

Introduction

1. A Long Book in a Nutshell

This book is an attempt to examine three interrelated problems that not only historians but also social scientists have been grappling with at the beginning of the twenty-first century. The first one is how to deal conceptually and empirically with the role of the United States as a major socioeconomic, political-military, and cultural power since its emergence on the international stage at around 1900, and hence with the meaning and significance of “Americanization” and the resistance and adaptation to its impact by nations that came under its spell.

Second, there is the notion of the “special relationship” that America is said to have had with Britain during the period covered by this study. Its existence or nonexistence has been analyzed in most accounts of diplomatic as well as economic relations between the two countries. Some of them have even included the term in the title.¹ However and perhaps at first glance rather more puzzlingly, this book is also concerned with yet another “special relationship,” that is, the one with Germany and in particular with its business community during more or less exactly the same period. As both Britain’s and Germany’s “special relationship” with the United States had a major influence on European history and on international affairs more generally in the first half of the twentieth century, the third approach adopted in this book is to discuss the evolution of this transatlantic triangle in comparative perspective.

Finally, this is not business history in a strict sense concerned with case studies of individual firms. Rather this work constantly asks questions about the *interaction* between existing political and economic power structures within and between the United States, Britain, and

Germany. In this context, it is also worth pointing out up front that this book contains a good deal of evidence that socioeconomic networks among corporations and their leaders established around 1900 or even before proved quite stable over many decades and notwithstanding considerable political upheavals. This means also that quite a few striking continuities in attitudes and practices emerge from the sources found within the broader time frame of sixty to seventy years adopted here, for example, with respect to industrial training or the stress on high-quality manufacturing in the German case, or the emphasis on teamwork in the American one, and, third, the persistence of Oxbridge-educated business and political elites in Britain. There are also continuities with respect to the growing interest in the “mind,” not just of one’s own workers and managers, but also that of foreign businessmen, socialized into their own national cultures. However, this does not mean that I take a static view of history. After all, there were plenty of ruptures between 1900 and 1957. In this respect, this book is, next to socioeconomic transformations, particularly interested in *generational* change.

2. Conceptualizing “Americanization” and the “American Century”

In 1902, the influential British journalist William T. Stead published a book with the title *The Americanisation of the World*; it attracted a good deal of attention at the time and has been frequently cited since then, especially in the past three decades or so when the concept of “Americanization” came to be used more widely in the social and historical sciences.² Some forty years after Stead’s volume, Henry Luce, the owner and publisher of *Life*, wrote an article in that magazine titled “The American Century”; like Stead’s title, this work has also generated plenty of public and scholarly discussion.³ It even looks as if the debate on these two concepts has been heating up in the current century, as the question is being raised by international relations experts and others if the “Americanization of the world” and the “American century,” if they ever existed, lasted for merely a “half-century.” Thomas McCormick even went so far as to postulate this when he titled his book *America’s Half-Century: United States Foreign Policy in the Cold War and After*, while Mary Nolan, highlighting the interaction between the two regions, has spoken most recently of a “Transatlantic Century.” Finally, there is David Ellwood’s recent book, *The Shock of America. Europe and the Challenge of the Century*. However, he defines his work as “a political history” and does not take an explicitly economic and big

business approach. Furthermore, like Nolan, he undertakes a more wide-ranging comparison involving a whole range of European countries and thus goes beyond the North Atlantic triangle chosen here.⁴

The chapters that follow represent my attempt to wrestle with the viability of those two concepts, though they are not driven by the ambition to examine the Americanization of the *world*. Rather I am concerned with the European-American relationship in the twentieth century and in particular with the role of the United States as an industrial power in relation to Britain and Germany. However, this book is not a political-diplomatic or intellectual-cultural study of the triangle. Rather it approaches its themes primarily from an economic perspective, though not from that of quantitative economic history. The hard statistical “facts” of transatlantic relations, to be found in the relevant literature, form the foundation upon which the following analysis has been built. Some of them are woven into the text where they reinforce the qualitative arguments put forward in the central chapters, and in chapters IV to VI in particular, all of which revolve around problems of both comparative political economy and business culture.

In other words, the main text deals with tangible experiences that shaped patterns of action; with perceptions, mentalities and practices of economic and political elites that were also informed by positive and negative stereotypes and myths; and with international communication and the circulation of knowledge about another society among those elites and American businessmen in particular. In this sense it starts from the self-description of the *European Journal of Political Economy* whose articles are devoted to “theoretical and empirical research on economic phenomena within a scope that encompasses collective decision-making, political behavior, and the role of institutions,” but also aims to enlarge this scope to problems of sociocultural traditions, ingrained attitudes and perceptions of Self and the Other among economic and political elites. This approach is in turn put here into a comparative framework concerned also with *mutual* perceptions and a focus not merely on the coevolution of practices, but also cultural pioneering innovation and copying.⁵

As mentioned above, much recent research on the “Americanization of the world” and the “American century” has focused on how American economic, political, and cultural power and influence affected Europe and other parts of the globe. The shelves of libraries are filled with studies on how the United States was received and what positive and negative responses it generated among foreign recipients.⁶ The most important result that emerged from this scholarship is that the United States did not rumble into other countries like a steamroller that flattened all indigenous socioeconomic, political, and cultural traditions

and practices. On the contrary, it is now generally accepted that, while there was enthusiasm for “America” on the part of some groups, there was rejection and resistance by others—until the more influential trends either asserted themselves or compromises were forged that combined or mediated previously divergent positions.

Support for, or resistance to, what was offered from across the Atlantic in the twentieth century has been observed and examined for various European, but also non-European societies, resulting in the more general conclusion that there occurred a blending in varying degrees between what had existed before and what was imported from the United States. In other words, there is by now an extensive literature that looks at interrelations and interactions with the United States from a *European* perspective. With exceptions, these studies have tended to move away from a dichotomous class model toward the study of elites within mass production and mass consumption societies.

It is only when we turn the telescope of historical investigation around and train it on the attitudes and practices of American big business elites toward Europe that considerable gaps in our knowledge come to light. At first glance, this may seem surprising. After all, if the United States was the original source of an “Americanization” process in an “American century,” it would have made sense to ask how these elites perceived the world and their European business partners and/or competitors as well as the political systems and societies within which they began to operate and how this in turn informed their attitudes and practices. The overall direction of this book is therefore “eastward” across the Atlantic, and businessmen (and it was almost exclusively men) are at the center in order to complement the existing literature on political-military and cultural “Americanization.” In this respect, the book is less interested in the question of the more long-term shifts in the patterns of transatlantic interactions before 1900. To be sure, there were times when the movement of people and influences was more from east to west. But after 1900 the currents were more, though not exclusively, in the opposite direction, when transfers of technology, but also of ideas and practices in the fields of industry, marketing, and finance, are being considered. To the best of my knowledge, this is attempted here for the first time and with respect to two European societies.

The dilemma I faced was how I could possibly get a handle on the veritable mountains of published and unpublished materials that I knew were available on “American big business in Britain and Germany.” One solution to this would have been to undertake a microscopic study that dealt with the topic for a very limited period of a few years, and would do so in depth by examining as many American

enterprises operating in Europe as I could lay my hands on. The solution adopted here goes for a medium-range time frame of several decades. The hope is that, though knowing that I could not be comprehensive, I would nevertheless be able to uncover significant continuities as well as major structural and attitudinal shifts. It also seemed that this design would enable me to avoid a mere diachronic tunnel vision and allow me to connect the development of American business with synchronic events in politics in all three societies. To me this synchronicity was particularly important, as I was covering a period that experienced two world wars, the Great Depression of the 1930s, the rise of a Bolshevik and fascist dictatorships, and finally the Cold War and decolonization. The question was how all this affected American big business and its perceptions and practices with respect to the economies and politics of twentieth-century Europe, and those of Britain and Germany in particular.

3. The Anglo-American “Special Relationship”

While this agenda amounts to an expansion of the scope of this book, the title and subtitle point to a restriction, that is, the question of “special relationships.” For over a hundred years this concept has been very durable in international politics and the popular imagination. It was part of the political vocabulary and of public debate in both the United States and Britain around 1900, when, unlike in the eighteenth and early nineteenth centuries, it had predominantly positive connotations. In fact, it was deemed to exist not only as a lofty goal of diplomacy, but also as something that had a solid foundation of trust and close cooperation in political affairs and commercial exchange between the two countries.⁷

The idea of a “special relationship” also seemed plausible at this time to many politicians, businesspeople, journalists, and academics because the distribution of power and influence between Britain and the United States was, at least on the surface, still fairly evenly balanced. On the one hand, there was Britain, the hegemonic power of the nineteenth century, whose military and economic influence, while weakening, was still impressive enough to make London a major center in international business and politics. On the other hand, there was the United States—a nation that had transformed itself in the final decades of the nineteenth century from a society of rural and small-town immigrants and farmers to one with big cities and giant corporations engaged in modern industrial production.⁸

By 1900 there was little doubt that this massive continent in the New World would be a major player in international politics and the world economy of the twentieth century. Recognizing the dramatic ascendancy of what was once a rebellious colony of the British Empire, the political and economic elites of Britain decided that it would be unwise, to try to block America's advance and to confront it head-on in whatever international disputes might arise. It was much better to seek cooperation and to appease the Americans. After the turn of the century, the balance of industrial and financial power continued to shift further in favor of the United States. As will become clear in the next chapter, Stead's *Americanisation of the World* was, its title notwithstanding, in fact about the Anglo-American relationship.⁹

However, it would be wrong to assume, at least for the period up to 1914, that Britain regularly ate humble pie when it came to relations with Washington. On the contrary, the two countries were also rivals and competitors, especially in the field of trade and commerce. World War I then mitigated these tensions and created strong affinities in the struggle against Austria-Hungary and, even more so, against Germany. But the world conflict also greatly weakened Britain's political and economic clout around the world, while the United States together with Japan emerged as the actual winners. London's dependency on America became even more marked. In this sense, the wartime "special relationship" may be said to have continued beyond 1918. But it weakened as Britain tried to reassert itself in the world of finance and industry, while American big business labored to push both sectors into the second rank.¹⁰ The collapse of the world economy in 1929 then constituted a severe blow to the economic prowess of both countries, though perhaps less to Britain than to America.

With the rise of fascism in Europe and of Nazi Germany in particular, the political and economic elites of Britain and the United States once more began to move more closely together, leading by 1940 to a reconstitution of the "special relationship" that was to prove vital to the survival of Britain in the face of Hitler's wars of military aggression and expansionism.¹¹ At the same time, World War II, even more than World War I, proved an enormous drain on Britain's wealth, forcing London to continue the transformation and partial dismantling of the Empire, but also its partial maintenance. After all, it had been the main pillar of its erstwhile political and economic strength. No less distressing from a British perspective was the fact that the United States emerged from the war and the defeat of the Axis countries as the power that came to occupy the same hegemonic position in the West that Britain had once enjoyed in the nineteenth century. Worse, it would now use this power to undermine for good and more successfully than in the 1920s

the foundations of the “special relationship” that Winston Churchill thought he had forged with Franklin D. Roosevelt in 1940–41.¹²

As will be shown later, British wartime negotiators in Washington were deeply angered by the often blunt ways in which the Americans pursued their peace aim of establishing a liberal-capitalist Open Door multilateral world trading system without protectionist imperial blocs. This meant that they were not only working for the obliteration of the autarkic empires that the Germans, Japanese, and Italians were erecting in the early 1940s. They also tried to undermine sterling as a major currency and pillar of the City’s influence that was now being challenged by nationalist independence movements in India and other parts of the once so powerful British Empire and Commonwealth. In this sense, the “*Pax Anglo-Americana*” that Ursula Lehmkuhl has written about was but a weak extension of the wartime “special relationship” that was meant to work mainly outside Europe and whose precariousness was revealed in the 1950s.¹³ These were rather more the years when the interests and strategies of London and Washington once again diverged, as evidenced not only in Washington’s encouragement of the integration of continental Western Europe but also at the time of the Suez Crisis of 1956. It was at this point that the Americans firmly told the British government to stop their military action, jointly staged with France and Israel, against Nasser’s Egypt. The age of old-fashioned European colonialism was, in the eyes of the Washington administration, definitely over.¹⁴

While little was left of the “special relationship” during the 1960s and 1970s, it revived after Ronald Reagan and Margaret Thatcher had come to power in the 1980s. But the imbalance of political and economic influence between the two countries had by then become so glaring that it was visible to all. Britain was militarily so weak that she would not have been able to reconquer the Falkland Islands from the Argentine invaders, had it not been for major logistical support from Washington. Meanwhile the British economy had experienced a further decline. The upswing of the 1950s that came with the larger postwar boom in the West could not be sustained. A further shift came when Thatcher copied “Reaganomics” and tried to build a “special relationship” with respect not to manufacturing industry, but to banking and finance. Anglo-American business relations came to be dominated by the nostrums of privatization and deregulation that the neoclassical macroeconomists at Chicago and elsewhere had meanwhile persuaded Washington and Wall Street to adopt.

Finally, there is the debate on “varieties of capitalism” to be considered. It began among political economists during the 1990s, when an “Anglo-Saxon” model of running a modern economy was juxtaposed

with a “Rhenish” and also a “Scandinavian” model.¹⁵ But on closer inspection the former was in effect an American model that the Thatcherites practiced even more dogmatically than Reagan. After Thatcher’s successful destruction of the British manufacturing sector, there still remained something “special” about the Anglo-American relationship if one focuses on the cooperation between Wall Street and the City during the past twenty-five years. But looking at it in political terms, it collapsed at the time of Reagan’s invasion of Grenada and the disagreements over German reunification after the collapse of the Soviet Bloc in 1989 when Thatcher opposed the strategy of Reagan’s successor.¹⁶ After this, Washington adopted a unilateralist foreign policy, believing it no longer needed European partners to deal with the problems of the world.¹⁷ The “special relationship” became a pure myth when Tony Blair decided to throw Britain’s support behind president George W. Bush’s war in Iraq. The British prime minister may have believed that he had resuscitated the British-American “special relationship” in 2002. But from all that has become known about the ways the Bush administration treated him, the metaphor that Blair had become Bush’s “poodle” is more accurate.¹⁸ During Prime Minister David Cameron’s visit to Washington in April 2012 there were again invocations on the British side of the “special relationship” that no one in the United States and in the business community in particular took seriously.¹⁹

4. The German-American “Special Relationship”

This book tries to live up to a basic methodological point that Jürgen Kocka and others have made, that is, that genuine comparison needs a *tertium comparationis*.²⁰ This third element is provided here by reference to Germany. However, it is not an equally balanced triangular one, but an “asymmetrical comparison” that starts from its American center of gravity and its relations with Britain and Germany. The third Anglo-German angle emerges more indirectly from this asymmetry, but, it is hoped, emerges clearly enough; for this book not only is concerned with the American impact on two European societies and economies, but also tries to discover why the British industrial system in the end lost out against the German one as well.

So, what about the German-American relationship in the twentieth century? In 1980, Hans W. Gatzke published a book titled *Germany and the United States. A “Special Relationship”*?²¹ While the question mark and the quotation marks are significant, the concept itself is evidently

taken from the above-mentioned British-American debate. On closer inspection, it becomes clear that Gatzke is ultimately more concerned with interpreting the peculiarities of modern German history rather than offering a finely balanced German-American comparison. As he puts it,²² "To blame what happened between 1930 or 1933 and 1945 on an unfortunate combination of uncontrollable circumstances which were taken advantage of by an unscrupulous maniac, would absolve the majority of contemporary Germans from guilt for the Nazi nightmare. But this would also be a gross oversimplification, as untenable as the opposite thesis, that the Third Reich was but the culmination of German history since Bismarck, or Frederick the Great, or Luther. . . . Yet anyone familiar with Germany's past knows that certain trends in the nineteenth century, although not leading directly to Nazism, were akin and pointed the way to it."

Accordingly, Gatzke's book—notwithstanding its title—is best seen as a contribution to the long debate on the German "special path" (*Sonderweg*), a notion that has preoccupied American and European historians of Germany ever since 1945, if not since 1933. In terms of the meaning of "special relationship" adopted in this study, it is better to quote from Edwin O. Reischauer's foreword to Gatzke's volume:²³

Germany is without doubt one of the most important countries in the world and its relations with the United States are of particular relevance. The German people constitute the largest ethnic group in Europe west of the Russians. By the early twentieth century they had provided the United States with about a quarter of its population. The two great World Wars that focused around Germany drew the United States deeply into international affairs and threatened to bring down the whole edifice of Western civilization. Twice our bitter enemies, the Germans have at other times had relations of cordiality with the United States. Today [in 1980] West Germany alone ranks fourth in productive power in the world and is among the two or three staunchest and most important allies the United States has.

He added, "The story of modern Germany and its relations with the United States thus is a complex one. Germany has swung wildly between great successes and terrible failures. The relations between the two countries have gone through the same sort of rapid and violent fluctuations. Neither modern German history nor German-American relations are easy to analyze or describe in clear coherent fashion." While Reischauer's verdict poses a daunting challenge to any historian, it highlights not only the complexities that this book has to grapple with, but also the ups and downs and ambivalences in this second "special relationship" that will be subjected to an asymmetrical comparison in subsequent chapters.

As far as I can see, this kind of study has not been attempted before with respect to the three *business* worlds. In this sense, it goes beyond a more traditional investigation into British-German-American relations that is based primarily on diplomatic and other official government documents. My handicap is that my approach has not been particularly popular in history departments in North America and Europe in recent decades. Sociocultural topics and a history “from the bottom up” had greater appeal, at the center of which were often relatively small and less organized groups, individuals and people, such as women and minorities, that had remained “invisible” in previous decades.

These genres of historical writing have undeniably enriched the discipline in terms of both its research agendas and its capacity to offer more appealing teaching material than business history. But what fell by the wayside in the process was work with an economic focus. It is not that economic historians vanished; they are to be found in economics departments, and in many cases this move was made quite some time ago when diplomatic and political historians showed little interest in economic questions. Nor did it help that, within economics departments, economic historians increasingly came under the pressure to adopt quantitative methods that had begun to sweep the board in economics. In short, history and economic history had been going their separate ways.

In an attempt to overcome this rift, some “mainstream” history departments have again been trying to build bridges to economic and business historians in economics departments and business schools, partly stimulated perhaps by the rediscovery that macroeconomic problems are shaping our lives more profoundly than historians of memory or identity have realized. This book represents an attempt to contribute to this bridge-building effort.²⁴ This also applies to the secondary literature where greater reliance on what has been written across the aisle would aid cross-fertilization. Still, as has been mentioned above, the book is qualitative rather than quantitative in its approach. The shifts in the balance of German-American “special relations” ran countercyclically to the shifts in Anglo-American business relations. While the latter saw an overall decline from around 1900 onward, they experienced an uplift during the two world wars.²⁵ The opposite trend can be observed with respect to German-American business relations. They grew stronger between 1900 and 1912, but deteriorated from 1913 until the early 1920s. There was another stabilizing upswing in the mid-twenties,²⁶ before the relationship went downhill again after the Nazi seizure of power, demonstrating at the same time how difficult it is to study international big business relations without taking account of surrounding political environments, in this case relations between Berlin and Washington that ended up in another clash of arms.²⁷

And yet this second deep estrangement was not the end of the road for German-American business relations. Big business came back after 1945, forging a relationship that was even stronger than that of the mid-twenties. The other point about these ups and downs in American businessmen's "special relationship" with industrial Germany is that they were not merely guided by a coolly calculated interest in the bottom line. Just as the protagonists of the Anglo-American "special relationship" stressed deep-rooted affinities that, whatever their differences, were supposedly holding the two nations together, parallel feelings existed with the German business community, notwithstanding the repeated difficulties that had intervened between them in the first half of the twentieth century.

It is my contention that the second reversal in the American-British-German triangle became most tangible in 1956–57. For it was during the Suez Crisis that the United States told Britain quite categorically that if London did not stop the invasion of Egypt, Washington, while not intervening militarily, would ruin the British currency and economy. The age of old-style colonialism and protective tariff blocs, which both before and after 1945 had repeatedly clashed with the American conception of the Open Door, was over. The British should accept that they were no longer a first-rank power. No less significant, 1956–57 was also the moment when Washington and its business community could look back with satisfaction on the reconstituted relationship with West Germany. The reconstruction, but also the *recasting* of the economy had been achieved. The Law for Securing Competition had been ratified. Industry had been wrenched out of its long-standing anticompetitive cartel tradition and a larger European market had been created within which a parliamentary-democratic Federal Republic could deploy its industries as a dynamo of an American-style, Western European civilian mass production and mass consumption capitalism.

5. Sources

For a study that aims to cover several decades of Anglo-American-German business relations and politics, it has not been possible to scour hundreds of company archives for evidence of the changing quality in the relationships of the many enterprises that did business in Europe. Where the quality of published research is very good, I am relying on secondary sources and the archival material quoted in them. In addition, I have used newspapers and magazines. These sources contain many references that provide not merely statistical evidence but also statements and speeches by American businesspeople and politicians. Even before 1914, it was the practice of American newspapermen to

look up the passenger lists of the big ocean liners that arrived in New York from Europe virtually every day. They waited by the quayside to ask returning businessmen to give them impressions of the European countries they had visited. The rich private papers of a few bankers and industrialists represent a third and very illuminating source. Their correspondences and diary notes will be used to open windows to the worlds of industry, finance, and politics in which they operated both at home and abroad. Given their positions in commerce and finance, they often had access to information that was more private and often different from what American diplomats were able to gather in Berlin or London. While some of these businessmen operated in relatively small companies, this book is not about the role of family firms that have attracted more research again in recent years. Rather it is the big American corporations whose policies and attitudes are at the center. It is only at the end that the question of the relative dynamism and innovative drive of smaller firms will briefly be taken up.

In this connection, the question will have to be raised whether those sources were more reliable or how far they, too, fell victim to misinformation and propaganda that government agencies circulated. There is also the problem of how far they may have suffered from “cognitive dissonance” (Leon Festinger), that is, saw only what they wanted to see or what fitted into their long-held preconceptions and prejudices. Through their business connections and often also family contacts, they may have acquired a greater familiarity with the foreign society that they visited than ordinary travelers. But the question remains how far this enabled them, especially in times of crisis, to look behind the public facade of words and images that they heard and saw. And because these crises were time and again about politics rather than economics, this study is not merely about commerce and industry, but in many ways also about political developments that interfered with economic relations just as the latter influenced the former. The German-American “special relationship” is on the whole less well researched than the Anglo-American one, partly because German business historians have for a long time concentrated on domestic developments and have been reluctant to include the question of an “Americanization” of German industry in their work. Still, on the whole I have tried to keep a balance.

6. Transatlantic History and Its Global Dimensions

It is against the background of these considerations that this section of the Introduction begins with a study, published in German in 2000,

that is not an economic history in the strict sense. It is nevertheless of interest here because it advances an important transnational argument that reaches beyond the Anglo-German-American comparison. Ute Mehnert's *Deutschland, Amerika und die "Gelbe Gefahr"* is—as she puts it—a “diplomatic history” at whose core is the debate relating to the catchword of the “Yellow Peril” at the turn of the twentieth century.²⁸ Her main interest is in the “question of the origins of the global international system of states that provided an expanded sphere of action to the foreign policies of the European great powers and the U.S.” Against Paul Kennedy,²⁹ who placed America “at the periphery of a European-centric international system,” Mehnert wants to highlight “the growing importance of the U.S. in the world economy and its increasing political engagement in areas beyond the Western Hemisphere.”³⁰ In other words, she puts at the center of her analysis the United States as an Atlantic as well as a Pacific power. Furthermore, she is critical of Reiner Pommerin's *Kaiser und Amerika*.³¹ He argued with respect to German policy toward the United States after 1905–6 that the kaiser and his advisors had been aiming to reduce conflict potentials and concentrated on Europe instead of continuing to pursue German *Weltpolitik* they had promulgated in the late 1890s. This is why Pommerin believed that Berlin had failed to appreciate the significance of the two new players on the international stage before 1914, that is, the United States and Japan.

This interpretation, Mehnert continues, shifted “German-American relations to an isolated plain and reduced expansionist clashes of interest to sham conflicts that were primarily due to misunderstandings and political miscalculations.”³² However, if one includes the presence of the “Japanese Danger” as a factor in German and American policy making, the analysis is moved in “another direction.” Indeed, “the integration of the [‘Yellow Peril’] catchword into the foreign policy conceptions and decision-making processes of both powers” explains that the United States and Germany “continually oriented their political calculations toward a global international system.” This, Mehnert concluded, means that both powers had a “clear awareness of the interaction between the power constellations in the Atlantic and the Pacific space”—an important aspect of chapter III, where the attempt will be made to connect the history of the transpacific “Washington System” of 1922 to early post-1918 developments in European-American relations.

While Mehnert's study thus adds the indispensable transpacific angle, along came Magnus Brechtgen in 2006 with a major book on what he called the crucial *Scharnierzeit* (hinge period) of 1885–1907 in world politics in order to raise the question of whether there was nevertheless a center of gravity in this grand planetary panorama.³³ Although he was primarily interested in “personality networks and

international politics," he located this center of gravity in the British-German-American economic triangle. In comparison to the capacities of France, Russia, and other European states to project their economic and political might abroad were markedly weaker than those of the triad. His analysis enabled Brechtgen to break away from the Eurocentrism that had still informed Kennedy's work, to expand it to the Atlantic region and to take up a position *between* Kennedy and Mehnert's globalism. No less important, he shows on the basis of the statistical material that he put together that the United States had become the strongest economic player in the British-German-American triangle. Indeed, as Sebastian Conrad has argued when writing on "regimes of territorialisation and the globalization of the national," this was not the age of the decline, but rather of the "globalization of the nation state" and in particular of those states that by virtue of their military and economic capabilities occupied the top spots in the international hierarchy.³⁴

Pre-1914-era readers are asked to refer to the array of pertinent tables in Brechtgen and Conrad. They form the foundation of the argument in this study that a triad of the United States, Britain, and Germany had constituted itself by 1900. By 1913 the total industrial potential of these three countries amounted to 60.4 percent of the world total, with Britain being the weakening power and America and Germany moving into the first and second ranks.³⁵ Small wonder that American businessmen increasingly turned their attention toward Central Europe as a competitor and partner. Moreover, the merger movement and the creation of huge corporations had continued in both countries. However, there emerged an important difference: in the wake of the passage of the Sherman Act in 1890, the United States was pushed in the direction of *oligopolistic competition*;³⁶ German industrialists, by contrast, reinforced their system of *protectionist cartels and syndicates* that they had begun to build during the Great Depression in the 1870s and 1880s.³⁷ Apart from these structural differences that became a topic of discussion in the United States for the first time before 1914 and will be dealt with in chapters II and III, there were other factors that American industrialists and bankers had to consider when they contemplated cooperation or investments in the German monarchy.

7. The Trials and Tribulations of Venturing into a Foreign Economy

It is safe to assume that American investments in Europe were market seeking and strategic asset seeking rather than resource seeking and that as capitalist entrepreneurs they always had to pay attention to the

bottom line as they calculated the opportunities and pitfalls of expanding their business into a foreign market. In an attempt to systematize international economic behavior, John Dunning has spoken of entrepreneurial calculations relating to ownership advantages, locational advantages, and internalization advantages.³⁸ Such calculations were also on the mind of American travelers who sailed to Britain and Germany before 1914 to explore foreign direct investments (FDI), defined not merely as the establishment of production facilities in another country, but also as investments in local agencies, sales offices, partnerships, and participations. Inevitably, they also studied domestic politics.

However, since before 1914 American businessmen rarely went to Germany or Britain to build their own factories, Kenichi Ohmae's phase model seems to offer the most convincing approach to understanding the steps that foreign investors took. Once a decision had been taken to enter a foreign market, most companies would initially rely on native representatives who are familiar with both the product and with local market conditions. The layout would be small in the expectation that turnover would be modest. The next step would be to assess, after initial successes, whether the opening of a company-owned sales office would be more cost-effective than a foreign agent. The investments required for this step were also likely to be low, even if they included warehousing and services. The next and usually most expensive phase would be to move further functions abroad, including research and development (R&D) and ultimately production. At this stage, local legal, tax, and social security systems as well as labor relations would assume a prominent place in the overall calculation. Obviously, having to close down an agency or a sales office that proved uneconomical or politically compromising was much less costly than having to shut down a factory.³⁹

It is clear that for each and every phase a variety of local factors had to be considered and a business judgment had to be made. Like every investment in the domestic economy, FDI also carried risks that were mostly even higher than those in the home market. Advantages had to be carefully weighed against transaction costs and the costs of failure. Given the ups and downs that the world economy had seen in the nineteenth century, American businessmen looking at Britain or Germany before 1914, while hoping for larger sales, wanted to avoid losses. But it was not just a matter of calculating *economic* risk. Christopher Kobrak and Per Hansen have recently again raised the question of *political* risk and taken the emergence of dictatorships in the 1930s as their testing ground.⁴⁰ In chapter V, we shall have to discuss how American big business was faced with major dilemmas after Hitler had come to power in Germany in January 1933 and embarked upon a massive rearmament

program with increasing controls and regimentation of what was in principle still a capitalist economy, and one in which companies such as Ford and General Motors had made major investments.

Yet, the problem of political risk posed itself not merely in the face of the Nazi dictatorship in the 1930s, but already before 1914. The Hohenzollern monarchy under Wilhelm II was not, to be sure, a brutal and murderous totalitarian regime; but it was nonetheless authoritarian and centralized in its decision-making structure, especially in the field of foreign policy. Under the Reich Constitution, the emperor was not only the commander-in-chief in wartime; it was his constitutional right to decide single-handedly whether to go to war or to keep the peace. He was also in charge of foreign policy making in times of peace. The national parliament, the Reichstag, had but limited powers in this field and—no less significant—over the military budget in particular. Wilhelm II had surrounded himself with political and, above all, military advisors who jealously guarded not only the monarchy's constitutional rights, but also their own influence and privileges. Other elite groups, and German businessmen in particular, had little informal input, never mind an official voice.

In light of these realities, American businessmen also had to calculate a measure of political risk when they entered the German market even before 1914. The central point to be made here is therefore that FDI involved a number of factors that could not be calculated precisely. The situation required qualitative judgments and a good or an uneasy feeling about the contacts that American businesspeople began to establish in Germany to explore a foreign market or to negotiate with a prospective agent, manager of a proposed sales office, or even a director of a factory who had been tapped to run it. A sense of trust and an at least rudimentary familiarity with the other society and its business culture, societal traditions, and elite as well as popular attitudes were vital. This applied in principle also to Britain, which, although it had a parliamentary system, still relied upon a relatively small elite to run its foreign policy. At the same time, political risk was smaller there, partly because from the late 1890s the country was anxious to promote an Anglo-American rapprochement and partly because Germany's increasingly erratic and aggressive political behavior around the globe led Washington to interact more closely with London.

All this meant that there were affinities that gave the potential investor a feeling of comfort. Family ties or long-standing friendships, the value of none of which could be quantified, had to be included in the decision-making process. It is also important to remember that information was much less complete and more imperfect than it is today, even if transparency continues to be a major problem to this day. One final

point has to be made in the context of American FDI assessment and decision making. As John Dunning and Sarianna Lundan have reiterated in the second and very detailed edition of *Multinational Enterprises and the Global Economy*, such enterprises undertook FDI for “extremely varied” reasons so that “no satisfactory general answer” can be given.⁴¹ Moreover, in comparison to the often very sophisticated methods by which today’s big corporations evaluate FDI opportunities, FDI before 1914 was much more haphazard and ad hoc. In this respect business decision making was perhaps comparable to diplomatic maneuvering before 1914. As will be seen in chapter III, there was little systematic research and no drawing up of “scenarios.” Often it was just hunches that were based on trust and mistrust of the partner or competitor.

We began, by reference to the “Americanization” debate, with setting out the larger framework of international relations in which subsequent chapters will be configured. American elites disposed of a general foundation that could help them in their assessment of opportunities and risks as they reached out to their counterparts in Britain and Germany. As capitalists familiar with their firms’ balance sheets, there was no doubt a certain amount of cool calculation with respect to the advantages and disadvantages of FDI and to whether to export via an agency or a sales office or whether to build an internalized production facility abroad. They were, however, also aware of the limits of such assessments and appreciated the uncertainties inherent in a locality that they were looking at. They knew about the economic future of Britain and Germany only in broadest outline and were generally aware of the risks of all operations abroad, including political risks relating to Britain’s and Germany’s domestic developments.

There were times when they underestimated these risks and got burnt; or they were too pessimistic about the future and left opportunities unexploited. In terms of what I have called the “special relationship” with Britain and Germany, the Germans—to put it mildly—would give American political and business elites plenty of issues to worry about. The United States fought that country in two world wars and had to deal successively with an autocratic monarchy, a volatile Weimar Republic, a Nazi dictatorship, and finally an initially devastated post-1949 Federal Republic. Yet, with Germany time and again developing a more dynamic industrial economy, their relations with Britain improved only when the ones with Germany were bad or very bad. Overall, the Anglo-American “special relationship,” except in wartime, was on a downward slope during the decades covered by this book. Meanwhile, the relationship with Germany recovered after World War I and, after another slump and world war in the 1930s and 1940s, became very strong in the 1950s. This may seem ironic or paradoxical,

but it presents a basic line of investigation through which the relevant empirical material will be examined in subsequent chapters.

Notes to the Introduction

1. See, e.g., Wm. Roger Louis and Hedley Bull, eds., *The "Special Relationship." Anglo-American Relations since 1945* (Oxford, 1986); C. J. Bartlett, *"Special Relationship": A Political History of Anglo-American Relations since 1945* (London, 1992); John Dickie, *"Special" No More. Anglo-American Relations: Rhetoric and Reality* (London, 1994); Alan P. Dobson, *The Politics of the Anglo-American Economic Special Relationship, 1940–1987* (New York, 1988); Iestyn Adams, *Brothers across the Ocean: British Foreign Policy and the Origins of the Anglo-American "Special Relationship," 1900–1915* (London, 2005).

2. W[illiam] T. Stead, *The Americanisation of the World* (London, 1902). The original English or American spelling of titles and quotes in this book has been retained. On the subsequent scholarly debate, see, e.g., Harm G. Schröter, *Americanization of the European Economy* (Dordrecht, 2005); Volker R. Berghahn, "The Debate on 'Americanization' among Economic and Cultural Historians," *Cold War History* 10, no. 1 (February 2010): 107–30, with a discussion of changing conceptualizations and a bibliography of relevant books and articles.

3. Henry Luce, "The American Century," *Life*, 17 February 1941, 61–65. For background, see Alan Brinkley, *The Publisher. Henry Luce and the American Century* (New York, 2010); Alfred Eckes and Thomas Zeller, *Globalization and the American Century* (Cambridge, 2003); Peter J. Taylor and David Slater, eds., *The American Century. Consensus and Coercion in the Projection of American Power* (Oxford, 1999).

4. Thomas J. McCormick, *America's Half-Century: United States Foreign Policy in the Cold War and After* (Baltimore, 1989); Mary Nolan, *The Transatlantic Century: Europe and the United States, 1890–2010* (New York, 2012); David W. Ellwood, *The Shock of America. Europe and the Challenge of the Century* (Oxford, 2012). On the globalization perspective, see Kevin O'Rourke, *Globalization and History. The Evolution of the Nineteenth-Century Atlantic Economy* (Cambridge, MA, 1999); Jürgen Osterhammel and Niels P. Petersson, *Globalization. A Short History* (Princeton, 2005).

5. See, e.g., Jörn Leonhard, *Bellizismus und Nation. Kriegsdeutung und Nationsbestimmung in Europa und den Vereinigten Staaten, 1750–1914* (Munich, 2008), 13–14; Cushing Strout, *The American Image of the Old World* (New York, 1963); Ragnhild Fiebig-von Hase and Ursula Lehmkuhl, eds., *Enemy Images in American History* (Oxford, 1997), with a range of relevant articles. See also Robert Jervis, *Perception and Misperception in International Politics* (Princeton, 1976), and Knud Krakau, "Einführende Überlegungen zur Entstehung und Wirkung von Bildern, die sich Nationen von sich und anderen machen," in Willi P. Adams and Knud Krakau, eds., *Deutschland und Amerika. Perzeption und historische Realität* (Berlin, 1985), 9–15. On the concept of coevolution, see, e.g., Richard R. Nelson, *Technology, Institutions, and Economic Growth* (Cambridge, MA, 2005).

Simon N. Hellmich, Bielefeld, is completing a study using this approach with respect to the coevolution of production regimes, technologies, and labor market institutions in the United States between 1897 and 1933.

6. See Schröter, *Americanization of the European Economy* (note 2), with a discussion of disciplinary approaches. See also, e.g., Alexander Stephan, ed., *Americanization and Anti-Americanism* (New York, 2005); Jan C. Behrends and Arpad von Klimó, eds., *Antiamerikanismus im 20. Jahrhundert. Studien zu Ost- und Westeuropa* (Bonn, 2005); Marie-Laure Djelic, *Exporting the American Model: The Transformation of European Business* (Oxford, 1998); Paul Hollander, *Understanding Anti-Americanism. Its Origins and Impact at Home and Abroad* (Chicago, 2004); Matthias Kipping and Ove Bjarnar, eds., *The Americanisation of European Business* (London, 1998); Rob Kroes, ed., *If You've Seen One, You've Seen the Mall: European and American Mass Culture* (Urbana, IL, 1996); Jean F. Revel, *Anti-Americanism* (San Francisco, 2003); Jonathan Zeitlin and Gary Herrigel, eds., *Americanization and Its Limits* (Oxford, 2000).

7. See, e.g., Bradford Perkins, *The Great Rapprochement* (New York, 1968); Lionel M. Gelber, *The Rise of Anglo-American Friendship* (Hamden, CT, 1966); Charles S. Campbell, Jr., *Anglo-American Understanding, 1898–1903* (Baltimore, 1957); Richard H. Heindel, *The American Impact on Great Britain 1898–1914. A Study of the United States in World History* (New York, 1968).

8. Patrick O'Brien and Armand Cleese, eds., *Two Hegemonies. Britain, 1846–1914, and the United States, 1941–2001* (Aldershot, 2002), with several contributions on British economic decline and America's rise; Laurence James, *The Rise and Fall of the British Empire* (London, 1994); Piers Brendon, *The Decline and Fall of the British Empire, 1781–1997* (New York, 2008); Max Beloff, *Imperial Sunset* (London, 1969); Egbert Klautke, *Unbegrenzte Möglichkeiten* (Stuttgart, 2003); Ernest R. May, *Imperial Democracy. The Emergence of America as a Great Power* (New York, 1961); Derek H. Aldcroft, ed., *The Development of British Industry and Foreign Competition, 1875–1914* (Toronto, 1968); Sidney Pollard, *Britain's Prime and Britain's Decline. The British Economy, 1870–1914* (New York, 1989); Pollard, *The Development of the British Economy, 1914–1950* (London, 1952); Frank Ninkovich, *Global Dawn. The Cultural Foundations of American Internationalism, 1865–1890* (Cambridge, MA, 2009); Michael Hunt, *The American Ascendancy* (Chapel Hill, NC, 2007).

9. See also the contemporaneous analyses by John Dos Passos, *The Anglo-Saxon Century and the Unification of the English-Speaking People* (New York, 1903), and Brooks Adams, *America's Economic Supremacy* (New York, 1900). Adams's book is a collection of essays, published between 1898 and 1900 in journals such as *Forum* and *McClure's Magazine*. As reflected in some of the essay titles ("England's Decadence in the West Indies"; "The Decay of England"), he is very critical of Britain, arguing that "the most important and absorbing phenomenon of our time is the condition of Britain" (vi). He continued that if she cannot maintain her energy, her supremacy would "pass from her, either toward the east or west." To him all indications pointed westward toward the United States achieving supremacy (192).

10. See chapter III.

11. Best enshrined in the Atlantic Charter of 1941. See, e.g., Douglas Brinkley and David R. Facey-Crowther, eds., *The Atlantic Charter* (New York, 1994); Theodore A. Wilson, *The First Summit. Roosevelt and Churchill at Placentia Bay* (Lawrence, KS, 1991).

12. See chapter V.

13. See Ursula Lehmkuhl, *Pax Anglo-Americana. Machtstrukturelle Grundlagen anglo-amerikanischer Asien- und Fernostpolitik* (Munich, 1999).

14. See chapter VI.

15. Michel Albert, *Capitalism Against Capitalism* (London, 1999); Peter A. Hall and David Soskice, eds., *Varieties of Capitalism* (Oxford, 2001); Volker R. Berghahn and Sigurt Vitols, eds., *Gibt es einen deutschen Kapitalismus?* (Frankfurt, 2006).

16. See, e.g., Mary Sarotte, 1989: *The Struggle to Create a Post-Cold War Europe* (Princeton, 2009).

17. See, e.g., Francis Fukuyama, *End of History and the Last Man* (New York, 1993).

18. See, e.g., Glen Ruffle, "America Still Britain's Best Buddy," *European Journal*, March 2011, 2, and the contrarian view by Alex Massie, "What Special Relationship?," *Foreign Policy*, 25 May 2011.

19. Kathleen Burk, *Old World, New World* (New York, 2008), 659, came up with the following overall verdict: "Fundamentally when the occasion demanded it, there re-emerged the early twentieth-century assumption that, different from each other they were in their cultures, interests and ability to project power, they were, nevertheless, more alike than any other two powers on the globe. And the instinctive feeling persists: there is a true love-hate Anglo-American special relationship." See also A. E. Campbell, *Great Britain and the United States, 1895–1903* (London, 1960); Patrick Cohrs, *Unfinished Peace after World War I* (Cambridge, 2006); Niklas H. Rossbach, *Heath, Nixon and the Rebirth of the Special Relationship. Britain, the U.S. and the EEC, 1969–1974* (New York, 2010); Richard Aldous, *Reagan and Thatcher. The Difficult Relationship* (New York, 2012).

20. See Jürgen Kocka and Heinz-Gerhard Haupt, *Comparative and Transnational History* (New York, 2009). See also Franco Amatori and Andrea Colli, *Business History: Complexities and Comparisons* (New York, 2011).

21. Hans W. Gatzke, *Germany and the United States. A "Special Relationship"?* (Cambridge, MA, 1980).

22. Gatzke's words on the dust jacket of his book.

23. *Ibid.*, vii.

24. See, e.g., Volker R. Berghahn, "A Plea for a Rapprochement between History and Economic History," *Bulletin of the German Historical Institute Washington*, no. 40 (Spring 2007): 1–8.

25. See chapter III. See also Detlef Junker, *The Manichaean Trap. American Perceptions of the German Empire, 1871–1945* (Washington, DC, 1995).

26. See chapter IV.

27. See chapter V.

28. Ute Mehnert, *Deutschland, Amerika und die "Gelbe Gefahr"* (Stuttgart, 1995).

29. Paul M. Kennedy, *The Rise and Fall of the Great Powers* (New York, 1987).
30. Mehnert, *Deutschland* (note 28), 12.
31. Reiner Pommerin, *Kaiser und Amerika* (Cologne, 1986).
32. Mehnert, *Deutschland* (note 28), 16.
33. Magnus Brechtgen, *Scharnierzeit, 1895–1907. Persönlichkeitsnetze und Internationale Politik in den Deutsch-British-Amerikanischen Beziehungen vor dem Ersten Weltkrieg* (Mainz, 2006).
34. Sebastian Conrad, *Globalisation and the Nation in Imperial Germany* (Cambridge, 2010), esp. 380.
35. Brechtgen, *Scharnierzeit, 1895–1907* (note 33), 47. See also Stephen N. Broadberry, "How Did the United States and Germany Overtake Britain? A Sectoral Analysis of Comparative Productivity Levels, 1870–1990," *Journal of Economic History* 58, no. 2 (June 1998): 375–407; Broadberry, "Economic Growth and the United States since 1870. A Quantitative Economic Analysis Incorporating Institutional Factors," in David Coates, ed., *Varieties of Capitalism—Varieties of Approaches* (Houndmills, 2005), 85–105.
36. See Robert Himmelberg, ed., *The Rise of Big Business and the Beginnings of Antitrust and Railroad Regulation, 1870–1900* (New York, 1994), and Himmelberg, *The Monopoly Issue and Antitrust, 1900–1915* (New York, 1994), both with a large number of relevant articles that had been published elsewhere over the years; Theodore P. Kovaleff, ed., *The Antitrust Impulse*, vol. 1 (Armonk, NY, 1994); R. B. Heflebower, "Monopoly and Competition in the United States of America," in Edward H. Chamberlin, ed., *Monopoly and Competition and Their Regulation* (New York, 1954), 110–39.
37. See Volker Hentschel, *Wirtschaft und Wirtschaftspolitik im wilhelminischen Deutschland* (Stuttgart, 1978).
38. See John Dunning, *Multinational Enterprises and the Global Economy* (Wokingham, 1993); Geoffrey Jones, ed., *Transnational Corporations. A Historical Perspective* (New York, 1993).
39. For a fuller discussion of Dunning and Oehmae, see Antje Hagen, *Deutsche Direktinvestitionen in Grossbritannien, 1871–1918* (Stuttgart, 1997), 32ff.
40. See Christopher Kobrak and Per Hansen, eds., *European Business, Dictatorship and Political Risk, 1920–1945* (New York, 2004).
41. John Dunning and Sarianna M. Lundan, *Multinational Enterprises and the Global Economy*, 2nd ed. (Cheltenham, 2008), 8, 295.