a new working-class stratification are visible: (1) a privileged but too small segment of 'compromised' workers; (2) an intermediate segment of under-employed and underpaid part-time and irregularly employed workers, struggling to resist their submersion into the (3) sub-proletariat of immigrants and permanently unemployed.

The quest for a new concept of control by the metropolitan bourgeoisie, which began in the late 1960s (and in the United States notably during Nixon's New Economic Policy) not only implied an across-the-board mobilization of the bourgeoisie, but also the mobilization of both the stably employed workers and the segment actively selling their labour-power from a less secure position of part-time and irregular work. In the course of the 1970s, the basis for the new concept further crystallized around the introduction of new technologies in production and specific new consumer goods. While incapable of supporting a self-sustaining class compromise like Fordism because of their limited economic weight, these technologies, notably micro-electronics, yet have further shaped the new individualism 'on the supply side', while exacerbating international rivalry along a narrow range of hoped-for industries.

3. The Resurgence of Money Capital

The demise of the Bretton Woods system of stable exchange rates after 1971 forced the major capitalist states to subordinate every aspect of economic policy to the defence of the currency. The American turn to outright unilateralism in trade and monetary affairs in 1971 was reciprocated by an active Western European currency policy, combining regional ultra-imperialist (the European monetary 'snake') and national unilateralist elements. Under the new conditions of imperialist rivalry and monetary instability cut-throat competition for the remaining markets was exacerbated by competitive devaluations. As Parboni has argued, American supremacy henceforward rested on the fact that it could resort to such devaluations without seeing them eroded again by inflation due to more expensive imports. On the other hand, as private international dollar liquidity grew explosively after 1971, involuntary credit from the rest of the world not only financed the American deficit, but all countries turned to the booming capital markets to finance their deficits now that the regime of floating exchange rates suspended the central banks' function of intervening in foreign money markets. 52

The financing rather than balancing of deficits opened enormous markets for bank capital, and eventually, for all other forms of money-capital as well. The liberation of banks from the Keynesian controls imposed on them in the 1930s on both sides of the Atlantic still was part of the unifying trend of the mid 1960s, spurred on by the Kennedy offensive. Bank capital was encouraged to insert itself into the emerging Atlantic circuit of finance capital, both in the United States and, as part of the European response to the American challenge, in the various European countries.

In 1966, French banks were freed from the rules separating banking functions. Henceforward, commercial and deposit banks, which in France existed next to a separate category of long-term and medium-term credit banks, were allowed to expand into each other's spheres of activity. 53 The position of German banks, unparalleled already given their own size, the size of their industrial and commercial holdings, and the fact that they

held proxy rights for more than half of all share capital in circulation in West Germany (54% in 1967), was still further reinforced in this period. In 1967, the last major constraint imposed on German banks, the interest decree of 1965, was repealed. 54

In the United States, banks in 1968 began reconstituting themselves into one-bank holding companies in the sense of the 1956 legislation. In 1969, 34 of the top-100 US banks had taken this step. In 1970, legislation was enacted which further obliterated New Deal measures aimed at the separation of bank functions. One-bank holding companies henceforward were allowed to own property outside the financial sphere (to which their holdings had still been confined under the 1956 law). The new law, although still containing regulatory elements, typified the accelerating insertion of national capital into the international circuit. 'The holding-company movement', *Fortune* wrote in 1969, 'is the latest and most dramatic evidence of a long, gradual transformation of banking from a custodial function to a competitive industry'. 55 Against the constricted role of bank capital in the Keynesian era, the bankers now again saw the liberal light on the horizon. As one US banker commented on the holding-company trend, 'One cannot help being struck by such a development, which is bringing US back to the times of the London Merchant Bankers, who established their reputation in import/export, shipping insurance, commodities, stock exchange, and by money business, : the same token brought money, business, and fame to the City.56

The actual City could not but thrive in the context of such a restoration of the conditions of its original prominence. Apparently unharmed by the 1967 devaluation, British bank capital shifted its activities to the expanding Euro-dollar market. Already constituting a would-be 'off-shore island' as far as British banking regulations were concerned, the City's foreign transactions actually boomed when the pound fell. The liberalization of bank capital culminated in a banking reform in September 1971, which allowed British banks to develop into finance capital directly, thus creating capital groups which gave the City all the assets and experience to capture the pivotal position in the emerging Atlantic circuit and to become main financial centre of the EEC.57

In the other countries, the pattern was the same. Belgian commercial banks (separated from the holdings in the 1930s) were given the right to acquire corporate equity in this period. In the Netherlands, a law of 1965 already restricted central bank supervision of credit transactions to a limited number of credit forms. In 1967-68, credit ceilings were abolished altogether in order to allow bank capital to spread its wings. Only in Italy did it take until 1978 before the government moved to repeal the 1936 legislation on holding-company functions of the banks. 58

In the changing circumstances of the 1970s, however, the freedom accorded to bank capital led to the restoration of a separate circuit money-capital rather than to an integrated circuit of finance capital, as industrial firms, too, turned towards the financial markets, not only to protect their cash reserves from currency devaluations, but increasingly also to invest them in financial ventures as quasi-bankers. 59 The banks, eager to exploit the new possibility for financing operations through the Euro-dollar markets, formed 117 international consortia between 1969 and 1974, whereas before, only ten were in existence. 60

As Hankel explains, the financing needs of the new international circuit of money-capital, mostly in US dollars, have turned the liberally produced American currency into a scarce good, pushing up its price accordingly. Interest rates at the same time have tended to rise due to the risks of refinancing international debts. To speak of 'black holes' in this

connection, into which money capital disappears,⁶¹ might be misleading though, for the revenues of the soaring money economy are fairly well traceable. In the profit-distribution process of the main North Atlantic countries, bank capital, or capital engaged mainly in circulation, was able to increase its share of total profits dramatically from the very moment bank liberalization began. It has continued to bring in a high share ever since, whereas productive capital has lost weight correspondingly.

A corollary development took place at the level of rentier incomes. 'For about a quarter of a century after the Second World War, the Keynesian inflationary gas chambers were employed to carry out Keynes's recommendation for the Euthanasia of the Rentier', Morris writes. 'But starting some ten years ago, the gasping rentiers began to fight back, and in the past few years have made a comeback worthy of description as the Revenge of the Rentier.'⁶²

Dividends and interest in the United States in 1950 amounted to a 8.1% of total personal income; in 1982, this had risen to 17.1%.⁶³ The mass of savings also was siphoned directly to new companies in the dynamic hi-tech sectors through 'venture capital' centralized by special investment firms. Attracted by the whirlwind successes of these companies and aided by a lowering of the capital gains tax, the amount of money supplied by savers to US investment firms in 1978 already was equal to the total amount put at their disposal during the entire 1966-1977 period.⁶⁴

In the course of the 1970s, the rentier perspective reasserted its hegemony throughout the North Atlantic area. Anew, aggressively orthodox liberalism pitted the propertied classes against the Keynesian welfare states and the mode of accumulation of which they were the complement. Interacting with the imperatives of international monetary disorder, which tendentially forces governments to apply sustained deflation,⁶⁵ the 'monetarist' ruling class finds its militant liberalism corroborated by the new individualism pervading the remaining 'productive' classes.

A New Empire of High Finance

As bank capital gravitated to a dominating position in the world economy during the 1970s, the banks turned into the nodal points of the national industrial structure as well. In some countries, like Germany and the United States, this had been the case all along, but in most other countries, the articulation of money-capital and productive-capital into finance capital did not run along national lines. It was only under the specific conditions of the new prominence of bank capital and the exacerbation of competition and rivalry that banks became real nerve centres of integrated financial groups and allowed the identification of such groups (defined as capitals joined by common policies, ownership links, and joint directorates⁶⁶) with specific international concepts distinguished in this study.

It should be stressed that as banks moved into the international arena in force during the late 1960s, the difference in their backgrounds lost significance compared to the new equality bestowed on them by the perfect anarchy of the international money and capital markets. Bank strategy, moreover, aimed at eliminating weaknesses in regional and sectoral jurisdiction by compensatory merger cooperation agreements. ⁶⁷

Yet the liberalization of the banks, inaugurating the shift to an international credit economy and enhancing the role of bankers and finance capitalists in the Atlantic network of interlocking directorates ⁶⁸ extrapolated the national fractionation of bank capital to

the international level. In the major bank consortia formed in Europe in 1970-71, ABECOR and EBIC, the lineages to the liberal-internationalist and the state-monopoly context, respectively, are clearly visible. In ABECOR, banks whose international spread and connections mainly took shape in the context of liberal internationalism and more particularly, in the context of the Pax Britannica and the Atlantic circuit of money-capital, have joined ranks: ABN, Baque de Bruxelles, Dresdner Bank, and Barclays (the French and Italian participants cannot be identified in these terms). In EBIC, on the other hand, banks which in the interwar years attuned to the state-monopoly tendency and henceforward tended to reproduce an outlook typically stamped by their experience within the compartmentalization of the Atlantic economy and the maintenance of exclusive spheres-of-influence, grouped together: Deutsche Bank, Midland Bank, the Banca Commerciale Italiana, AMRO, the Be Societe Generale and the French Societe Generale. Whereas the banks of the former group tended to be close to the Atlantic Union tendency in the European bourgeoisie on account of their dependence on US imperialism (expressed for instance in the banks plantation in Latin America), the EBIC banks more nearly fitted i continental European, 'Euronational' or at most, 'Atlantic Parnership' position. This pattern seems to be corroborrated if we review the available evidence on national financial group structure.

Thus in West Germany, the Dresdner Bank and the Deutshe Bank fitted the Atlantic Union and the Atlantic Partnership profiles, respectively. The Dresdner Bank in 1970 was linked by three more directors to such traditional bulwarks of Atlanticist liberalism as August Thyssen, Metallgesellschaft, and AEG. The Deutsche Bank, on the other hand, was linked (by three or more directors) to the 'autonomous' electrical concerns, Siemens and Bosch, the chemical and rayon groups of BASF and AKZO (the Netherlands), and to Daimler Benz and Hoesch steel. Compared to this, the few atypical connections pale in significance.⁶⁹ In terms of regional spread, the Atlantic and European orientations are likewise significant. On the basis of the foreign affiliates listed in the 1972-73 edition of *Who Owns Whom*, one finds that the sphere of interest of the Deutsche Bank outside Europe is preponderantly in Africa and Asia (21 out of 28 foreign affiliates outside Europe), whereas the emphasis of the Dresdner Bank's international activity is on Latin America, where 16 of its 21 non-European foreign affiliates are to be found.

This pattern extends to the Netherlands. The ABN shares with the Dresdner Bank a distinct orientation towards Latin America, setting it apart from its rival, AMRO, which has no Latin American affiliates. In a study of Dutch financial group structure in 1962, the NHM and the Amsterdamse Bank had been still considered as one group on account of their colonial interests and relations with the much more important Royal Dutch Shell group. In 1964, they merged with the Twentse Bank and the Rotterdamse Bank, respectively. As ABN and AMRO, the original pertinence of their liberal-internationalist and the continental orientations reasserted itself. In the interlock network of 1969, Fennema found an ABN orbit composed of Heineken, KLM, Robeco investment, and a few foreign-owned firms, whereas the AMRO group combined AKZO, two big insurance firms, and state- supported heavy-industry enterprises.⁷⁰

Turning next to Britain, Henk Overbeek's analysis of joint directorates in 1976 shows that the clearing banks and S.G. Warburg (a relative outsider among the merchant banks) on the one hand, and the big industrial corporations on the other, became involved in a belated fusion into finance capital, yielding a distinct bipolarity between bank groups.⁷¹ The groups which according to his analysis were emerging in this juncture again

showed a general consistency between their historical background and current international orientation. The least tightly knit of these groups, with a pronounced liberal-internationalist profile, is the group with Lloyd's Bank and S.G. Warburg at its centre. In line with the other Western European banks identified as Atlanticist, Lloyd's (through its subsidiary Lloyds & Bolsa) is strongly represented in Latin America and, more generally, is a highly internationalized institution, which also applies to S.G. Warburg, one of the pioneer banks of the Euro-dollar market. Compared to Barratt Brown's findings for 1966, Overbeek's conclusions point to a centralization of hitherto more scattered connections centering on merchant banks like Lazards and Schrodgers into the orbit of Lloyd's and Warburg. The presence of Morgan Grenfell in this group further corroborates the Atlantic orientation. 72

In sharp contrast, the Midland Bank, which is at the centre of the sphere-of-interest group, lacks the international affiliations characterizing its opposite number. This group, which is much more tightly knit (particularly if the insurance companies are left out), is composed of, on the one hand, companies likewise belonging to the interwar generation in terms of their rise to prominence (BICC Dunlop, Unilever, and Rank Organization); and on the other, of a few corporations of imperial lineage like Shell and Rothmans.

In Belgium, the situation is complicated by regional division and the interpenetration with French capital. In Wallonia, which as a region was predominant in the liberal era, the Brussels holdings and their banks constituted a liberal bulwark against the Flemish upstarts who advanced notably in the interwar years. Within each region however, a cosmopolitan bank may be distinguished from a more continental European one. Basing ourselves on a recent overview,⁷³ it is possible to assert, with due caution, that the Banque Bruxelles-Lambert in Wallonia and the Bank van Parijs en de Nederlanden, the Belgian affiliate of Paribas, in Flanders are cosmopolitan and Atlantic banks; whose respective counterparts are the Société Générale and the Kredietbank. *Fortune* in 1969 saw Belgian capital polarized between the semi-official Societe Generale controlling its African mineral empire and the deficitary Walloon steel industry, and the cosmopolitan Boël, Solvay, and Janssen financial aristocracy with the Bruxelles-Lambert group, but also stressed the many overlaps between them.

If the picture for Belgium is far from unequivocal, the French situation is contradictory. At first sight, the bipolarity of French capital around rival bank groups seems to conform entirely to the presumed antinomy. As Morin's comprehensive study of 1974 shows, French finance capital at the outset of the decade became polarized between the Cie. financiere de Suez et de l'Union des Mines (which in 1972 got control of the Banque de l'Indochine) and the Cie. financiere de Paris et des Pays-Bas (Paribas). With its background in French colonial enterprise, Suez and its group (S: Gobain-Pont-a-Mousson, Lorraine steel, CGE, mJin, and others) constitutes the liberal-internationalist pole, while Paribas (linked to Pèchiney, northern steel, Hachette, and Schlumberger) is the sphere-of-interest counterpart of state-monopolistic lineage.

Of the characteristics setting the two banks apart, Morin contrasts the industrial orientation of Paribas, with its receptivity to state planning, to the financial outlook of Suez. Internationally, Paribas in 1972 had invested 48% of its foreign portfolio in Europe, 23% in Africa, and 16% in North America; Suez, on the other hand, has mainly invested in the formerly French periphery (49% of its foreign investments). Owned partly by a US insurance group and the British state, Suez has functioned more as a relay of foreign

capital, while Paribas represents the autonomous thrust of French finance capital into the international circuit. 74

From this position, Paribas recently, however, has emerged as the more aggressively internationalist bank. Establishing links with the Bank of America (US associate of ABECOR), S.G. Warburg, and the Bruxelles-Lambert group in Belgium, Paribas has clearly embarked on a cosmopolitanism of its own, retaining its association with Lazard Freres, but breaking loose from earlier associations with Rothschild (which gravitated, instead, to the Suez alliance). Neufville-Schlumberger-Mallet, one of the main houses of the formerly Protestant high finance, resisted being taken over by Paribas in 1972 and passed under the influence of the Dutch ABN. 75

In Italy, the Vatican Bank (Institute for Religious Works) because of its freedom from Italian currency regulations became a key relay for the financial interests activated by the swelling international money economy. Next to its established orbit in Italy - which centred on the Immobiliare real estate group, the Banco di Roma, and the Banco di Santo Spirito, and which interlocked with the orthodox liberal Milan group of Pesenti (Italcementi) and Falck new aggressive partners of the Vatican came to the fore. These newcomers, notably Michele Sindona, who was on the board of a host of Italian subsidiaries of American firms besides managing his own Banca Finanziaria Privately (linked to Hambros in Britain and Continental Illinois in Chicago), and Robert Calvi of the Banco Ambrosiano, the biggest private bank in Italy, worked closely with the Vatican Bank's new manager, the American bishop Paul Marcinkus, and shared his ruthless business approach. 76

Their joint foray into international speculative finance soon assumed criminal proportions as it linked up domestically with a terroristic tendency in the liberal fraction, of which the international financier and power-broker, Lucio Gelli, was the central figure, and the masonic lodge P2 in 1981 was exposed as the main organizational centre. The impact of the new hegemony of international finance in Italy hence became marked by a wave of terrorism, which in 1970 included the murder of the conciliatory Aldo Moro and, according to a recent account, that of Pope John Paul I, before it devoured several of the financial tycoons themselves. 77

The American banks traditionally at the centre of the most powerful US financial groups and, in 1970, also at the centre of the Atlantic network of interlocking directorates, J. P. Morgan, Chase Manhattan, and Chemical Bank, owed their international position to American hegemony rather than to their own international activities. In 1970 their foreign earnings ranged from 22% to 25% of earnings for Morgan and Chase, and 13% for Chemical Bank. In 1976, they clearly had joined the movement into the new international credit economy. By then, the profit share of their international activities was 78% for Chase, 56% for Chemical Bank, 53% for Morgan. In the process, their prominence in the Atlantic network of interlocks diminished (of the Morgan group's four entries on the 1970 list of thirteen most central firms, only the bank itself and US Steel remained in 1976/78), while competitors cropped up both from abroad and from the American hinterland. Regional American banks and financial groups generally had not achieved the degree of internationalization necessary to take advantage of the opportunities offered by the dramatic growth of the international capital markets. Therefore the California-based Bank of America and Western Bancorporation tried to compensate for the dominant position of their New York competitors by joining the European consortia from which Morgan and Chemical, and to a lesser extent Chase, largely kept aloof. The First National City

Bank, which already made 40% of its profits abroad in 1970 and 72% in 1976, but was not specifically oriented to Europe, likewise was more active in the consortia than the three banks of the Atlantic 'Establishment'.⁷⁹

The pertinence of financial-group structures for international class formation, however, resides not in their stability as such, but in the coincidence of economic restructuring and political coordination. Thus, in the 1954 Declaration of Atlantic Unity, capitalists from both sides of the Atlantic elevated their joint economic interests to a common political stand. But when Nixon's policies destroyed the foundations of Atlantic integration, and the Trilateral Commission was formed in an attempt to reassert the international interests and work for an ultra-imperialist solution, it did not simply bring together the same men.

Apart from the inclusion of a Japanese membership reflecting the (still timid) integration of Japanese capital in the international network of joint directorates after 1970,⁸⁰ the companies aspiring to take part in shaping the emerging world system came from both the established set of Atlantic internationalists and the sphere-of-interest groups now claiming a global role. Thus, from the United States, next to the old guard of the Atlantic economy like Chase, Exxon, Lehman Bros., Coca Cola, and Brown Bros., Harriman; were runners-up like the Bank of America, Kaiser and Bechtel from California, Continental Illinois and Sears Roebuck from Chicago, as well as Hewlett-Packard and the Wells Fargo Bank. On the European side, the established bulwarks of liberal internationalism like Thyssen, the Banque Lambert and the UCB of the Belgian Janssen family, AGP insurance (Indochine/Suez), Lloyd's, S.G. Warburg, and Barclays, found themselves in the company of the former protagonists of the Partnership policy like Unilever, Dunlop, Shell, Otto Wolff, FIAT, Montedison, and the Kredietbank; or even of a bank group of Gaullist credentials as Paribas.⁸¹

The redeployment of the internationalist interest, however, rested on an industrial base rapidly losing its regional cohesion. As the international circuit one-sidedly developed into the direction of a unified circuit of money capital, the dividing lines among the Trilateral firms in terms of historical antecedents became less significant than the fact that, at least in the American case, the big mass-production industries were not on the list. Thus on the American side, the attempt to launch another round of constructive internationalism lacked the essential transmission belts along which a new offensive could be fed back into domestic expansion and social imperialism. ⁸²