Table 1.1 Temporal and spatial changes in liberal, organized and disorganized capitalism

Phase of capitalist development	*Predominant temporal/spatial organizational/ structures*	*Spatial changes within each territory*	*Predominant means of transmitting knowledge and executing surveillance*
Liberal	Large-scale collapsing empires that had been built up around dynastic rulers or world religions; emergence of weak nation-states.	Growth of tiny pockets of industry Importance of substantial commercial cities as well as the expansion of new urban centres in rural areas.	Handwriting and word of mouth
Organized	Nation-states within the ten or so major western economies increasingly dominate large parts of the rest of the world through colonization	Development of distinct regional economies organized around growing urban centres. Major inequalities between new industrial and non-industrial regions and nations	Printing developed through 'print-capitalism'
Disorganized	Development of world economy, an international division of labour, and the widespread growth of capitalism in most countries.	Decline of distinct regional/national economies and of *industrial* cities. Growth of industry in smaller cities and rural areas, and the development of service industry Separation of finance and industry	Electronically transmitted information dramatically reduces the time–space distances between people and increases the powers of surveillance.

2

The development of organized capitalism (1)

Chapters 2 and 3 are devoted to a lengthy analysis of the development of organized capitalism. They are intended to give the reader not only an idea what is meant by 'organized capitalism', but also to present him or her with an account of its differential development in five major countries (Germany, Sweden, Britain, France, and the USA). This is important, in part because it lays the groundwork for our subsequent cross-national analyses of capitalism's disorganizing process; it is important also because little of this sort of analysis exists in the available literature. The (few) comparative economic history textbooks often tend to ignore the role of the state, banks, social classes and the development of the welfare state, all of which are central to the account of the growth of organized capitalism presented here. There is even less available sociological analysis of such a comparative nature.

We begin with an account of Germany which, though it draws on new material, is not especially contentious in nature. Because Germany has come closest to approaching the organized capitalist ideal type, our objective here is largely to establish a touchstone for subsequent comparative analysis. Some may wish to turn directly to the analyses of Sweden, Britain, France and the USA which are more fully interpretive and at points we think, novel.

GERMANY: THE 'IDEAL TYPE'?

Why, briefly, has Germany been the organized capitalist society *par excellence*? First, German industry was highly bureaucratized very early on, both at management level and on the shopfloor. Second, the German state was interventionist and at the same time relatively autonomous. Third, German industry became highly concentrated in terms of fixed capital per enterprise, number of employees per enterprise, and vertical (forward and backward) integration and diversification. A large part of the increase in capitalization of German firms was due to simple horizontal integration, that is, to straightforward takeovers and mergers. Fourth, German industry became highly cartelized. It is important to distinguish the impact of cartelization from that of the formation of employers' associations. Cartelization became highly important in the 1890s and is the German equivalent of the British holding company. It rightly belongs to the first step of organization, that is, organization at the top. Employers' associations assumed much greater importance just after the First World War, at about the time that organization at the bottom gave to German politics a very definite 'corporate bias'. Fifth, the joint-stock company assumed an unusual importance quite early on in Germany. Sixth, the interarticulation of banks with industry was more pervasive in Germany than elsewhere. And finally, Germany was the birthplace of the welfare state and of the mass political party.

Let us address some of these points, first considering German organization at the top – capital concentration in heavy and the new industries, cartels, banks, the role of the state – and then looking at organization at the bottom – the welfare state and the issue of corporate bias in German politics. While we do not claim to challenge in what follows the thesis that Germany has been indeed the country which has most closely approximated the organized capitalist ideal type, we do want to show that the received wisdom on a number of these matters is overly simplistic.

Organization at the top

Proportionately, Germany at the turn of the century had the most developed heavy industrial sector of any western country. No other country at that time had such a high proportion of coal producers or iron and steel manufacturers among its top 100 industrial companies. In the United States, for example, which had a thriving and well-articulated development of heavy industry, a much larger proportion of the top companies was comprised of petroleum and food-processing companies. In France there was a marked lack of coal. British coal was very unconcentrated, and 20 of the British top 50 firms were in the area of food-processing, mostly breweries. Sweden had inordinately rich iron ore deposits, but a good deal of this was exported, and it was not until much later that a thriving Swedish steel industry was developed.[1]

German economic development in the Kondratieff A-phase from 1850 to 1873 was closely tied to the growth of the railway system. The cyclical boom which began in 1869 was brought about through a burst of railroad expansion and underlay the *Grunderjahre* or founding years of the Reich, the period from 1870 to 1874 during which a large number of joint-stock companies were floated. The crisis which began in 1873 should not be overexaggerated: it was more a matter of falling prices and its length than of a sharp absolute fall in production. However, only in 1880 did German production again reach the level of 1872. The downturn of 1873–80, though, was accompanied by a large shakeout of labour and a significant improvement in productivity. Thereafter, as the British and French economies continued to stagnate, Germany entered into a period of steady growth which involved an increase in net domestic product of on average 2.5 per cent per annum over the 1880s. This growth, unlike that of the 1850s and 1860s, was not primarily fuelled by demand from the expanding German railways, but by exports and increased levels of consumer spending. The end of this decade of steady growth was accompanied by another flurry of the founding of joint-stock companies.

It is difficult to overestimate the preponderance of German heavy industry in Europe. From 1910 to 1913 Germany produced over two-thirds of European steel output, and during these same years mined over one-half of the coal and lignite extracted on the European continent.[2] The country which most closely approached Germany's industrial profile in this period was the United States.[3] Of the top 50 firms in industry and extraction in Germany in 1907 and in the USA in 1917 there were 13 coal or oil companies, while in Britain in 1905 the equivalent figure was only one. In 1907 26 of the top 50 firms in Germany and 20 in the USA were metal or machine-building (engineering) firms, while the corresponding figure for Britain in 1905 was eight. Further, if we disaggregate a little we can see important divergencies between Germany and the USA, with a preponderance of heavy industry on the German side. Germany, for example, had only one sizeable oil firm, while eight of America's top 82 industrial firms in 1909 were petroleum refineries. On the other hand, energy production and iron and steel were interlocked in the German Ruhr to an extent obviously impossible between Texas and Oklahoma oil and Illinois, Ohio and Pennsylvania steel. Of Germany's top 80 industrial firms in 1907 31 were in iron and steel, compared to 25 of America's top 82 in 1909. Finally, while a large proportion of American (and French and British) engineering firms made machines for private consumption – bicycles, sewing-machines and, especially, motor cars – the majority of German engineering was heavy engineering, destined for productive consumption – shipbuilding, locomotives and diesel engines.

At the heart of German heavy industry was of course the iron and steel sector. Notwithstanding the railway-connected boom from 1851 to 1872, the German iron and steel industry was in these early years uncompetitive internationally. This was because the Bessemer process – which Krupp, for example, adopted in 1861 – was unable to make use of the low-grade phosphoric iron ore in German Lorraine. The patenting of the Gilchrist-Thomas process changed this. Germany overtook Britain in pig iron and steel production in 1900; from the late 1880s German basic steel became cheaper than elsewhere. From 1898 to 1903 exports doubled and almost reached British levels. Indeed, during many years of the same period, 25 per cent and more of finished iron and steel was exported. The formation of the iron and steel cartels in the mid-1890s was undertaken with the intention not so much of protectionism, but of keeping domestic prices high in order to sell more cheaply abroad.[4]

In 1887 Krupp was the largest German firm, with 20,000 employees and 40 million marks of share capital. Twenty years later it was still the country's number-one firm but now with 64,000 employees and 180 million marks of share capital. Moreover, contrary to Chandler's thesis that cartels are incompatible with the rational expansion of the firm, from 1887 to 1907 German iron and steel had cartelized *and* expanded through backward and forward integration, diversification and, perhaps most of all, through straightforward takeovers and mergers.[5] Most important, maybe, was backward integration, especially into coal mining. A great proportion of the capital for the enormous expansion of coal production from 1894 to 1913 was provided by backward integrating iron and steel firms. It has been estimated that in 1900 some 20 per cent of coal output was through these now 'mixed' metal-producing enterprises.[6] But forward integration was also important. Merchant profits in the late 1880s badly damaged iron and steel, as most firms at that point did not possess distribution outlets. The solution was to create syndicates for distribution of product lines of very high demand. Some firms also diversified downstream into machine building. For example, Krupp had made Essen a company town with his steel plant, machine shops, coal mines and large tracts of company housing; Gelsenkirchen was similarly dominated by the Schalker iron works.[7]

Now let us consider the 'new' industries.[8] Before 1860 there was little application of chemical processes to industry on any kind of scale in Germany.[9] France and Britain at that time were international leaders, using the traditional Leblanc process of soda manufacture which was the basis of many other inorganic chemical processes. Germany, however, pioneered the industrial application of *organic* chemical processes, first (in the commercial production of synthetic dyestuffs, in the late 1880s) to pharmaceuticals production at Hoechst and Bayer, but also to the manufacture of explosives and artificial fibres and many other products. Chemicals was the fastest-concentrating branch in German industry from 1887 to 1907 – represented in 1887 by 12 firms in the top 100, and in 1907 by 17 firms. The enormous capital needs of such rapid growth were provided through the involvement on a large scale of banks. This expansion did not involve the tremendous increases in share capital that was the case in the very largest firms in iron and steel and the electrical industry. Also in the 1880s chemicals was not highly diversified. The most marked improvements were in forward and backward integration, which took place partly through cartelization and quasi-cartelization. In 1887 the top chemicals firms had little distribution apparatus. In 1907 all the most important concerns had sales subsidiaries in the most important commodity market-places. The tertiarization of the workforce was far advanced in chemicals. The 'abstract–rational' pure-science training that was only available so widely in Germany paid off in this branch, in which research and development was of the utmost import. Only Germany – especially in comparison with France and Britain – offered the mass university training of chemists.[10]

The electrical industry, which in terms of its contribution to the national product was to become highly central only during the inter-war period, was nevertheless already significant during the decades leading up to the First World War.[11] In 1907 two of the five firms with the nation's largest share capital were electrical concerns – Siemens and Halske, and AEG (German General Electric) – and the other three were iron and steel manufacturers. Equally important was the role of the electrical industry in the transformation – through electrification – of German cities, and its creation of demand for associated industries. Germany was the world leader in this field. In the decade leading up to the First World War its exports of electrical equipment were three times greater than those of the United States, which was its greatest international competitor. Part of the reason for German growth here was the existence of a large number of big cities – more than Britain or France, and matched only by the USA – which provided markets for municipal lighting and transport. In 1902 one-half of the total European length of electric tramways was in Germany. In the next decade the growth in municipal demand was stimulated by the building of undergrounds, of inter-urban electric transport and of a very considerable number of large-scale central power stations.[12]

We have already noted that in certain industries cartels were of some importance in this period. There has been considerable debate on their role and significance in the development of German organized capitalism. The common wisdom expressed by Alfred Chandler was that the level of cartelization was extraordinarily high and that these cartels hindered the rational expansion of such capitalist firms.[13] Opponents of this viewpoint, such as Kocka, have argued that effective cartelization was never that pervasive before the First World War and where it did exist it in fact promoted rational expansion.[14] We will briefly consider the evidence here.

The most effective cartel during the pre-war period was in coal, where the Rhenish-Westphalian Coal Syndicate was particularly succcessful in promoting downstream integration and hence concentration through its distribution apparatus. However, the syndicate's function of maintaining domestic prices above their market value in the promotion of exports was in the end self-destructive. High domestic coal prices made it worthwhile for iron and steel to integrate backwards into coal production and to form 'mixed' concerns, which increased from seven in 1895 to 18 in 1902, when these 18 controlled 19 per cent of coal production. And the mines which the iron and steel firms had taken over were among the *larger* syndicate mines. The syndicate also appears to have changed the interests of the coal-producers in respect to iron ore. The syndicate companies owned a number of iron mines whose production they controlled in order to keep prices high. But this damaged the position of syndicate-owned iron mines in relation to non-syndicate mines, with the latter increasing their production by 100.5 per cent from 1893 to 1902 in comparison with the former's increase of 60.5 per cent. By 1902 the non-syndicate iron mines had surpassed the syndicate mines in production.[15]

The two other most prominent pre-war syndicates underwent not dissimilar experiences. One, however, the Rhenish-Westphalian Pig Iron Syndicate, was founded in the midst of economic expansion in 1896. During the cyclical down-turns of 1901–2 and 1908 the syndicate was threatened by the ability of independents to undersell syndicate firms and the hesitancy of the large 'mixed' concerns to hold prices high, when they could produce more cheaply through selling to themselves. This was resolved in 1903 when independents were coerced into joining the syndicates, but the combination of outsiders and mixed concerns led to the cartel's dissolution in 1908.[16] The other syndicate, the Steel Manufacturers' Association, *Stahlwerksverband*, was founded in 1904 as a joint-stock company for the distribution of both heavy and light rolling-mill products. Shortly after the association's foundation it became clear that there was a conflict of interests between firms which produced only light products and those which were integrated backwards. During the downturn of 1908–9 it proved impossible to control the prices of light products for the backward-integrated firms, which again could sell to themselves more cheaply. Thus when the association's contract was renewed in 1912 the light products were no longer included. At this point, although the association controlled 80 per cent of the German market, it had, yet again and for similar reasons, difficulty controlling prices for even the heavy products.[17]

In summary, then, neither Chandler nor Kocka offer convincing evidence for their conflicting theses regarding the effects of cartels on the rational expansion of the firm in Germany. What seems clear though is that the highly vertically integrated and expanding firms – whether inside the heavy industry cartels or outside of cartels (such as Thyssen and the Siemens Martin-Werke in steel) – were inconsistent with the pricing policies of cartels. It was only after the First World War that heavy industry became pervasively cartelized; but at this point the dynamism of the coal and metal-producing firms had long since declined.[18]

Another common claim is the 'finance-capital' interpretation of German economic history. However, on closer examination the big banks were not the innovative industrial investors that they have often been purported to be. During, for example, the relatively stagnant years of the late 1870s and 1880s, the big Berlin banks were reluctant to provide regular services for heavy industry, services which were carried out by the provincial banks such as Essener Credit-Anstalt and Norddeutsche Bank and by private banks such as Oppenheim or Rothschild.[19] Again, when chemicals firms needed money for expansion in the 1880s, it was the local and private banks which handled the share issues on the Stock Exchange. Yet the Berlin banks were important in providing capital for the electrical industry and for a number of engineering firms. Their role with regard to heavy industry – despite the self-financing capacities of heavily

capitalized firms like Krupp and Gelsenkirchen – was enhanced during the 1894–1913 period. However, it was industry rather than the banks which took the initiative. In several sectors, the firms which survived and thrived between 1887 and 1907 were the ones which integrated vertically and diversified, and for this capital was needed. And from the mid-1890s the big banks were most effective, not through the negotiation of substantial long-term loans, but through the extension of current account facilities to firms.[20] Further, a large proportion of the ownership by banks of industrial shares was the ownership of shares that the banks had themselves issued for an industrial concern. That is, after the bank issued the shares it would buy them up itself; it would then be in the bank's interest to sell the shares as soon as possible. This is hardly a picture of banks vying for controlling shareholdings in companies. To underline this point, in 1912, only one German bank had more than 3 per cent of its assets invested in industrial shares.[21]

Finally, as Hopt argues, the position of banks on industrial boards of directors was a complicated matter.[22] The banks tended to perceive their interests in terms of price and production stability and hence tended to opt for caution, rather than innovative investment, in their attitude towards industrial firms. In addition the increasing heterogeneity of interests on the boards of directors provided top management with a great deal of autonomy from the interests of any shareholding group, while in family firms like Siemens which were at the same time joint-stock companies, the banks could hardly expect to carry undue weight on the *Aufsichträte* (board). As Hopt shows, the most important functions of the banks' representatives on industrial boards were the contacts they provided external to the firm. Their representation on many boards as well as their desire for stability motivated them to pursue policies of cartelization, and a conservative cartelization at that.

We will now consider the role of the state in the structuring of German organized capitalism. First, the state, through its protectionist policies, promoted the organization of commodity markets and capital markets.[23] Most of the period of organized capitalism (apart from 1919 to 1927) were protectionist years. More precisely, during the period from 1873 to 1945, Germany was at its most protectionist, *ceteris paribus*, when heavy industry was uncompetitive internationally. Inefficient Prussian large landed agriculture was also always protectionist during this period. For the state to adopt such policies, these landed interests needed allies from heavy industry. The story of the quid pro quo in the 1870s between the state and Bismarck on the one hand and heavy industry on the other, whereby the industrialists sacrificed their liberal principles for their economic interests, is well known. It is worth remembering that the sacrifice of such universalistic values was a step in the direction of accepting the characteristic ideologies of organized capitalism. Second, the state organized markets through the promotion of cartels. It enacted legislation which facilitated cartel formation, and also imposed the formation of cartels in, for example, the marketing of potash. Cases such as this served as an incentive to firms to organize cartels 'independently' rather than submit to enforced state organization.[24] Third, the state promoted the concentration of industry through the creation of demand in sectors in which survival was only possible through vertical integration and mergers. Important in this connection was, initially, the demand that was created through state-owned railways and its effects on the expansion of heavy industry; and of particular importance was the demand created by the local state which acted as a catalyst for the electrical industry.[25]

The *personnel* of governing bodies is an interesting indicator of the changing relationship between state and capital during the development of organized capitalism. First, we should note the importance of the recruitment of government officials into leading industrial management positions. About one in three of top Ruhr industrial leaders, for example, had served and/or trained as government bureaucrats in the decades leading up to the First World War. Over 26 per cent of high-level entrepreneurs in Upper Silesian heavy industry during this same period were government officials at the same time as they were employed as top managers. Second, the experience of industrialists in the army and the bureaucracy led to their adoption of typically organized capitalist formal rules of organization in private enterprise. Third, though we should not underestimate their capacity for cynicism, the biographies of key Ruhr industrialists indicate that their development of private social welfare programmes for workers was partly motivated by a 'universalist' mentality which they had acquired as civil servants.[26]

Industrialists themselves only became elected memebers of municipal and *Land* (provincial) bodies on any kind of scale with the advent of organized capitalism. During liberal capitalism, professionals, notables, merchants and aristocrats filled these positions. Aristocrats continued to do so on a very significant scale well into organized capitalism, especially in commercial and administrative centres. In industrial towns – and many of them were not large enough to obtain municipal status and the creation of a city council until well into organized capitalism – the large entrepreneurs came to dominate.[27] For example, from 1852 to 1913, among leading Ruhr entrepreneurs, 24 per cent of top managers and 16 per cent of company owners were elected to municipal councils; *and* 13 per cent of managers and 12 per cent of owners were members of a comparable supra-regional body. Similarly, in Upper Silesia 16 per cent of owners were representatives in supra-regional bodies. Most of this membership, especially in the Ruhr, came in the later years (in particular after 1894) of this period, 1852–1913.

Most significant, perhaps, in this context is the relation of industrialists to non-elected, of at least not directly elected, officers of central and local government. The most important of these were the provincial and district governors, the *Landräte* and mayors. The governors were the Reich's representatives and had primary responsibility for the supervision of county and municipal government. There were, for example, three district governors in proximity to the Ruhr, as well as the provincial governors of the Rhineland and of Westphalia.[28] These governors were not from the local area. They differed from the industrialists in their noble backgrounds or aspirations; their education was in law, not in commercial or technical fields as was typical among industrialists. Politically, the bureaucrats were quite often Conservatives and the entrepreneurs National Liberals. Yet there was a great deal of personal and social contact between the governors and the businessmen, who were after all the local elite. The industrialists recruited retired civil servants or their relatives to their boards of directors in order to influence the government. Requests for contributions from the entrepreneurs to conservative and nationalist causes often came via the governors. And the governors paid in kind. For example, they helped the industrialists to evade Berlin's factory legislation – such as, the 1908 Bundesrat Order regarding shopfloor workbreaks in the iron and steel industry – by granting exceptions. Equally the governors, who if they excelled in their role could hope for a future ministerial post, were the conduit of information on strikes and other industrial matters, which was passed through them from the industrialists to Berlin.

In this, and in other ways, there was a shift away from bureaucratic universalism in this period towards an increasing entwinement of bureaucracy with the interests of big business, and a growing identification with the aspirations of the nobility.[29] It was government policy during the Wilhelmine period to use a system of effective quotas to ensure that the aristocracy of each of the various *Länder* was represented in the highest administrative offices. And not only in the very highest offices but in the next level too: some 62 per cent of the *Landrate*, for example, were of aristocratic background, as well as many of the provincial governors.

Organization at the bottom

The second stage of organized capitalism involves the development of organization at the bottom. It typically consists of welfare legislation, often the growth of some kind of 'corporate bias' or tripartism in labour relations, and various forms of government planning and regulation. This may take either a social democratic form (as in Sweden in the 1930s, or in Germany's Weimar Republic in the 1920s) or an authoritarian form (as in fascist Italy and Germany, or Vichy France).

In Germany and Germany alone was the substantial growth of the welfare state connected with organized capitalism's first stage, i.e. organization at the top. Thus using Flora's index of social insurance coverage, we see that the 'take-off' of German social insurance preceded that in Britain and Sweden (which took place just before the First World War) by some twenty years.[30] Another set of new advanced capitalist countries – Denmark, Norway, Finland and the USA – had their take-offs in the 1930s. Finally, Italy and France experienced qualitative lift-offs only in the post-war period. Whereas welfare legislation in Britain, Sweden and the USA around the time of the First World War was the work of liberal parties, and the advances after the Second World War were due to social-democratic and Christian democratic forces, the late ninteenth-century German legislation was organized by conservatives. Likewise in Germany, in contradistinction to most other countries, the take-off of a welfare state system was wholly detached from even the beginnings of a 'corporate bias'. Germany, then, was the only country in which the take-off of welfare was categorically from 'above'.

The first set of Acts were legislated from 1880 to 1883 and comprised accident, sickness and old-age insurance.[31] Curiously, some of the most important original supporters of Bismarck's legislation came from heavy industry, largely as a quid pro quo for Bismarck's protectionist legislation of 1879 but also – and this seemed to be the prime motive for Bismarck himself – as part of a package including repressive policies aimed at the Social Democrats (SPD). By the mid-1880s, however, when costs became apparent, heavy industry became more critical.[32] The second substantial improvement in the German welfare state came with the 1927 passage of unemployment insurance legislation. Neo-conservative 'overload' theorists[33] hence claim that the Social Democratic Party (SPD) acted too much like a trade union with its demands on unemployment insurance, and that it put the day-to-day interests of its constituents before the safeguarding of the democracy of the Weimar Republic. Weisbrod has, however, counterposed an effective case against this thesis.[34] He notes that the legislation called for a contribution to the unemployment fund of 3 per cent each from both labour-market partners, which was sufficient only to support 800,000 unemployed. The 1929 increases in job losses led the SPD to demand a 4 per cent increase in the contribution from both sides and the retention of guaranteed state loans to the unemployment fund. The German People's Party (DVP – the Weimar equivalent of the National Liberals) proposed however that from 1929 benefits be substantially reduced, to the extent that 60 per cent of the unemployed would have been dependent on a rate of benefits below the old public-aid level. Rejecting a compromise with labour (after the departure of Stresemann), the DVP – in whose ranks heavy industry had just begun to dominate – acted to push the SPD out of government. In this they succeeded in March 1930; it was a success which meant the end of parliamentary government in inter-war Germany.

Political sociologists have often made the connection between the problem of overloads and the growth of corporatism. There is considerable controversy as to how to interpret the Weimar Republic with respect to these issues.[35] Our view is that there were important corporatist developments in the Weimar Republic but that these should not be overemphasized.

The first of these developments was the agreement between the iron and steel industrialist Hugo Stinnes and the leader of the *Allgemeiner Deutscher Gewerkschaftsbund* (ADGB, General Confederation of German Trade Unions), Carl Legien. In a series of negotiations carried out between October and November 1918, leaders of a coal, iron, steel, engineering and electro-technical industries agreed to an eight-hour working day and union recognition and bargaining rights. The Stinnes–Legien agreement led also to the creation of a quasi-corporatist institution, The *Zentralarbeitsgemeinschaft* (ZAG), whose intention was to avoid state control of the economy through agreements between industry and labour. The immediate achievement of the ZAG was to take demobilization out of the auspices of the *Reichswirtschaftsamt* (the Reich's economics office) and turn it over to a newly created demobilization office which was to work in close collaboration with the ZAG. The other proposed corporatist body was Wichard von Moellendorff's largely unimplemented *Gemeinwirtschaftsplan*, which was developed in the Reich's economics ministry in 1919. This was a plan which would have significantly strengthened the hand of the state in the economy, though it was based on self-governing bodies in industry. Though never completely clearly formulated by Moellendorff, who had formerly worked at the war office with Walther Rathenau, the plan envisaged considerable state control in the areas of production, prices and export controls. Its proposed central body was also, as opposed to the ZAG, to have executive as well as general economic and social policy formulating powers. The self-governing bodies were to include not only representatives from industry and labour, but also merchant and consumer delegates. Some heavy industrialists supported the Moellendorff idea, but only in the face of threats of revolution and socialization from below. The industrialists far preferred the ZAG, although the latter was based on a set of organs set up on the basis of parity between employers and workers. The ultimate goal of the industrialists, however, was to free themselves from the ZAG as well.[36]

Although these 'corporatist' institutions were not effective, and although heavy industry especially used them only tactically, at least the question of such institutions was placed on – and was central to – the political agenda. The only participants who were sympathetic to a corporatist solution – the German Democratic Party (the 'social-liberal' DDP) sympathizers who were involved in the drafting of the Weimar Republic's Constitution, some right-wing Social Democrats, and some leaders of the new industries, such as Siemens and Duisberg, who were more willing to go along with the eight-hour day and the establishment of bargaining structures with unions – were relatively marginal actors. The active driving forces, from the sides of both capital and labour, were basically unsympathetic to a corporatist compromise. The latter was also the case during the Weimar's 'good years' of 1924–9, which Maier has characterized as corporatist.

Nor were the latter years fully corporatist, in that the state was less a full partner in a tripartism than a referee between capital and labour. Equally there was too little trade union centralization to qualify these years as fully corporatist. Profitability had sunk too low at the expense of wage gains, and neither capital nor labour was opting for a compromise solution. Labour veered towards anarchism in its instrumental collectivism; and ADGB plans for an 'economic democracy' were more gradualist socialist than corporatist. Capital, and especially heavy industry – but more and more also the new industries – were cynical about collective bargaining and looked forward openly to the day when labour would be routed.[37] None the less, the relative stand-off between capital and labour from 1924 to 1929, with a social-democratic state intervening as impartially as possible in industrial disputes, along with high growth rates and arguably relatively favourable wage gains, are clear indicators of organization at the bottom. Capital, especially heavy industry, was nostalgic for the days when organization was only at the top and a strong state coexisted with a large measure of independence for entrepreneurs. This is clear from the 1925 report of the Reich Association of German Industry's *Sonderausschuss für ein Wirtschaftsprogram*.[38] When the industrialists achieved their goal with the successful offensive against labour in 1929–30, the Depression deprived the moment of much satisfaction, and this was further diminished after the Nazi accession to power.

Germany: conclusions

The unique profile of Germany approaches the organized capitalist ideal type in that high levels of organization took place rather early on at both 'the top' and 'the bottom': in the economy and civil society, on the one hand, and in the state, on the other. At the top, and in the economy, no country matched German heavy industry in terms of concentration and forward and backward integration; only the USA matched German heavy industry and its new electrical and chemical industries in the development of modern management structures and in its overall strength. No major country boasted a comparative level, though its legacy was ambiguous, of cartel formation. In civil society, only Sweden was a match for the strength of the employers' associations. At the bottom few countries matched Germany at the turn of the century for the strength and militancy of working-class organization; no country came close for political working-class organization; precedents were set in the early development of a welfare state. Where Germany has deviated from the ideal type is in the *mode* of organization and especially the organization of the state; Germany in particular is deviant here in terms of *who* was the central agent of organization. In Germany it was *capital* which, in an unparalleled one-sided manner, was doing the organizing. The dominant classes were not only key in bringing about state organization through high levels of protectionism from the 1870s, but it was the 'top' itself which organized the 'bottom' in the Bismarckian social insurance legislation. This inordinate role of the dominant classes in the organization of the state was in large part due to the very strength and perceived threat of working-class organizations in civil society. The year 1918 began more than a decade of working-class militancy and perceived proletarian threat, in response to which the National Socialist

organization (from the top) of the state – in terms of 'planning' and effective 'Keynesianism' – constituted a perceived solution. Even the initial post-war expansion of the welfare state in the 1950s and early 1960s came from the top – from Christian democracy – and not from social democracy.

We will now turn to the other prototypically *organized* capitalist society of the five nations under consideration here, that is, Sweden, in which organization at the bottom has been of unsurpassed strength.

SWEDEN: FROM FINANCE CAPITAL TO SOCIAL DEMOCRACY

One of the key elements in distinguishing differential national paths in the development of organized capitalism is the question of *who* is the organizing force: that is, the set of social or political actors or collective actors – whether a social class or class fraction, an interest association or political party – which takes on the primary role in bringing about the organization of a country's capitalism. Heavy industry, as we have seen, was crucial as the motor of organization at the top of German capitalism, while organization at the bottom and in particular the growth of the welfare state largely came about through initiatives also taken at the top. Sweden, whose profile as a highly organized society comes closest to resembling the German, could not have been more different in terms of its organizing forces. During the initial moment of development or organized capitalism in Sweden, in the decades spanning the turn of the century, it was not industrial but finance capital that was the main agency of organization. From the inter-war years by contrast, and allowing that Sweden had perhaps the most *organized* capitalism of any major western nation, it was the labour movement itself – first the Social Democrats and then the central trade union confederation, the Landsorganisationen (LO) – which provided the motor of organization.

Organization at the top

Organized capitalism developed rather later in Sweden than in Germany. In the period from 1893 to 1914 industrial capital was not particularly concentrated, and the state functioned more as a night-watchman state. Although from the 1930s Sweden has been the most highly organized of societies, this was not the case at the turn of the century. What explains this relative slowness to 'organize'? In chapter 1 we noted two general factors affecting the 'pace' of organization. The first is the extent to which pre-modern – especially feudal and guild – corporate forms survive intact into the capitalist period. The more pervasive these social and political residues are, the more they will facilitate the development of organized capitalism. On this point, Swedish capitalist organization would have been inhibited by the relative weakness of such corporate groupings in pre-modern Sweden. Feudal institutions stayed at a place for social transfer and family allowances, and a strong workplace linkage of social security. Fully 20 per cent of French GNP was devoted to social transfers in 1975, second only to the Netherlands in the West. At this time Sweden devoted only 16.6 per cent of GNP to social transfers; West Germany 16.7 per cent; Britain 11.1 per cent; and the USA 10.4 per cent.[44] In terms of total social spending as a proportion of GDP France has done less well: 22.7 per cent in France in 1975 compared with 27.9 per cent in West Germany. It should be noted that despite the absence of left governments in the Fifth Republic and, relative to other countries, the less rapid growth of social spending, the French welfare state continued to grow strongly in absolute terms. Thus social transfers as a proportion of GNP amounted to 11.3 per cent in 1950, grew to 13.2 per cent in 1959, and from 1961 to 1975 steadily increased from 13.5 to 20 per cent.[45]

In 1975 the proportion of spending on family allowances of all social spending amounted to 19.6 per cent in France, in comparison to 10.6 per cent in Britain and 10.2 per cent in Germany.[46] Generally it should be noted that in countries with a majority Catholic population, family allowances have consistently figured more prominently in social spending than in Protestant countries. Equally, in Catholic countries the struggle for family allowances has often been quite separate from the labour-movement inspired struggle for other social benefits. In France the family allowance issue was also intertwined with the 'demographic panics' of the nineteenth and especially the twentieth centuries, and with the rise and pervasion of French nationalism. The notion of social welfare spending as functional for the demographic health of the 'social body' was, we noted, also central to the development of the Swedish welfare state. The importance of this issue is highlighted by Foucault, for whom an important objective of modernity is the expanded demographic reproduction of the social.[47] In the Swedish and in the French cases there were a cluster of interarticulated ideological/political notions revolving around the modern, the social, demography, and nationalism. The comparative point here is that, whereas in Sweden this ideological constellation – especially in regard to the demographic question – found its elective affinity with Social Democracy and the working class, in France the class agents of 'modernization' were petits bourgeois and often Catholic and on the right. Thus in 1899 employees in parts of the public sector were awarded salary bonuses for large families, a practice which was extended in 1913. The heavy death toll of the First World War brought about the birth-rate bonuses of 1918 and other child-rearing subsidies of the following year, as well as the reform of public assistance to families of 1923. Another demographic panic – given impending hostilities – brought about the fixing of large family compensation for all employers at a significantly higher level in 1938, and at a yet higher level the following year by the *Haut Comité de la Population*. The CGT and the left opposed these enactments in the inter-war period on the grounds that they were divisive of the working class.[48]

A further distinctive characteristic of French social spending has been the extent to which it has been linked to the workplace. Thus perhaps the main function of the post-war *comités d'entreprise* has been the management of social security funds. When unemployment benefits finally – more than two decades later than in most other countries – came on to the agenda they did so not through legislation nor executive order but through a national collective bargaining agreement. This was the 1958 *accord* which created the *Association pour l'emploi dans l'industrie et le commerce* (ASSEDIC). These associations, with union and employer representatives on their boards, managed the insurance funds which covered all employees in commerce and industry.[49] This is again illustrative of policy-making via a bipartite corporatism excluding labour as an organized interest in that (1) the *comités d'entreprise* have inhibited, and arguably were designed to inhibit, labour from constituting a presence on the shopfloor; and (2) the most important interest organizations of labour have typically not been participants in national bargaining agreements.

In France the economy and civil society – partly due to its very economic forwardness, that is, its gentle industrialization and long-enduring overly large class of urban and rural petits bourgeois – were extraordinarily underorganized. We explored this underorganization in the economy in some detail above. In civil society it was most strikingly and significantly instantiated in the low membership density and instability of the trade unions. If – like Germany – the ideology *and the practice* of class struggle were pervasive from the turn of the century until into the 1970s, then – unlike Germany – the ideology and practice of collective organization were absent. This American-like small property owner's individualism was, however, unlike in the USA, paralleled by a renowned tradition of statism. Thus – as we saw above – the absence of the propensity of capitalists to organize French capitalism in the economy and at the top, was belatedly compensated for after the Second World War by the state. In a not wholly dissimilar manner, the lack of propensity of *workers* to organize in civil society meant that French capitalism was also organized at the bottom, and in particular here we refer to the post-war growth in social spending, largely through the agency of the (in no way working-class) state.

UNITED STATES: INSTRUMENTALISM AND PROGRESSIVISM

More than any of the other societies under investigation, the United States approximates the crude 'state-monopoly capitalist' ideal type in that it seems to demonstrate both an extraordinary fusion of banks and industry and a state which is the clear instrument of the economically dominant class. In the early part of this century, for example, the largest industrial firm was controlled by the same man as the second largest commercial bank, and the largest commercial bank was controlled by the same man as the second largest industrial firm. And instrumentalism was demonstrated in the same period in the day-to-day contact between the president and top industrialists, the domination of industrial interests on various regulatory commissions, and the quasi-governmental role assumed by major business leaders in the First World War.

To come to any understanding, we shall see, of the American state under organized capitalism, it is necessary to analyse the elusive phenomenon of 'progressivism'. It is in the Progressive era, from 1900 to 1920, that the American state became more instrumentalist than did the state in any society under consideration in this book. It is at the same time largely due to the input of a number of Progressives and a transformed progressivist ideology that the state during the 1930s New Deal gained considerable autonomy from capital. Further, the Progressive movement and later the Progressive ethos had figured as important inputs into the development of the American welfare state.

Organization at the top

Two centrally significant issues to be analysed here are, first, the role of banking capital in the development of American organized capitalism; and second, the degree, forms and effects of the concentration of industrial capital. We will deal with these issues in that order.

The main financial institution in the USA was the investment bank, which had typically begun as commercial capital operations in dry goods and clothing. Investment banks were not involved in industrial loans until the organized capitalist 1890s, but previously floated securities mostly abroad for railroads and state and local governments. They were also the primary creditors of American railroads. When in the early 1890s – due to asset stripping and ruinous competition – some one-half of railway assets came to belong to bankrupt companies, these assets passed into the receivership of the investment bankers, foremost among whom was J. P. Morgan.[50]

The cartel formation and mergers in industry of the 1880s were mainly carried out in oil, meatpacking and other agricultural products industries without the involvement of financial institutions. The much larger merger wave of 1898–1903, that saw the creation of such firms as United States Steel, American Tobacco, International Harvester and Du Pont, was largely the result of the financial institutions. From 1895 to 1904, American firms disappeared at an average rate of 301 per year.[51] As a prelude to this avalanche of mergers, J. P. Morgan oversaw the crucial joining of Edison Electric Company and the Thomson-Houston Company to become General Electric in 1892, with the resulting placement of two Morgan partners on the new company's board of directors. Morgan also oversaw the largest merger ever in America, in the formation of United States Steel in 1901; US Steel was formed out of what had originally been 138 companies, and controlled 62 per cent of the market at its creation. In the economically central and technologically advanced agricultural machinery sector the McCormick and Deere companies merged in 1902 – overseen by George Perkins again of the House of Morgan – to form International Harvester; in 1918 Harvester controlled some 65 to 90 per cent of the product market in the company's main lines of binders, mowers and harvesters. Bell Telephone Company (the precursor of American Telephone and Telegraph (AT & T), who were the precursor of International Telephone and Telegraph Corporation (ITT)), had a monopoly over telephones and lines from 1877–9 until 1894 when their patent expired. With competition now entering, Morgan, Bell's premier financier, aided in the establishment of long-distance lines between cities. From 1907 AT & T's capital needs catapulted Morgan into a controlling position where he engineered a policy of merger with the independent companies.[52]

The seemingly ubiquitous House of Morgan were not the only financiers forming industrial capital out of these mergers. John D. Rockefeller created a financial group through the profits of Standard Oil, and thus came to dominate the (commercial) City Bank of New York, later to become the National City Bank. Through the latter, Rockefeller was able to control the predecessors of both the Anaconda Copper Co. and Commonwealth Edison and able to back E H. Harriman's (at times Morgan's greatest competitor) railroad ventures Also at this time the banking business was undergoing a process of change. First, financiers began to take over the major life insurance companies; for example, by 1910, Morgan had control of the nation's three largest insurance companies: Equitable, Mutual and New York Life. More important was the shift towards the domination of the commercial banks. The Morgan group went into an alliance with, and then took control of, the First National Bank of New York, and through allowances and interlocks were connected with a number of other major commercial banks. These, however, were pure-type commercial banks as debtors only; as creditors they took on investment banking functions.[53]

What explains the turn of the century merger wave? A comparison with the smaller cluster of mergers of the 1880s is instructive. The motives for this wave in the 1880s in which trade associations were quickly replaced by relatively integrated companies were (1) to stabilize markets in which there existed destructive competition, and (2) to realize economies of scale through integration. Because of the nature of the industries involved the intervention of finance capital was unnecessary. Moreover, the investment banks had then been occupied with railway activities. By contrast, the qualitatively larger turn of the century wave took place in a different set of conditions. First and foremost, with the decline of opportunity for railway investment, industry was the only logical place for the investment banks to go for investment opportunities. Second, most of the industries then important, because of the high ratio of initial capital layout to initial sales, needed external finance in order to expand. Third, US corporation laws were liberalized in the late 1880s and the 1890s and this made it easier to grant corporate charters, to raise the limit on authorized capitalization and for one corporation to own shares of another.[54]

In the event, the investment banks went about their merger activity in much the same style as they did in the railways, that is, through the issue of a large proportion of 'watered stock', which represented the costs of merger and the anticipation of future earnings. With the watered stock, the total value of stock issued was often set at about twice the value of the firm's capital assets. This enabled the investment banks, through stock-holding, to be in a position of control over the firm. But whereas this watering strategy may have been – at least temporarily – successful on the railways, in industry it was disastrous. In industry the heavy fixed interest and dividend payments, which such capitalization entailed, brought down profits and made merged companies non-competitive with independents, who quickly increased their share of product markets. Equally, economies of scale were not realized because these horizontally-merged firms did not integrate, either horizontally or vertically, but often (the prime example is US Steel) persisted as holding companies.[55]

In the 1920s there were a number of significant changes in American capital markets. First, automobiles and chemicals, the 'new industries' which attained a special primacy in the 1920s, grew mainly out of internally generated profits, as did a number of the industries which expanded enormously from automobile-created demand. Second, for the first time individual investors – as distinct from financial institutions (stockbroking firms are not financial institutions) – came to play a pervasive role on security exchanges. At the same time, towards the end of the twenties, stock issues began to raise more capital for industry than bonds. Third, new investment banks began to challenge the old on security exchanges, where they were joined by a new institution, the investment trust, which (unlike the investment banks) issued its own stocks and bonds and then invested itself in other securities. Fourth, commercial banks took on new functions. Originally drawing on the wealthy and on corporations for deposits, new West Coast banks like the Bank of America also attracted small depositors as creditors. Also in the 1920s commercial banks began to form security affiliates which (as Swedish and German banks did) underwrote and held securities. After the First World War, the USA became for the first time a net creditor nation and New York became the world's banking centre, with the Federal Reserve, created in 1913, taking on the functions of the bankers' bank. The houses of Morgan and Rockefeller also prospered. The expansion of utilities in the twenties necessitated large issues of new securities. Great public utility holding companies in electric light and power were created, the two largest of which were controlled by the Morgan group from 1921; to these firms the Morgan group added controlling interests in RCA and Kennecott Copper by the late twenties. The Rockefeller group began at this point to operate mainly through the Chase

Manhattan Bank, and also obtained control of the Metropolitan and the Equitable Life Insurance companies.[56]

Overall, although banks and industry have been very significantly interconnected in American organized capitalism, the main power of banks has been its veto and not one of determining investment strategies.[57] For considering the development of particular industries it is useful to divide the history of modern US industry into four periods which are at the same time four successive modes of capital concentration: the first, of largely horizontal integration in the 1880s; the second, of (a) the unproductive mergers and (b) subsequent successful vertical integration of the 1890s to 1920s; the third of diversification and the creation of multidivisional enterprises which began in the 1920s; and fourth, the 1960s formation of conglomerates, in which industrial capital, in effect, takes on the role of finance capital.

During the 1880s horizontal combination took place especially through the form of trusts in the refining and distilling industries. In several of these (petroleum, cotton-seed oil, whiskey, sugar refining) in which technologies were available for economies of scale, genuine concentration of production took place in fewer, larger firms which were more optimally located with regard to markets. The case of Standard Oil is instructive in this context.[58] To stabilize prices in petroleum refinery, John D. Rockefeller took the lead in creating a cartel in the 1870s. To inhibit the continuing entry of 'wildcat' refiners, Rockefeller put the cartel in a monopoly position in terms of reduced transport rates from the railroads. Trading securities with cartel members, Rockefeller was able to acquire over 50 per cent of the total stocks and bonds of cartel members by 1880. This horizontal integration permitted rationalization when the introduction of the long-distance crude-oil pipeline enabled the relocation of refining capacity nearer to markets and in larger units.[59]

In the food-processing industry vertical integration began on a very large scale.[60] The key to this was successful forward integration into wholesaling and sometimes retailing. In meatpacking, where little advance in production technology was possible, integral to expansion were sales and transport, and in particular the ability to shift meat from the Midwest to markets in the eastern cities. The Swift Company was the first to develop in this, using not just refrigerated railway cars, but building refrigerated storage facilities near the main cities. The company, incorporated in 1885, then, in the early 1890s, developed a sizeable purchasing department to organize systematically the buying of cattle. Swift was thus one of the first of the functionally-integrated industrial firms, with substantial purchasing and sales departments. By 1905 they and four other meatpackers controlled 35 per cent of the market in the industry. In machinery manufacture concentration through horizontal integration was unnecessary for reasons of finance because reasonable levels of sales were possible without a large initial capital outlay. Crucial though was the sales and servicing of equipment that was difficult to use. Thus, paid staff instead of commissioned agents came to be used in wholesaling. Important also was the development of franchised dealers for advertising, final sales and service. Most successful firms in mechanical engineering grew through such vertical (downstream) integration.

German industry, as we noted above, concentrated and took on similar management patterns at about the same time as the USA;[61] America, however, underwent this process on a far wider scale. The major explanatory factor operating here, we believe, was the existence of mass consumer markets. Germany developed modern managerial structures in industries – coal, iron and steel, electro-technical, chemicals – which sold either on capital goods markets, and/or to the (central or local) state. The first genuine burst of American concentration took place in oil, food processing, agricultural machinery, and sewing machines. Apart from oil (which was a massive exporter of its central product, kerosene, before 1900) this concentration, either through the production of standardized machinery and/or the creation of a rationalized sales apparatus, was only possible because of the existence of well-paid urban and rural popular classes. It has been estimated that in 1905 German real wages were only 42 per cent, British real wages 56 per cent, and Swedish real wages 47 per cent of the American figures. In 1930 the corresponding proportions were 40 per cent for German, 51 per cent for British and 60 per cent for Swedish industrial workers.[62]

In organized capitalism, then, capital typically undergoes concentration, first, through horizontal and vertical integration, which yields to development of functionally-departmentalized managerial structures. The second wave of concentration takes place through diversification and leads to the development of the multidivisional company. The difference between a functionally-departmentalized and multidivisional structure is that the latter is composed of a number of divisions – based on product or geographical lines – each one of which has various staff departments.[63] In the USA both renewed concentration and transformation of managerial structures were catalysed by the mass consumption of motor cars. This brought about the total reorientation and expansion of the oil industry, the quick concentration of the rubber industry, and the transformation of the steel industry. Three American firms to move very early to multidivisional structures were Du Pont, General Motors (GM) and Standard Oil of New Jersey. The two former became multidivisional through diversification, and thus their divisions were along product lines. The 1920–1 post-war economic crisis led to Du Pont and GM restructuring as multidivisional firms. In the case of Du Pont, as it was much later to be elsewhere, the unfavourably high ratio of financial resources to narrow and collapsed markets forced diversification.[64] There were two main necessary conditions for such managerial restructuring, both of which had functional equivalents in Germany, though neither had functional equivalents in Britain or Sweden. The first was simply that the firms possessed the economic resources for such rationalized restructuring. We remember in Sweden that, in the absence of such resources, it was the banks that had to control and oversee

rationalization in response to the same recession. In Britain it was a catalyst not to the development of multidivisional structures – or to insufficient diversification – but instead to the adoption of the (already tried in several countries) structure of functional departmentalization. The other condition was on the level of what Bendix some time ago came to characterize as managerial ideologies. If in Germany such rationalizing ideologies had their origins in the military or state bureaucracy, in the United States the origins were arguably in the engineering school. This explains not just American development of Taylorist-type shopfloor arrangements; it also explains the growth of managerial hierarchies. Three members of the du Pont family, trained at the Massachusetts Institute of Technology (MIT),had brought about such radical restructuring of company management in the two decades before 1920 that when diversification came, the managerial structure was already on the ground that could effortlessly adopt the multidivisional form. And it was Pierre du Pont himself who, after acquiring GM in the crisis, laid the groundwork for the multidivisional structure of this already diversified firm. As for Standard Oil of New Jersey, it was the enormously rapid expansion of markets for petrol for motor cars, in conjunction with the geographical scatteredness of sources of crude oil and the expense of transporting refined gasoline to areas of final consumption, which made a geographically-based multidivisional structure necessary.[65]

Let us then attempt to analyse the state in organized capitalist America via the phenomenon of 'progressivism'. The Progressive movement began before 1900, essentially as a response of certain 'middle-class' elements to the problems caused by industrialization. Progressives aimed at a number of reforms regarding labour, capital and the state: labour, in regard to their early efforts to improve the quality of life in the slums and support of workmen's compensation; capital, in their push for limitation and regulation of monopolies, including the restriction of big business access to political power; and the state, in their programmes for municipal ownership of utilities and for a more general reform of urban machine-dominated politics. The Progressive era is normally said to have commenced in 1901 with the Theodore Roosevelt presidency. Though not a member of the Progressive Movement, Roosevelt had, as Governor of New York just before the turn of the century, imposed taxes on corporation franchises. As President from 1901 he gained a 'Progressive' reputation due to putative regulation of the 'trusts' through his resurrection and use of the Sherman Anti-Trust Act.[66]

On closer examination, however, it is clear that the large corporations not only acquiesced in, but in part co-directed, their own regulation. Furthermore, the stiffest use of the Sherman Anti-Trust Act in the Supreme Court decisions of 1877 and 1899 had the effect of discouraging pools and cartel-like agreements and instead encouraged the largest merger waves in American history, and thus, as we mentioned above, reinforced the power of the largest corporations. The most renowned use that Roosevelt made of the Sherman Act was in his ordering of a successful suit again the Northern Securities Company in 1902. This seemed to strike at J. P. Morgan railroad interests: it banned the formal device of the holding company, yet the *de facto* holding company continued to exist. Roosevelt's relation to Morgan interests was to say the least problematic. George Perkins, a Morgan partner, was key in the drafting of Roosevelt's regulation legislation. Probably the most universally recognized contravention of the Sherman Law was the receipt of railroad rebates by the trusts. Yet when it became apparent that the Morgan-controlled International Harvester was receiving rebates from a Morgan railroad in 1904, no such litigation took place. Further, Elihu Root, long deeply involved with Morgan interests, became Secretary of State in the second Roosevelt administration in 1905.

Perhaps the most striking and widely publicized failure of Roosevelt trust-busting involved the Morgan-financed US Steel. Progressive supporters of Roosevelt, and organized small business, expected litigation when the company extended further its market dominance through the purchase of Tennessee Coal and Iron in 1907. Roosevelt refused litigation on the shaky grounds that such acquisition was necessary to save an investment firm which held the shares of the Tennessee company as collateral. Finally, as a kind of bad joke mocking the Northern Securities decision, in the last two years of Roosevelt's administration, Morgan was permitted to become owner of the majority of assets of New England's railroad system.[67]

Counter-factual explanation is a thorny business. It is, however, likely that the large corporations would not have pushed for their *own* regulation in the absence of the Sherman Act. It is clear that the movement for the establishment of regulatory agencies by big business came only after the passage of Sherman. Equally, most efforts by big business to promote such regulatory agencies was apparently in reaction to the unpredictability which entered business life because of the intermittent, and seemingly arbitrary, use of Sherman suits. Thus, the instrumentalist interpretation of the American state, though arguably valid on counts of the consequences of state policy and the frequency of contact between big business and state personnel, is less valid on the count of business intentions and state policy.

At this point we should note the contemporaneous balance of political forces in the USA. Large-scale industrial capital had formed the National Civic Federation (NCF) in 1900, in direct response to Sherman litigation; the NCF grew out of a conference on the regulation of trusts in Chicago in 1899. Morgan interests were very strongly represented on the NCF; much of the federation's legislative effort spearheaded by George Perkins, a Morgan partner, who consistently had access to Roosevelt's ear. The NCF was relatively liberal on trade-union matters, conceding that a broad reading of the Sherman Act would protect unions as well as the large firms from litigation. Smaller business men were organized in the National Association of Manufacturers (NAM),

vociferously hostile to trade unions, whose sympathy for trust-busting and a narrow reading of Sherman made them the awkward political bedfellows of the Progressive movement. Samuel Gompers of the American Federation of Labour entered into 'quasi-corporatist' relations with the NCF and the government, thus isolating the left-wing unionists and socialists, who found a number of interests in common with the Progressives. Roosevelt himself was closely aligned with the views of the NCF, endorsing litigation only against unreasonable constraints of trade, and friendly to the notion of socially responsible 'trusts' and conservative trade unions.[68]

Original business uncertainty in the face of law suits under the Sherman Act led to pressure which ended in the creation of a regulatory agency, the Bureau of Corporations in 1903. When this turned out to be toothless, and regulation by litigation persisted, the NCF pressed again this time for an effective agency. A number of Congressmen then asked the NCF itself to exercise the drafting of a bill, a subsequent version of which became law in 1914 and created the Federal Trade Commission.[69]

Just as the Progressives and small business, occupying opposite poles on the spectrum of 'respectable' politics, took similar positions *vis-à-vis* trust-busting, so was there a functional similarity of their politics with respect to the local state. Both wanted, and to a large extent succeeded, to replace local government of corrupt political machines by apolitical government by technocrats. Before the turn of the century, local capital had been antagonistic to Progressives and other more radical urban reformers, and had preferred the old 'machine' politics. What persuaded the small capitalists of the need for urban reform was the requirement for a modern municipal infrastructure. This was to be provided with the greatest efficiency and the smallest amount of waste, on the principle, many were to propound, of 'one-man management'. To bring this about meant the dismantling of partisan politics, and this was the aim of the city commission and manager movements. The means to accomplish this end was local government, no longer through 'political' aldermen and mayor, but through the direct election of (many fewer) non-partisan 'commissioners'.[70] Commission government first spread widely in American towns and cities from 1900 to the First World War. The effect was an increase of the political influence of business, as working-class aldermen lost their seats and commissioners came to work particularly closely with chambers of commerce. Yet the means to this end was the Progressive idea of rationalized local government. Indeed prominent Progressives either did not effectively oppose, or even played an active role in, the introduction of the government by commission plan.[71]

We should distinguish at this point between the Progressive era discussed above, the Progressive movement, the various incarnations of the Progressive Party, and the ideology or ethos of progressivism. The Progressive movement began about a decade before the turn of the century, and by 1910 was led by Robert La Follette, governor of Wisconsin, who had transformed

Progressive ideology into legislative reality, through the institution of direct primaries, tax reform and railroad rate control. The Progressive Party grew out of a league that the genuinely radical La Follette had created inside the Republican Party. It was subsequently captured by NCF and business interest, making use of Theodore Roosevelt's progressive credentials in order to launch his presidential candidacy in 1912. Woodrow Wilson, victorious in the election, shared Roosevelt's type of progressivism. These politics were partly a response to a sort of progressivist tendency (not strongly linked to the movement itself, but an outgrowth of 1890s populism) in the Democratic Party – the largely rural-based southern and western followers of William Jennings Bryan. After 1916 Wilson's (limited) social legislation, in conjunction with a general shift to the right of the American political spectrum, meant that the Progressive movement was finished and the Progressive era over. But the Progressive ethos was still deeply imbued in several strata of the American population. It resurfaced in the 5 million electoral vote performance of La Follette's second incarnation of the Progressive Party in the 1924 presidential election, and it resurfaced again, in a radically transfigured form, as we shall immediately see, in the New Deal.[72]

The Franklin D. Roosevelt presidency (1933–45) surely signalled, in comparison with times past, a relative autonomy of the American state. Ellis Hawley has identified three sets of political actors during the New Deal, which vied with one another to determine policy; all had roots in one form or another of progressivism.[73] These were, firstly, those who stood in a principled opposition to monopolies, and favoured most of all initiatives towards political or economic decentralization. This group saw state spending, as distinct from state planning, in a positive light. It promoted state anti-trust activity to enhance economic competition. These 'anti-trusters' harked back to progressivism's populist origins.[74] The second group of political actors were the 'planners', who included the classic New Deal liberal left, who had roots in more mainstream progressivism, associated with the rationalization of urban government. They were less hostile to big business than were the anti-trusters, but considered that effective state planning was necessary in order to keep business in line. The third group, whose slightly more suspect progressivism derived from Theodore Roosevelt, were the proponents of a 'business commonwealth', favouring trade associations in which the various industrial sectors would effectively act in the public interest through a process of 'business self-control'. The second and third groups could both be termed 'corporatists', the difference between them being that the public-interest tripartism of the 'planners' assumed significant powers for labour and especially the state, whereas the vision of the 'business rationalizers' could only accept very minor roles for the latter two groups. Their project actually propounded an even more instrumentalist American state in as much as business would take on quasi-state powers.[75]

Prior to the New Deal, departures from *laissez-faire* policies were almost invariably associated with the third group of Progressives, the 'business rationalizers'.[76] During the First World War a group of interventionist bodies, in which big business came to play a quasi-state role, were created, including the Food Administration and the War Finance Corporation. The most central of these however was the War Industries Board (WIB) which was established partly due to strong lobbying by the US Chamber of Commerce. The WIB was less significant in its ineffectual practices of industrial pricing and resource allocation, than in its symbolic role and in its production of administrators who were to figure as business rationalizers in the New Deal. Perhaps as important was the new role of the Federal Reserve Board and the fledgling trade associations that developed in the 1920s.[77] Prior to the New Deal the Federal Reserve became encharged with increasing powers of national monetary co-ordination. Its break from traditional Gold Standard practices, in an attempt to intervene rationally in money markets, unfortunately helped bring on the crash of 1929. Herbert Hoover, as Secretary of Commerce from 1921–9, was instrumental in fostering in response to the recession of 1921 the 'cooperative associationalism' of the 1920s. Hoover expanded the Department of Commerce but supported the use of moral suasion only to prevent competitive abuses by the flourishing trade associations. As President, though, he opposed Robert Wagner's bill for federal relief to the unemployed and the expansion of the money supply; he yielded to farmers' pressure in 1929 to institute a government grain-buying programme, and to business pressure for the creation in 1932 of the Reconstruction Finance Corporation.

The Franklin Roosevelt presidency can be broken down into three periods. The first was 1933–5, and involved the National Industrial Recovery Act's (NIRA) attempted institution of a 'business commonwealth'. The second was 1935 and 1939, in which the idea of planning through business self-control was abandoned, and during which Roosevelt and the leading figures of his Administration saw themselves as governing *against* oligopolistic power. Finallly, there was the war period, in which policy objectives were intended to and succeeded in reincorporating big business in the (changed) status quo.

Skocpol has argued against an instrumentalist Marxist reading of particularly the 'first' New Deal of the National Industrial Recovery Act (NIRA).[78] Her case largely rests on four (difficult to dispute) pieces of evidence: that capital was far less cohesive after the First World War than during the heyday of J. P Morgan and the National Civic Federation; that only a minority of the most prominent business leaders were notably active in pushing for the trade-associational components of NIRA; that organized business opposed the union security provisions of the Act; and that business displeasure with the operation of the National Recovery Administration (NRA) which the Act created, often on grounds of creeping socialization, was commonplace.

However, it would seem that Skocpol has in part overstated her case. First, Title I of the Act prescribed that there should be codes regulating government-backed industrial cartels but the codes for each sector themselves were in fact written by representatives from the leading firms *in that sector*. Secondly, when the government proved incapable of finding administrators for the codes, business itself provided the state-employed administrators. Third, the codes, much like in the WIB, provided for business self-control, the government being able to use only moral suasion and capable of no sanctions with any teeth whatsoever. Fourth, Section 7a, supposedly guaranteeing a measure of trade union security, did not prove of much direct help to labour, and businesses in the various sectors evaded its provisions whenever possible. Fifth, the codes as written consisted of a victory for the third group of Progressives mentioned above, the 'business rationalizers'.[79]

Some business leaders genuinely believed that the codes were a 'business-commonwealth' path out of the depression. Many industrialists it seems were originally induced to co-operate at least minimally with the Act for more cynical reasons, that is, for a *quid pro quo* in which anti-trust constraints would be lifted in return for the granting of minimal rights to the state and labour. The point is that in granting to big business an important bundle of quasi-state procedural and substantive rights, as well as offering on a plate the possibility of guaranteed profits through anti-trust immunity – and all this in return for very little – the NIRA offered the possibility of an almost unprecedented degree of control on the implementation of state policy. As a result virtually all (small business, farmers, unions, pro-planning middle classes) of the constituent parts of the New Deal coalition were unhappy with the NRA because of what they saw as business domination, and the effect of the Act was to foster 'restricted output, higher prices, reduced purchasing power and scarcity profits'.[80]

However, from the Schechter decision midway through 1935, which declared Title I of the NIRA to be unconstitutional, to the end of the Roosevelt Administration in 1945, the American state attained a degree of autonomy, power and influence separate from the interests of large capital – an autonomy that it had not possessed for nearly a century. This is clearly indicated by analysing the legitimating arguments put forward by government in defence of the New Deal. In 1933–4, the main such legitimating argument was two-pronged: first, government spokespersons hailed New Deal policy as 'bold experimentation' in contrast to the negative, inactive approach of the old regime; and second – quite clearly the defence of Title I of the NRA was in question here – not statism but 'co-operation' between businessmen, between labour and capital, between industry and agriculture, was counterposed to a discredited individualism.[81] Not far into the life of the NRA, when Roosevelt began to suspect big business of being anything but co-operative, 'co-operative action' came to refer to state action. And from the beginning of 1935 the discourse of 'neighbourliness' was replaced increasingly by an anti-business rhetoric. The new legitimating argument was two-sided. On one side, and this was to persist especially from 1936 until entry into the war, was a set of utterances in condemnation of 'vested interests', a revival of the slogans of the Progressive era which invoked the opposition of the 'people' to the 'interests'. Especially during the 1936 re-election campaign, Roosevelt spoke of 'economic autocrats' and 'captains of finance'. On the other side was a discourse of a new individualism which was also for the weak, which would be guaranteed by government and was crystallized in the 1940s in Roosevelt's call for the famous 'four freedoms' (of speech, of worship, from want, from fear), and an 'economic bill of rights'.[82] It is at this point that we should turn to whether and in what form American capitalism came to be organized at the bottom as well.

Organization at the bottom: little and late

If the codes of the National Recovery Administration were conceived with the idea of turning big business into quasi-governmental organizations, then New Deal policy from 1935 illustrated the state's relative autonomy through what Hawley has called 'counterorganizational planning', through anti-trust activities, and through unintended – and then conscious – deficit spending.[83] The planners' subsequent approach to state rationalization of the economy was rather piecemeal, and consisted mainly of promoting the organization of scattered groups whose influence in organizing markets (in comparison to the oligopolistic firms) was weak. Thus they focused their efforts at promoting labour organization through the Wagner Act, the interests of the unemployed and pensioners through social security legislation, and the interests of farmers. These 'counter-organizers' also were able to procure government aid for inefficient, sick sectors of the economy such as bituminous coal and the retail trades. The point at issue is not just that these are indicators of 'relative autonomy', but that the state itself was a key agent in promoting the organization of American capitalism at the bottom. At the same time a number of successful initiatives were launched against the perceived interests of the meso-economic companies. The Securities and Exchange legislation of 1934 which, in the face of Wall Street opposition to its attempt to counteract the concentration of investment banking, led to the stabilization of the securities markets. The late 1935 utilities regulation, which – in, for example, the Holding Company Act – was in effect an attempt to break the domination of the electrical 'power trust'. In the same vein can be seen Roosevelt's undistributed profits tax of 1936, and the appointment of activist Thurman Arnold to head the moribund Antitrust Division of the Department of Justice.[84] In 1938 the planners, who had become quite directly influenced by Keynes, and the anti-trusters entered into an alliance against the business-oriented, budget-balancing conservative Democrats.

During the Second World War the state's autonomy was reconfirmed on the level of 'civil society', by gains made by subordinate collective actors. Unemployment diminished rapidly in 1940–1 and had virtually disappeared by 1943. Working-class income improved, both absolutely and relatively. The share of the top 5 per cent of national income declined from 23.7 per cent in 1939 to 16.8 per cent in 1944. Organized labour succeeded, taking advantage of the National Labor Relations Board (created by the Wagner Act) and a tight labour market, to increase trade union membership from 9 million in 1939 to some 15 million in 1945. The moderate wing of the civil rights movement got underway, marked by A. Philip Randolph's march on Washington of 1941 and the subsequent establishment of the Fair Employment Practices Committee.[85] In the apparatus of the state itself, however – largely in exchange for support for the war effort – the power of big business began to reassert itself. Though the Congress of Industrial Organizations (CIO) proposed to contribute to the organization of war production through the creation of Industrial Councils, labour was effectively excluded from economic decision-making. The Office of Production Management was headed by William Knudsen, former General Motors president. Notwithstanding this, only with the attack on Pearl Harbor was government able to halt automobile production, and through contracts shift activity into aircraft parts, tanks and other armaments. The War Production Board, established in 1942, offered virtually no decision-making power to labour; instead a market military presence on the board was complemented by the dominance of key posts by 'one-dollar-a-year' men on loan from the largest companies. Finally – in the face of small business protests aimed at a quick restoration of competition – meso-economic power proved capable of stalling reconversion virtually until VE Day.[86]

Given the weight of the middle classes and progressivist conceptions in the development of the American welfare state – from Jane Adams' turn of the century settlement-house movement in the urban slums through the New Deal – it has come to take on a number of distinctive features. First, we should note its slowness of development. It is indeed striking that American pension insurance and other forms of social insurance followed most other countries by a generation, and that the USA is still without a federal system of family allowances and a universal system of health provision. Second, the extent and level of welfare state provision has remained inordinately low. As late as 1966 the proportion of GNP accounted for by social insurance spending was about half that in France, the Federal Republic of Germany (FRG), Sweden and the UK.[87] Partly as a corollary the ratio of social assistance to social insurance has been substantially higher in the USA than in Europe, indicating that in America welfare spending often means exclusion from, rather than inclusion into, citizenship. Having said this, it should be noted that the per capita provision of welfare resources in America is unmatched anywhere. There is a higher consumption of welfare state-*type* resources in the USA than in any other country; for example, by 1975 the percentage of national product spent on health care (not to mention absolute spending per capita on health care) was highest in the USA, while the standard of living for over 90 per cent of Aemrican pensioners has been superior to that of most European pensioners.[88]

In analysing a given welfare state it is necessary to consider whether services are provided publicly or privately, who are the recipients of welfare resources (particularly whether the distribution is two-tiered), and whether the consumption is positively or negatively redistributive. In the USA an absolutely and relatively great quantity of welfare resources have tended to be, on the one hand, privately provided, and on the other, selectively and regressively consumed. Perhaps the crucial area, in terms of the early, largely private and largely regressive provision of welfare resources in the USA, has been in education. Put plainly, the United States was about one generation behind Western Europe in the provision of social insurance legislation, but one generation ahead in the expansion of the education system. Secondary and tertiary education began their explosive expansion in the USA at about the time that Germany, the education 'leader' until the 1880s, introduced its social insurance legislation. In 1890 6.7 per cent of Americans aged 14 to 17 were already enrolled full-time in school; by 1920 this proportion had burgeoned to 32.3 per cent.[89] The explanation for this must be sought in the peculiarly American understanding of the pursuit of society's welfare and equality goals not via social insurance, but through education.[90] This American 'reading' of welfare and equality was associated with a notion of equality largely equated with social mobility and the possibility of everybody, or at least a large proportion of almost everybody's acquaintances, becoming or being in some sense, 'middle' class.

Americans believed in such a notion of equality for a number of reasons, some of which were causes, others justifications. First, the absence of a strong organized political working-class movement meant that no alternative, more collective interpretation of equality was made available to them and so they focused on equality, not of opportunity, but condition. Second, only in the United States was the existence of a large, independent farmer class so quickly superseded by the establishment of massive numbers in the service class, and in white-collar occupations more generally. It must be remembered in this context that the premature expansion of American secondary and tertiary education was a crucial condition of the early expansion of the service class, who then came to have ideal and material interests in the valuation of higher education itself and the credentialism to which it lent legitimation.[91]

In any event, what is America's *differentia specifica* is the inordinate role of social–liberal elements of the service class in the development of its welfare policy.[92] The crucial distinguishing characteristic of American organized capitalism, more generally speaking, was the existence of a strong and well-mobilized capitalist class and strong and well-mobilized middle classes; in the context of the absence of a substantial working-class movement, capital in America was organized at a very early date: financial and industrial wings were strong and interarticulated. The service class, whose condition of existence was the quick burgeoning of American higher education (see chapter 6 below), achieved a presence in the inter-war period that was not matched in Europe until the 1960s. And these new middle classes were eminently well organized. From its beginnings American political history, it might be suggested, could be conceived in terms of a succession of experiences of 'aristocracy' and 'democracy', all of course within the framework of a capitalist polity. During phases of 'aristocracy' – and this holds true for liberal, organized and disorganized capitalism – what state policy there is tends to be rather immediately aligned with the interests of the strongest groups among big business; that is, the state is highly instrumentalist. During phases of 'democracy' – the Jefferson and Jackson administration in liberal capitalism; the New Deal and arguably the Wilson administration in organized capitalism; the Kennedy and early Johnson years of disorganized capitalism – the state assumes a greater autonomy.[93] What is crucial here is that periods of 'democracy', and even periods where democratic movements unsuccessfully challenge 'aristocratic' state power, are brought about through the mobilization of political resources by the *middle* classes: first, until the turn of the century by the traditional, largely agrarian, petite bourgeoisie, and then (in organized and disorganized capitalism) by the service class and the new petite bourgeoisie. Elsewhere, the democratic challenge and the creation of state autonomy finds its relevant vehicle in organized capitalism in the working class; and only in disorganized capitalism does the service class play a comparable role. What we are arguing, then, is that 'American exceptionalism' is explicable not just through an ethnically divided and ideologically weak labour movement, but also through the existence as a political force of a prematurely sizeable service class, which at the same time as providing the most important source of opposition to the naked power of capital, functioned to spread a transformed and characteristically organized capitalist ideology of achievement and expertise which had its effects in large part at the expense of the American labour movement.

Some cross-national conclusions

In these two chapters, we have tried to sketch a panorama of the cross-national development of organized capitalism. We have attempted to establish the most significant cross-national distinction by asking the 'who?, the 'how much?', the 'where?' (top or bottom, state or civil society) and the 'why?', of the development of organized capitalism within five major western societies. In Germany and Sweden, countries which became strongly organized both at the top and the bottom, we asked the question who was the salient agent of organization. The answer was that heavy industry played a role in Germany comparable to finance in Sweden. In Britain and France we asked the question of why so little organization, and so late. This led us to discussion of how Britain was in some important ways a *Makler*, a broker or middleman, economy, and how France was slow to organize because on a number of counts it was less, and not more, economically backward than England. The USA, in contrast, became strongly organized at the top but only weakly at the

bottom. The early decades of German and Swedish organized capitalism were dominated by capital goods industry, in Britain and France by consumer goods sectors, only in the USA, with its large popular markets was there a balance of the two. American banks, more than German banks, helped lay down the conditions for successful industrial capital concentration. The American national state – partly due to the absence of an étatist tradition – more than the German state, was an effective 'instrument' of business interests.

Perhaps more telling in foreshadowing comparative profiles of capitalist *dis*organization, the subject of much of the remainder of this volume, is the matter of organization at the bottom. In Germany and France it was the top itself that in a very important sense helped organize – in the development of welfare legislation and in the departure from *laissez-faire* economic policies – the bottom. In Britain it was a combination of top and bottom. In Sweden, social democracy and the trade-union movement took on these modernizing tasks, and in the USA, it was neither capital nor labour, but a set of political actors and forces drawn from the prematurely expanding service class who played a key activist role in welfare development and the partial shift from *laissez-faire*.

Probably more important is the 'how much?' and 'when?' of organization at the bottom, and here our argument is a sort of sophisticated version of Marx's famous *de te fabula narratur*. Whereas other countries became, at the bottom, organized very early on and have begun to disorganize only quite recently, the United States became organized at the bottom quite late, and not very much later at all began to disorganize. In terms of trade union membership, welfare state legislation and departure from *laissez-faire*, the USA can be said to organize no earlier than the mid-1930s. And already by the late 1940s and early 1950s – in terms of for example class voting, percentage of manual workers in trade unions, percentage of core working class among the economically active, suburbanization of working-class residence patterns – the process of disorganization seems to have begun to set in. We are not claiming simplistically that other countries will follow the American path. We maintain indeed that nations with longer and more developed periods of organization will not only disorganize more gradually than the USA, but that disorganized capitalism in these nations will remain marked by the institutional characteristics specific to each nation's previous experience of organized capitalism. We do think however that social and economic change in the United States, not because it has been the most developed *organized* capitalist nation but because it has been the least developed organized capitalist nation, does merit a good deal of scrutiny – and not least by the left – by those in other western countries.

Notes

1 INTRODUCTION

1 K. Marx and F. Engels, *Manifesto of the Communist Party* (Foreign Languages Press, London, 1888), pp. 53–4.
2 Ibid., p. 65.
3 M. Berman, *All that is Solid Melts into Air. The Experience of Modernity* (Verso, London, 1983). Also see S. Kern, *The Culture of Time and Space, 1880–1918* (Weidenfeld & Nicolson, London, 1983).
4 *Organiserter Kapitalismus*, ed. H. Winckler (Vandenhoeck & Ruprecht, Gottingen, 1974).
5 See J. Kocka, 'Organisierter Kapitalismus oder Staatsmonopolistischer Kapitalismus? Begriffliche Vorbemerkungen', ibid., pp. 20–4. For a related formulation, see R. Torstendahl, 'Technology in the development of society 1850–1980: four phases of industrial capitalism in Western Europe', *History and Technology* 1 (1984), pp. 157–74.
6 A. Groz, *Farewell to the Working Class* (Pluto, London, 1982); E. Hobsbawm, *The Forward March of Labour Halted?* (Verso, London, 1981); C. Offe, *Disorganized Capitalism* (Polity Press, Cambridge, 1985).
7 See G. Therborn, 'The prospects of labour and the transformation of advanced capitalism', *New Left Review* 145 (1984), pp. 5–38.
8 See P. Anderson, *Lineages of the Absolutist State* (New Left Books, London, 1974).
9 See S. Lash and J. Urry, 'The new Marxism of collective action: a critical analysis', *Sociology* (1984), pp. 33–50.
10 See S. Beer, *Britain against Itself* (Faber, London, 1982).
11 D. Gallie's *In Search of the New Working Class* (Cambridge University Press, Cambridge, 1978) puts well the case *for* French working-class radicalism.
12 See D. Bell, *The Cultural Contradictions of Capitalism* (Heinemann, London, 1976).
13 F. Jameson, 'Post-modernism, or the cultural logic of late capitalism', *New Left Review* 146 (1984), pp. 53–92.
14 J. F. Lyotard, *Discours, figure* (Klincksieck, Paris, 1971).
15 See B. Ehrenreich, *The Hearts of Men* (Pluto Press, London, 1983).

16 M. Poster, *Foucault, Marxism and History* (Polity Press, Cambridge, 1984).
17 B. Martin, *A Sociology of Contemporary Popular Culture* (Basil Blackwell, Oxford, 1981).
18 There are obvious parallels between our views and those of Claus Offe, as in *Disorganized Capitalism* (Polity, Cambridge, 1985). For a sympathetic critique of our position which focuses on the 'economic' level, see P. Cooke, 'Spatial development processes: organized or disorganized?', *Nordplan Seminar*, Cambridge, December 1985. On presence-availability, see A. Giddens, *A Contemporary Critique of Historical Materialism* (Macmillan, London, 1981) among many other works.
19 See B. Anderson, *Imagined Communities* (Verso, London, 1983) on liberal capitalism and the growth of print-capitalism; P. Bairoch, 'The main trends in national economic development', in *Disparities in Economic Development since the Industrial Revolution*, ed. P. Bairoch and M. Levy-Leboyer (Macmillan, London, 1981), pp.3–17, on the main economic changes involved; J. de Vries, *European Urbanization 1500–1800* (Methuen, London, 1984) on urban development; and Giddens, *Contemporary Critique*.

2 THE DEVELOPMENT OF ORGANIZED CAPITALISM (1)

1 See P. Milward and S. Saul, *The Development of the Economies of Continental Europe 1850–1914* (Allen & Unwin, London, 1977), pp. 20–4.
2 See here D. Landes, *The Unbound Prometheus* (Cambridge University Press, Cambridge, 1969), pp. 319ff.
3 Ibid., pp. 353–3; W. G. Hoffmann, *Das Wachstum der deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts* (Springer Verlag, Berlin, 1965), pp. 340, 352–3; W. Feldenkirchen, *Die Eisen- und Stahlindustrie des Ruhrgebiets 1879–1914* (Steiner, Wiesbaden, 1982), pp. 321–3; Milward and Saul, *Continental Europe*, p. 25; J. Kocka and H. Siegrist, 'Die hundert grösten deutschen Industrieunternehmen im späten 19. und frühen 20. Jahrhundert', in *Recht und Entwicklung im 19. und frühen 20. Jahrhundert* (Vandenhoeck & Ruprecht, Göttingen, 1979), pp. 72, 86–8.
4 See Milward and Saul, *Continental Europe*, pp. 26f., and Feldenkirchen, *Stahlindustrie*, p. 322.
5 See A. Chandler and H. Daems, 'Administrative coordination, allocation and monitoring: concepts and comparisons', in *Recht und Entwicklung*, pp. 46–7.
6 Feldenkirchen, *Stahlindustrie*, pp. 114ff.
7 See Kocka and Siegrist, 'Industrieunternehmen', pp. 69–72; Milward and Saul, *Continental Europe*, p. 29; E. G. Spencer, 'Rulers of the Ruhr: Leadership and authority in German big business before 1914', *Business History Review* 53 (1979), p. 53.
8 It was not only the new industries, as we shall see below, that developed modern managerial structures early on, but heavy industry as well. Between 1896 and 1914 it has been estimated that 75 per cent of the Ruhr's most powerful industrialists were managers without significant holdings in their companies. Of the 25 largest coal mines in 1914 which had been established in the nineteenth century, only three (but these include Krupp and Thyssen) were led at their beginnings by

owner–entrepreneurs who devoted most of their energies to their particular concern. In Ruhr heavy industry only a few especially prominent firms – Krupp, Thyssen, Haniel – were able to maintain entrepreneurial as distinct from modern managerial structures, because they were able to avoid the large-scale issue of shares. In other enterprises managers had, by 1900, become able to achieve a large degree of autonomy from boards of directors because the amount of stock capital required for viability was so great that no single investor (not even the Berlin banks and powerful individual figures like Hugo Stinnes) could maintain control. The position of managing directors became extraordinarily secure: most routinely serving until retirement, and some even choosing their own successors. Managing directors' philosophy often dictated giving large amounts of autonomous power to other top managers. This was especially true for the mining directors in backward integrating steel concerns. After mergers, at least initially, the old management structure of the acquired enterprise was left intact, and the leading managers were put on the executive boards and/or boards of directors of the acquiring firm. See Spencer op. cit., pp. 42, 52–5; J. Kocka, 'The rise of the modern industrial enterprise in Germany', in *Managerial Hierarchies*, ed. A. D. Chandler and H. Daems (Harvard University Press, Cambridge, Mass., 1980), pp. 77–116. See also T. Pierenkemper, 'Entrepreneurs in heavy industry: upper Silesia and the Westphalian Ruhr region, 1852 to 1913', *Business History Review* 53 (1979), pp. 69–70, 73–4.

9 On the German chemical industry see Kocka and Siegrist, 'Industrieunternehmen', pp. 74–7; and J. Kocka, 'Grossunternehmen und der Aufsteig des Manager-Kapitalismus im späten 19. und frühen 20. Jahrhundert: Deutschland im internationalen Vergleich', *Historische Zeitschrift* 232 (1981), pp. 46–7; J. Borkin, *The Crime and Punishment of I. G. Farben* (Free Press, NY, 1978).

10 The ratio of salaried employees:total employees for the two largest firms in chemicals for which figures are available are 10.8% and 19.7%, in iron and steel they are 9.0% and 3.9%; see Kocka and Siegrist, 'Industrieunternehmen', p. 111.

11 See ibid., pp. 107–10.

12 The growth of Siemens, depicted in Jürgen Kocka's magisterial *Unternehmensverwaltung und Angestelltenschaft am Beispiel Siemens 1847–1914* (Klett, Stuttgart, 1969) probably best epitomizes the growth of organized capitalism in Germany.

13 See Chandler and Daems, 'Administrative Coordination'; F. Blaich, 'Ausschliesslichkeitsbindungen als Wege zur industriellen Konzentration in der deutschen Wirtschaft bis 1914', in *Recht und Entwicklung*, pp. 319–20.

14 See Kocka, 'Capitalism and bureaucracy in German industrialization before 1914', *Economic History Review* 34 (1981), pp. 453–68.

15 For details here see W. Feldenkirchen, *Stahlindustrie*, pp. 110–14.

16 Ibid., pp. 118–20.

17 See ibid., pp. 121ff., and E. Maschke, 'Outline of the history of German cartels from 1873 to 1914', in *Essays in European Economic History, 1709–1914*, ed. F. Crouzet (Edward Arnold, London, 1969).

18 See, for example, R. Hilferding, 'Probleme der Zeit', *Die Gesellschaft* (1924), pp. 1–17; and Hilferding, 'Die Aufgaben der Sozialdemokratie in der Republik', *Sozialdemokratischer Parteitag, Kiel 1927* (Protokoll, Berlin, 1927).

19 See H. Böhme, 'Bankenkonzentration und Schwerindustrie 1873–1896', in *Sozialgeschichte Heute, Festschrift für Hans Rosenberg zum 70. Geburtstag*, ed. H-U. Wehler (Vandenhoeck und Ruprecht, Göttingen, 1974), pp. 441, 443.

20 See Milward and Saul, *Continental Europe*, p. 48.

21 Ibid., p. 48. For the inter-war period see T. Balderston, 'The beginning of the depression in Germany, 1927–1930: investment and the capital market', *Economic History Review* 36 (1983), pp. 396–415.

22 See K. J. Hopt, 'Zur Function des Aufsichtsrat im Verhältnis von Industrie und Bankensystem', in *Recht und Entwicklung der Grossunternehmen im 19. u. frühen 20. Jahrhundert*, ed. N. Horn and J. Kocka (Vandenhoeck und Ruprecht, Göttingen, 1979), pp. 227–42.

23 D. Abraham, *The Collapse of the Weimar Republic* (Princeton University Press, Princeton, 1981) pp. 180ff.; H. P. Ullmann, 'Staatliche Exportförderung und private Exportinitiative, Probleme des staatsinterventionismus im Deutschen Kaiserreich am Beispiel der staatlichen Aussenhandelsförderung (1880–1919)', *Vierteljahrschrift für Sozial – und Wirtschaftsgeschichte* 65 (1978), pp. 157–216.

24 See G. Feldman, 'The collapse of the Steel Works Association, 1912–1919: a case study in the operation of German "collectivist capitalism"', in *Sozialgeschichte Heute*, ed. H-U. Wehler (Vandenhoeck & Ruprecht, Göttingen, 1974), pp. 575–93; K. H. Pohl, 'Die "Stresemannsche Aussenpolitik" und das westeuropaische Eisenkartell 1926, "Europäische Politik" oder nationales Interesse?', *Vierteljahrschrift für Sozial – und Wirtschaftsgeschichte* 65 (1978), pp. 511–34.

25 We should like to note here that there was an increase in public expenditure as a proportion of net domestic product from about 1870 onwards. Before then in peacetime years the proportion averaged about 5–6 per cent; from 1870 to 1890 during slower-growth organized capitalism the proportion averaged between 7 and 9 per cent; from 1890 to 1913 in quickly-expanding organized capitalism it was between 9 and 11 per cent; and during the Weimar Republic it averaged 13 to 16 per cent. See Hoffmann, *Wachstum*, pp. 148–9, 825–8. The very high proportions during the Third Reich (21–29%) are mostly accounted for by very great military expenditure which takes up over half of state expenditure during that period.

For more general treatment of the German state in this period, see V. Hentschel, *Wirtschaft und Wirtschaftspolitik im Wilhelminischen Deutschland. Organiserter Kapitalismus und Interventionsstaat* (Klett-Kotta, Stuttgart, 1978); D. Baudis and H. Nussbaum, *Wirtschaft und Staat in Deutschland vom Ende des 19. Jahrhunderts bis 1918/19* (Akademie-Verlag, Berlin, 1978); and P. C. Witt, 'Finanzpolitik und sozialer Wandel, Wachstum und Funktionswandel der Staatsausgaben in Deutschland, 1871–1933', in *Sozialgeschichte Heute*, ed. H-U. Wehler, pp. 565–74.

26 See Spencer, 'Rulers of the Ruhr', pp. 47–8; Pierenkemper, 'Entrepreneurs in heavy industry', p. 68.

27 See Pierenkemper, ibid., p. 70.

28 See E. G. Spencer, 'Business, bureaucrats and social control in the Ruhr, 1896–1914', in *Sozialgeschichte Heute*, ed. H-U. Wehler, pp. 453–6.

29 On the former, see J. Caplan, '"The imaginary universality of particular interests": the "tradition" of the civil service in German history', *Social History* 4 (1979), pp. 299–317; on the latter see R. Bendix, *Kings and People* (University of California, Berkeley, 1978), ch. 11. Also note in this period the virtual exclusion of

Catholics, Jews and, of course, women from higher offices in both Prussia and the Reich. See J. C. G. Rohl, 'Beamtenpolitik in Wilhelmischen Deutschland', in *Das Kaiserliche Deutschland, Politik und Gesellschaft 1879–1918*, ed. M. Stürmer (Droste, Düsseldorf, 1970), pp. 287–311, 290–1; K. H. Jarausch, 'Liberal education as illiberal socialization: the case of students in imperial Germany', *Journal of Modern History* 50 (1978), pp. 609–30.

30 See P. Flora, 'Solution or source of crisis? The welfare state in historical perspective', in *The Emergence of the Welfare State in Britain and Germany, 1850–1950*, ed. M. Mommsen (Croom Helm, London, 1981). The Flora index consists of a weighted average of the per cent of the economically active population covered in four types of social insurance. Old age insurance receives a loading of 1.5, health and unemployment insurance both 1.0, and accident insurance 0.5. In the case of subsidized voluntary insurance the corresponding averages are halved. Note that education and housing are not included, and that the index relates to the percentage of the population covered and does not relate to the amount of coverage for given sections of the population. We are considering 'take-off' to be when a country's Flora index surpasses that of Germany in 1890; in each case this coincides with a qualitative leap in the index.

31 See J. Tampke, 'Bismarck's social legislation: a genuine breakthrough', ibid., pp. 71–83.

32 See H-P. Ullman, 'German industry and Bismarck's social security system', ibid., pp. 133–49, 138–40.

33 See W. Conze, 'Die politische Entscheidungen in Deutschland 1929–33', in *Die Staats- und Wirtschaftskrise des Deutschen Reichs 1929/33*, ed. W. Conze and H. Raupach (Klett, Stuttgart, 1967); and are more recently W. Conze, 'Zum Scheitern der Weimarer Republik', *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 70 (1983), pp. 215–21. Also see H. James, 'Gab er einer Alternative zur Wirtschaftspolitik Brünings?' *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 70 (1983), pp. 523–41.

34 See B. Weisbrod, 'The crisis of German unemployment insurance', in *Emergence of the Welfare State*, ed. W. Mommsen, pp. 188–204.

35 Maier, for example, argues that fundamental was its corporatism and points to a budding tripartism and relative social peace. Feldman argues that it was industry and in particular heavy industry that reorganized Germany after the war and that tripartite arrangements were unimportant. Borchardt, Erdmann and Abraham, from differing perspectives, maintain that it was grass-roots trade unionism and a powerful 'instrumental collectivism' which undermined business profitability and presaged the authoritarian response. See C. Maier, *Recasting Bourgeois Europe* (Princeton University Press, Princeton, NJ, 1975); G. Feldman, 'Das deutsche organisierter Kapitalismus während der Krieg und Inflationsjahre 1914–23', in *Organisierter Kapitalismus*, ed. H. Winkler, pp. 150–71, pp. 155, 158; G. Feldman, *Army, Industry and Labor in Germany* (Princeton University Press, Princeton, NJ, 1966), pp. 301–7, 316–21; C. Maier, 'Intervention in Bericht und Diskussion to H. Mommsen, "Abschlussetzung: Methodologische Ansätze und Ergebnisse"', in *Industrielles System*, ed. H. Mommsen et al., pp. 955–6; P. Wulf, 'Schwerindustrie und Seeschiffahrt nach dem 1. Weltkrieg: Hugo Stinnes und die HAPAG', *Vierteljahrschrift fur Sozial- und Wirtschaftsgeschichte* 67 (1980), pp. 1–21; B. Weisbrod, 'Zur Form schwerindustrieller Interessenvertretung in der zweiten Hälfte der Weimarer Republik', in *Industrielles System*, ed. H. Mommsen et al., pp. 675–89; U. Nocken, 'Inter-industry conflicts and alliances as exemplified by the AVI-agreement', ibid., pp. 315–39; G. Feldman, *Iron and Steel in the German Inflation, 1916–1923* (Princeton University Press, Princeton, NJ, 1977), pp. 455ff.; B. Weisbrod, *Schwerindustrie*, pp. 143–86; K. Borchardt, 'Wirtschaftliche Ursachen des Schieterns der Weimarer Republik', in *Weimar, Selbstpreisgabe einer Demokratie, Eine Bilanz Heute*, ed. K. D. Erdmann and H. Schulze, (Droste, Düsseldorf, 1980), pp. 211–50; K. Erdmann, 'Versuch einer Schlussbilanz', ibid., pp. 345–58; and D. Abraham, *The Collapse of the Weimar Republic* (Princeton University Press, Princeton, 1982).

36 See Feldman, *Iron and Steel*, pp. 82–3, 98–109; and 'Das deutsche organisierter Kapitalismus', pp. 158–61.

37 See Weisbrod, *Schwerindustrie*, pp. 299f.

38 See G. Feldman, 'Das deutsche organiserter Kapitalismus', p. 163.

39 See L. Jorberg, 'The industrial revolution in the Nordic countries', in *The Fontana Economic History of Europe: the Emergence of Industrial Societies – 2* (Fontana/Collins, London, 1973), p. 438. This section has benefited greatly from the comments of Göran Therborn on an earlier draft.

40 See Jorberg, ibid., p. 441.

41 See Jorberg, ibid., p. 448; Milward and Saul, *Continental Europe*, pp. 486–7.

42 See Karl-Gustaf Hildebrand, *Banking in a Growing Economy: Svenska Handelsbanken since 1871* (Esselte Tryck, Stockholm, 1971).

43 See Milward and Saul, *Continental Europe*, pp. 484–5; E. Söderlund, *Swedish Timber Exports 1850–1950* (Swedish Wood Exporters Association, Stockholm, 1952); L. Jorberg, 'Structural change and economic growth: Sweden in the 19th century', *Economy and History* 8 (1965), pp. 3–46, p. 21.

44 On the Swedish iron and steel industry see Milward and Saul, *Continental Europe*, pp. 471–2, 496; S. Pollard, *Peaceful Conquest: the Industrialization of Europe 1760–1970* (Oxford University Press, Oxford, 1981), p. 235; M. Flinn, 'Scandinavian iron ore mining and the British steel industry', *Scandinavian Economic History Review* 2 (1954); and M. Fritz, *Svenskjärnmalnsexport 1883–1913* (Gothenberg University Ekonomiskhistoriska institutionen, Gothenberg, 1967).

45 Jorberg, 'Den Svenska ekonomiska utvecklingen 1861–1983', *Meddelands frän Ekonomisk-historiska institutionen Lunds universitet* 33, Lunds universitet, 1984, p. 16.

46 Ibid., p. 16.

47 See Milward and Saul, *Continental Europe*, pp. 448–9; Jorberg, 'Structural change', pp. 441–3; and A. Montgomery, *The Rise of Modern Industry in Sweden* (P. S. King, London, 1939).

48 See C-A. Nilsson, 'Business incorporations in Sweden: a study of enterprise 1846–1896', *Economy and History* 2 (1959), pp. 38–96, p. 62; L. Jorberg, *Growth and Fluctuations of Swedish Industry 1869–1912* (Almqvist & Wiksell, Stockholm, 1961).

49 For further details see I. Nygren, 'Transformation of bank structures in the industrial period. The case of Sweden 1820–1913', *The Journal of European Economic History* 12 (1983), pp. 29–68, pp. 30–1; K. Samuelsson, 'The banks and the financing of industry in Sweden, *c.*1900–1927', *Scandinavian Economic History Review* 6 (1958), pp. 176–90.

50 See ibid., pp. 37–8, 48–56; and Nygren, 'Kreditformer och Kreditinstitut i Sverige 1840–1910', in *Utviklingen av kreditt og Kredittinstitusjoner i de norkiske Land ca. 1850–1914*, ed. G. A. Blom (Tapir, Trondheim, Norway, 1978), pp. 1–8. See also L. Sandberg, 'Banking and economic growth in Sweden before World War I', *Journal of Economic History* 38 (1978), pp. 650–80; O. Gårslander, *History of Stockholm's Enskilda Bank to 1914* (Enskilda Bank, Stockholm, 1962).

51 See K. Samuelsson, 'The banks and the financing of industry in Sweden c.1900–1927', *The Scandinavian Economic History Review* 6 (1958), pp. 176–90, pp. 180–4; Nygren, 'Transformation', pp. 61–2; and E. Söderlund, *Skandinaviska banken i det svenska bankvasendets historia 1864–1914* (Skandinaviska Banken, Göteborg, 1964).

52 See K-G. Hildebrand, *Banking in a Growing Economy Svenska Handelsbanken since 1871* (Esselte Tryck, Stockholm, 1971), pp. 1–21; and T. Gårdland, *Svensk industrifinansiering, 1830–1913* (Svenska Bankföreningen, Stockholm, 1947).

53 See J. S. Bain, *International Differences in Industrial Structure, Eight Nations in the 1950s* (Yale University Press, New Haven, Conn., 1966).

54 See U. Himmelstrand, G. Ahrne, L. Lundberg and L. Lundberg, *Beyond Welfare Capitalism* (Heinemann, London, 1981), pp. 55–6.

55 For general discussion here, see K. Samuelsson, 'Banks and financing', pp. 185–9; and Söderlund, 'Skandinaviska banken'.

56 Samuelsson, 'Banks and financing', pp. 177–8; Hildebrand, *Banking in a Growing Economy*, pp. 38–52; and E. Cohn, *Den svenska cellulosaindustins utveckling och nationalekonomiska betydelse* (Stockholm, 1967).

57 See P. Anderson, *Lineages of the Absolutist State* (New Left Books, London, 1974), pp. 544ff. The civil service was developed by Gustavas Adolphus II by 1643, although at first it was structured along regional rather than 'functional-departmental' lines.

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60 See K. Samuelsson, *From Great Power to Welfare State* (Allen & Unwin, London, 1968), pp. 226–32. For further details see ibid., pp. 242–50.

61 E. F. Heckscher, *An Economic History of Sweden* (Harvard University Press, Cambridge, Mass., 1963), pp. 272–6.

62 G. Therborn, 'The working class and the welfare state. A historical–analytical overview and a little Swedish monograph', *5th Nordic Congress of Research in the History of the Labour Movement* (Murikka, Finland, August 1983), p. 20.

63 See A. and G. Myrdal, *Kris i befolkningsfrågen* (A. Bonnier, Stockholm, 1934).

64 See I. Schobbie, *Sweden* (Benn, London, 1972), p. 119; and P. Råberg, *Functionalistisk genombrott* (Norstedts, Stockholm, 1972).

65 See W. Korpi, *The Working Class in Welfare Capitalism: Work, Unions and Politics in Sweden* (Routledge & Kegan Paul, London, 1978), pp. 74–5.

66 See the comprehensive analysis in A. Kjellberg, *Facklig organisiering i tolv länder* (Arkiv förlag, Lund, 1983), pp. 57–66, 75–9.

67 See ibid., p. 223; and D. J. Blake, 'Swedish trade unions and the Social Democratic Party: the formative years', *The Scandinavian Economic History Review* 8 (1960), pp. 25–6, 33.

68 See Mancur Olson, *The Rise and Decline of Nations* (Yale University Press, New Haven, Conn., 1982), pp. 90–1; S. Lash and J. Urry, 'The new Marxism of collective action: a critical analysis', *Sociology* 18 (1984) pp. 33–50.

69 See Blake, 'Swedish trade unions', pp. 19–23.

70 See S. Kuhle, 'The growth of social insurance programs in Scandinavia: outside influences and internal forces', in *The Development of Welfare States in Europe and America*, ed. P. Flora and A. Heidenheimer (Transaction Books, New Brunswick, NJ, 1981), pp. 26, 40; and K. J. Hojer, *Den svenska socialpolitiken* (Norstedt & Soner, Stockholm, 1965).

71 See Heclo, *Modern Social Politics*, pp. 46–7, 62; K. Joher, *Svensk social-politisk historia* (Norstedt, Stockholm, 1952).

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73 Cited in Therborn, 'The working class', p. 23.

74 P. Flora and J. Alber, 'Modernization, democratization and the development of welfare states in Western Europe', in *Development of Welfare States*, ed. Flora and Heidenheimer, pp. 37–80, p. 49.

75 See e.g. A. V. Dicey, *Law and Public Opinion in England during the 19th Century* (Macmillan, London, 1905), pp. 212–37; S. Beer, *Modern British Politics* (Faber, London, 1969), pp. 262–3, 297ff.; K. Middlemas, *Politics in Industrial Society* (Andre Deutsch, London, 1979), pp. 140–1, 188–90, 200–13; see also articles by M. Rose, E. Hennock and R. Hay in *The Emergence of the Welfare State in Britain and Germany*, ed. W. Mommsen; and D. Fraser, *The Evolution of the British Welfare State* (Macmillan, London, 1973) pp. 15–27.

76 See B. Supple, 'A framework for British business history', in *Essays in British Business History*, ed. B. Supple (Clarendon Press, Oxford, 1977), p. 10.

77 See H. Medick, 'Anfänge und Veraussetzungen des Organiserten Kapitalismus in Gross Britannien, 1873–1914', in *Organisierter Kapitalismus, Voraussetzungen und Anfänge*, ed. H. A. Winckler (Vandenhoeck und Ruprecht, Göttingen, 1974), p. 61.

78 See A. D. Chandler, *Strategy and Structures: Chapters in the History of the Industrial Enterprise* (MIT Press, Cambridge, Mass., 1962), pp. 19–50.

79 P. L. Payne, 'The emergence of the large-scale company in Great Britain, 1870–1914', *Economic History Review* 20 (1967), pp. 519–42.

80 See A. D. Chandler, 'The development of modern management structures in the US and UK', in *Management Strategy and Business Development: an Historical and Comparative Study*, ed. L. Hannah (Macmillan, London, 1976). pp. 37–42.

81 Chandler, *Strategy and Structures*, p. 28.

82 See here B. Supple, 'A framework for British business history', pp. 21–2.

83 See L. Hannah, 'Mergers in British manufacturing industry, 1880–1918', *Oxford Economic Papers*, new series, 26 (1974), pp. 2, 8–11. Firm 'disappearances' is commonly taken as an indicator of merger activity.

84 Ibid., p. 15.

85 See ibid., pp. 10–12 and D. F. Channon, *The Strategy and Structure of British Enterprise* (Harvard University Graduate School of Business Administration, Boston, 1973).

86 Hannah, 'Mergers, pp. 10–11.

87 See Supple, 'A framework for British business history', pp. 14–15, on these various points here.

The importance of the sectoral balance of the British economy in this period can also be seen by considering in detail the British engineering industry. Saul convincingly shows that the latter was by no means technologically and commercially backward prior to the First World War. Indeed, it was advanced, but in terms of producing commodities such as steam machinery, locomotives, textile machinery, and so on – commodities which are more characteristic of liberal rather than organized capitalism. In almost all of the consumer and capital goods markets characteristic of organized capitalism (electrical engineering, automobiles, agricultural machinery, office equipment, and machine tools), British engineering simply did not, and could not, compete. Key was the machine tool industry, not only because it supplied machinery to the other engineering sectors, but because it was in machine tools that the new techniques were acquired and diffused. Britain was a pioneer in the development of milling machines and lathes, whose ultimate destination was the heavy engineering industry. The USA, however, was considerably stronger in machine tools oriented to the medium engineering market. Moreover, in no area could Britain compete with the US economies of scale. Britain neither developed the large firms and plant size characteristic of the USA, nor could they specialize as could the Americans in the production of grinding machines or turret lathes. The problem was mostly a matter of markets; of insufficient demand for the long-runs necessary for increased investment in machine-tool production. Many British engineering firms made their own machine tools; many others still did not use the grinding and milling machines because of the low price and large supply of skilled labour. See S. B. Saul, 'The engineering industries', in *The Development of British Industry and Foreign Competition*, ed. D. H. Aldcroft (Allen & Unwin, London, 1968), pp. 40–4, and *passim*; and 'The mechanical engineering industries in Britain, 1860–1914', in B. Supple, *Essays in British Business History*, pp. 31–49.

88 See, for example, Supple, 'Framework', pp. 20–5.

89 See here L. Hannah, *The Rise of the Corporate Economy* (Methuen, London, 1976), pp. 30–43.

90 The experience of Lever Brothers (later Unilever) is illuminating in this context. William Lever began in the soap trade in the 1880s. His fast-growing firm succeeded in smashing the Soap Makers Association, a *de facto* cartel which had divided the UK into a set of monopolized geographical areas, partly to overcome some of the violent fluctuations in raw material prices. At about the time of the First World War, when Lever diversified into margarine production to compete on the British market with Dutch producers, he had developed soap enterprises in a dozen countries, including the United States, and through acquisitions accounted for 60 per cent of British soap output. Backwards integration into African investment, which would secure raw materials at low prices in conjunction with the collapse of these raw material prices in the early twenties, landed the company in financial difficulties. At this point, D'Arcy Cooper, an accountant and very much a 'rationalizer', was brought in to bail out Lever, who was basically still a Victorian radical. From 1921 Cooper was consulted on all matters of policy; from 1923 he joined the board of directors. Cooper immediately raised an £8 million loan from Barclays which was itself contingent on the issue of debentures amounting to the same sum, and reformed the incompetent management of the African-based suppliers. He then put together a number of committees to look into various areas of company affairs and rationalized the main Merseyside soap production site. After Lever's death in 1926, Cooper became managing director and immediately proceeded to sell off the firm's surplus property, creating a company research programme, setting up an *ad hoc* committee for the expansion of advertising and encouraging greater coordination between salespeople. By 1929 profits had increased enormously. The only losses were in margarine production, so in September of that year Unilever was created from a merger with Dutch Margarine Unie. The rationalization of sales proceeded apace. Previously too many brands of soap had been produced in too small factories for too many regional markets. Up until 1931 Lever soap had 49 manufacturing companies and 48 separate sales organizations. Through the rapid rationalization of production and sales, at the same time as diversification and a new focus on the much in demand flakes and powders lines, Unilever was by the mid-1930s able to compete with German or American competitors. See C. Wilson, 'Management policy in large-scale enterprise: Lever Brothers and Unilever, 1918–38', in B. Supple, *Essays in British Business History*, pp. 124–40, pp. 124–7, 130–6; and C. Wilson, *History of Unilever*, 2 vols (Cassell, London, 1954).

91 See S. J. Prais, *The Evolution of Giant Firms in Britain: a Study of the Growth of Manufacturing Industry, 1909–1970* (Cambridge University Press, Cambridge, 1976), p. 4; and L. Hannah, 'Visible and invisible hands in Great Britain', *Managerial Hierarchies*, ed. A. D. Chandler and H. Daems (Harvard University Press, Cambridge, Mass., 1980), pp. 43–71, p. 50.

92 L. Hannah, 'Visible and invisible hands', p. 46.

93 Ibid., p. 48.

94 See ibid., pp. 53–8; and A. D. Chandler, 'The development of modern management structures', p. 44.

The UK tobacco industry usefully illustrates some of these points. Imperial Tobacco Company was formed in 1901 from a merger of 13 firms to which four more were added the following year. The head office's powers were limited: selling, costing, advertising, pricing and finance remaining under individual branch control. In the inter-war years Player began to match Wills as the company's strongest branch, the former providing the up-market brands for which there was increasing consumer demand and the latter less expensive cigarettes. In the late twenties and early thirties, companies like Phillips began to challenge Imperial's market domination, a challenge to which Imperial responded by acquiring its major competitors. Imperial Tobacco continued to control 79 per cent of the market as late as 1955. Up until 1939 ITC was basically a holding company, though taking on a number of multidivisional characteristics. There was, for example, much duplication of function, especially in marketing. Prior to the Second World War the Wills branch refused to recruit externally for management, and it was only during the war that a new generation of Imperial executives could begin to operate with freedom from Wills family control. See B. W. E. Alford, 'Strategy and structure in the UK tobacco industry', in L. Hannah ed., *Management Strategy*, pp. 73–84, and *W. D. and H. O. Wills and the Development of the UK Tobacco Industry, 1786–1965* (Methuen, London, 1973).

98 A very clear and well-informed account of this is F. Longstreth, *State Economic Planning in a Capitalist Society: the Political Sociology of Economic Policy in Britain 1940–1979* (PhD, London, 1982); and see F. Longstreth, 'The city, industry and the state', in *State and Economy in Contemporary Capitalism*, ed. C. Crouch (Croom Helm, London, 1979), pp. 157–90; and S. Aronovitch and R. Smith, *The Political Economy of British Capitalism: a Marxist Analysis* (McGraw-Hill, Maidenhead, 1981).

96 See on the latter L. E. Davis, 'The capital markets and industrial concentration: the US and UK, a comparative study', *Purdue Faculty Papers in Economic History, 1956–1966* (Homewood, Ill., 1967), pp. 663–82.

97 A. Gerschenkron, *Economic Backwardness in Historical Perspective* (Harvard University Press, Cambridge, Mass., 1962), p. 14.

98 G. Ingham, *Capitalism Divided. The City and Industry in British Social Development* (Macmillan, London, 1984), p. 5.

99 M. Weber, *Economy and Society*, vol. 1 (University of California Press, Berkeley, 1978), p. 164; and see Ingham, *Capitalism Divided*, p. 12.

100 Ibid., p. 36.

101 Ibid., p. 35.

102 Ibid., p. 94; and see p. 78.

103 See W. P. Kennedy, 'Institutional response to economic growth: capital markets in Britain to 1914', in L. Hannah (ed.), *Management Strategy*, pp. 151–83, pp. 155–6; J. Mossin, *Theory of Financial Markets* (Prentice-Hall, Englewood Cliffs, 1973).

104 See Kennedy, 'Institutional response', pp. 159–61; and P. L. Cottrell, *Industrial Finance 1830–1914: the Finance and Organization of British Manufacturing Industry* (Methuen, London, 1980).

105 See Kennedy, 'Institutional response', pp. 165, 169–71; Cottrell, *Industrial Finance*, pp. 188–9, 232–3.

106 See Kennedy, 'Institutional response', p. 173; Cottrell, *Industrial Finance*, pp. 174–6.

107 See W. A. Thomas, *The Finance of British Industry 1918–1976* (Methuen, London, 1978), pp. 24f.; J. Aitken, 'Official regulation of overseas investment 1914–1931', *Economic History Review* 23 (1970), pp. 24–35.

108 See Thomas, 'Finance', pp. 62–8; T. Balogh, *Studies in Financial Organization* (Cambridge University Press, Cambridge, 1950).

109 See, for example, M. Weber, *Wirtschaft and Gesellschaft* (Mohr, Tubingen, 1972), pp. 409–15.

110 See on these various points J. Tomlinson, *Problems of British Economic Policy, 1870–1945* (Methuen, London, 1981) pp. 26–42; and R. S. Sayers, *The Bank of England, 1891–1944*, vol. 1 (Cambridge University Press, Cambridge, 1976).

111 See on the following, Tomlinson, *Problems*, pp. 45, 60, 108–18; S. B. Saul, 'The economic significance of "constructive imperialism"', *Journal of Economic History* 17 (1957), pp. 173–92.

112 See, for example, L. Hannah, 'A pioneer of public enterprise: the Central Electricity Board and the National Grid, 1927–1940', in Supple, *Essays in British Business History*, pp. 107–26. Given the shell shortage of the First World War, the seemingly imminent collapse of British Dyestuffs, and the threats to the British market of I. G. Farben, a government contact proposed to Harry McGowan, managing director of Nobel Industries Ltd, that he take over British Dyestuffs. McGowan's counterproposal was a wider merger with Brunner, Mond and United Alkali, to which the government was agreeable. This was only one of what were to be a host of links between the state and ICI. Alfred Mond of Brunner, Mond, first joint managing director of ICI, was an MP, a former minister of health, and became Lord Melchett. Lord Ashfield, the first chairman of the London Passenger Transport Board, and Lord Weir, who was connected with the Central Electricity Board, sat on the ICI board of directors. Government help was forthcoming to ICI in the Coal Mines Act of 1930. When ICI had invested heavily in the production of coal-based petrol, the government was persuaded to provide protectionist legislation in the Hydrocarbon Oils Production Act of 1934. But the relationship was a *quid pro quo*. The government was highly dependent on the company for war-related production dating from 1935; ICI even operated government-owned factories during the war. And ICI was eventually crucial in the development of the atomic bomb. See W. J. Reader, 'Imperial chemical industries and the state, 1926–1945', in Supple, *Essays in British Business History*, pp. 227–45; and L. F. Haber, *The Chemical Industry, 1900–30* (Clarendon Press, Oxford, 1971).

113 See E. Hobsbawm, 'General Labour Unions in Britain', in *idem.*, *Labouring Men* (Weidenfeld & Nicolson, London, 1968), pp. 185–95.

114 E. P. Hennock, 'The origins of British National Insurance and the German precedent', in *The Emergence of the Welfare State in Britain and Germany 1850–1950*, ed. W. Mommsen (Croom Helm, London, 1981), pp. 84–106, pp. 86–8; R. Hay, 'The British business community: social insurance and the German example', in Mommsen ed., pp. 107–32; M. E. Rose. 'The crisis of poor relief in England 1860–1890', in Mommsen ed., pp. 50–70.

115 See M. Foucault, *Surveillir et punir, Naissance de la prison* (Éditions Gallimard, Paris, 1975), pp. 180–5; English translation, Alan Sheridan, *Discipline and Punish* (Penguin, Harmondsworth, 1979).

3 THE DEVELOPMENT OF ORGANIZED CAPITALISM (2)

1 See J. H. Clapham, *Economic Development of France and Germany* (Cambridge University Press, Cambridge, 1936), and the discussion in C. Trebilock, *The Industrialization of the Continental Powers, 1780–1914* (Longman, London, 1981). For more detailed analyses, see J. J. Carré, P. Dubois and E. Malinvaud, *French Economic Growth* (Stanford University Press, Stanford, Calif., 1976), pp. 23–4; P. O'Brien and C. Keyder, *Economic Growth in Britain and France: Two Paths to the Twentieth Century* (Allen & Unwin, London, 1978), pp. 22, 194f.; and O'Brien and Keyder, 'Les voies de passage vers la société industrielle en Grande-Bretagne et en France (1780–1914)', *Annales ESC* 34 (1979), pp. 1284–1303, p. 1287.

2 See A. Gerschenkron, *Economic Backwardness in Historical Perspective* (Belknap, Cambridge, Mass., 1962), pp. 7–14.

3 See R. Roehl, 'L'Industrialisation française: une remise en cause', *Revue d'Histoire Economique et Sociale* 54 (1976), pp. 406–27; Trebilcock, *Industrialization*, pp. 112–14; Carré et al., *French Economic Growth*, p. 10; O'Brien and Keyder, *Economic Growth in Britain and France*, pp. 162, 194.

4 Ibid., pp. 150, 157–8.
5 See ibid. pp. 170, 192–3; Carré et al., *French Economic Growth*, pp. 14–15.
6 J. Bouvier and F. Caron, 'Guerre, Crise, Guerre', in Bouvier et al., *Histoire Economique et Sociale de la France*, Tome IV, *L'ère industrielle et la société d'aujourd'hui (siècle 1880–1980)*, 2nd vol., *Le temps des guerres mondiales et de la grande crise* (Presses Universitaires Françaises, Paris, 1980), p. 647; Trebilcock, *Industrialization*, p. 141; O'Brien and Keyder, *Economic Growth in Britain and France*, p. 161.
7 F. Caron, 'La stratégie des investissements en France aux XIX^e et XX^e siecles', *Revue d'Histoire Economique et Sociale* 54, (1976), p. 116.
8 C. Kindleberger, *Economic Growth in France and Britain, 1851–1950* (Harvard University Press, Cambridge, Mass., 1964), pp. 261–2.
9 See F. Caron, 'Investment Strategy in France', in *The Rise of Managerial Capitalism*, ed. H. Daems and H. Van Der Wee (University Press, Louvain, 1974), pp. 96–144, pp. 129–30, 261–2.
10 See O'Brien and Keyder, *Economic Growth in Britain and France*, pp. 162, 166–7; and chapter 5 below.
11 See Trebilcock, *Industrialization*, pp. 184–91; D. Barjot, 'L'analyse comptable: un instrument pour l'histoire des entreprises. La Société Générale d'Entreprises (1908–1945)', *Histoire, Economie et Société* 1 (1982), pp. 145–67.
12 See M. Levy-Leboyer, 'Capital investment and economic growth in France 1820–1930', *The Cambridge Economic History of Europe*, vol. VII, Part I (Cambridge University Press, Cambridge, 1978), pp. 231–95, p. 232; and Trebilcock, *Industrialization*, p. 198.
13 See C. Béaud, 'Une multinationale française au lendemain de la première guerre mondiale: Schneider et L'Union Européene Industrielle et Financière', *Histoire, Economie et Société* 2 (1983), pp. 625–46; and Barjot, 'L'analyse comptable', pp. 149–51.
14 See Carré, *Economic Growth*, p. 14; Caron, 'Investment strategy in France', p. 100.
15 See M. Levy-Leboyer, 'Le patronat français, 1912–1973', in *Le patronat de la seconde industrialisation*, ed. Levy-Leboyer (Éditions ouvrières, Paris, 1979), pp. 137–85, pp. 152–5; M. Levy-Leboyer, 'Hierarchische Struktur und Leistungsanreize in einen Grossunternehmen: frühe Management-Erfahrangen bei Saint-Gobain 1872–1912', in *Recht und Entwicklung im. 19. und frühen 20. Jahrhundert*, ed. Horn and J. Kocka (Vandenhoeck & Ruprecht, Göttingen, 1979), pp. 451–75, pp. 452–3, 457–60; and G. Lefranc, *Les organisations patronales en France* (Payot, Paris, 1976).
16 See Kindleberger, *Economic Growth*, p. 165.
17 J. Houssaix, *Le pouvoir de monopole* (Sirey, Paris, 1954).
18 F. Caron and J. Bouvier, 'Structure des firmes, emprise de l'Etat', in *Les Temps des Guerres*, ed. J. Bouvier, pp. 780–4.
19 F. Caron, 'Investment strategy', p. 130.
20 See Carré, *Economic Growth*, p. 91.
21 See A. Milward and R. Saul, *The Development of the Economies of Continental Europe 1850–1914* (Allen & Unwin, 1977), pp. 79, 83.
22 See Carré, *Economic Growth*, p. 97.
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26 Generally here see J. Bouvier, *Histoire économique et histoire sociale* (Droz, Geneva, 1968), especially pp. 173–4.
27 See J. Bouvier, *Un siècle de banque française* (Hachette, Paris, 1973), pp. 67–8, 200–7.
28 This is discussed in detail in chapter 5 below. See ibid., pp. 164–6, 196–7; Milward and Saul, *Development*, p. 116; Kindleberger, *Economic Growth*, pp. 42, 49.
29 On these various points, see Bouvier, *Un siècle*, pp. 39–40; Milward and Saul, ibid., pp. 117–18; J. Bouvier, *Le Crédit Lyonnais de 1863 à 1882, Les Années de formation d'une banque de dépôts* (Seupen, Paris, 1961); and J. Bouvier, *Le Krach de l'Union Générale* (Presses Universitaires de France, Paris, 1960).
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31 See Milward and Saul, *Development*, pp. 133–4 for details.
32 See J. Bouvier, 'Monnaie et banque d'une après-guerre à l'autre, 1919–1945', in *Le temps des guerres*, ed. Bouvier, pp. 687–728, pp. 697–703.
33 Ibid., pp. 707–11; Bouvier, *Un Siècle*, p. 73; G. Bertin, 'La transformation du financement international et ses causes: l'exemple français, 1900–1970', in *La position international*, ed. Levy-Leboyer, pp. 453–69, p. 467; H. Bouin, 'Les banques ont-elles sauvé Citroën? (1933–1935)', *Histoire, Economie et Société* 3 (1984), pp. 453–72.
34 See R. F. Kuisel, *Capitalism and the State in Modern France: Renovation and Economic Management in the Twentieth Century* (Cambridge University Press, Cambridge, 1981), p. 208; Bouvier, 'Monnaie et banque', pp. 725–6; H. Koch, *Histoire de la Banque de France et de la Monnaie sous la IV^e République* (Dunod, Paris, 1983), pp. 79f.
35 J-P. Patat, *Monnaie, institutions financières et politique monetaire* (Economica, Paris, 1982), p. 214.
36 See A. Shonfield, *Modern Capitalism, the Changing Balance of Public and Private Power* (Oxford University Press, Oxford, 1965), pp. 121–43.
37 See B. Brizay, *Le patronat* (Éditions du Seuil, Paris, 1975).
38 See Kuisel, *Capitalism and the State*, pp. 41–7; G. Hardbach, 'Französische Rüstungspolitik 1914–1918', in *Organisierter Kapitalismus* (Vandenhoeck & Ruprecht, Göttingen, 1974), pp. 103, 106–10. More generally on the formation of industrial ententes see H. Morzel, 'Contribution a l'histoire des ententes industrielles', *Revue d'Histoire Economique et Sociale* 54 (1976), pp. 118–29.
39 See C. S. Maier, *Recasting Bourgeois Europe* (Princeton University Press,

Princeton, NJ, 1975), pp. 403, 413, 400–8, 508–10; F. Goguel, *La politique des partis sous la 3e République* (Éditions du Seuil, Paris, 1957).

40 See Kuisel, *Capitalism and the State*, pp. 109–20; G. Lefranc, *Le mouvement syndicale sous la Troisième République* (Payot, Paris, 1967).

41 See Kuisel, *Capitalism and the State*, pp. 131–56; S. Hoffman, *France: Change and Tradition* (Victor Gollancz, London, 1963), pp. 74–5; S. Hoffmann, *Decline or Renewal? France since the 1930s* (Viking, New York, 1974); A. S. Milward, *The New Order and the French Economy* (Clarendon, Oxford, 1970), pp. 276–7.

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43 For analyses of state spending in France, see R. Delorme and C. André, *L'Etat et l'Economie. Un essai d'explication de l'évolution des dépenses publiques en France (1870–1980)* (Éditions du Seuil, Paris, 1983), pp. 34–55, 209–261. For a detailed competing account of the development of state spending in France, based on an application of Paul Boccara's overaccumulation and devalorization thesis, complete with detailed accounts of Kondratieff (Simiand) waves, see Louis Fontvieille, 'L'Evolution et croissance de l'Etat Français: 1815–1869', *Economies et Sociétés* 10 (1976). Boccara's work (see especially *Études sur le capitalisme monopoliste d'État* (ed. sociales, Paris, 1974)), formed the basis for the analysis of the French Communist Party during its liberal, 'class alliance' period, from the middle 1960s to the late 1970s and – it is less well known – for some of Ernest Mandel's analyses. For briefer explications, see L. Fontvieille, 'Dépenses publiques et problematique de la devalorisation du capital', *Annales, Economies, Sociétés, Civilisations* 33 (1978), pp. 240–54; C. André and R. Delorme, 'L'Evolution séculaire des dépenses publiques en France', *Annales, ESC* 33 (1978), pp. 255–78. For a related and interesting debate see Jean-Pierre Allinne and Michel Lescure, 'Pour une étude des appareils économiques d'Etat en France au XIXe siècle', *Annales, ESC* 36 (1981), pp. 280–93; and Moreau, 'Les appareils économiques d'État en France au XIXe siecle: question à J-P. Allinne et M. Lescure', *Annales, ESC*, 36 (1981), pp. 1166–69.

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49 See Delorme and André, *État et l'Economie*, pp. 450–2; and Kohl, 'Trends and problems', p. 341. On the weak development of pension legislation in France, see pp. 394–5 in the former, p. 340 in the latter. On health provision, see Delorme and André, pp. 416–25. This increased dramatically in the inter-war period as well as after the 1945 ordonnance.

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52 See ibid.; Kötz, *Bank Control*, p. 32; G. Kolko, *The Triumph of Conservatism. A Reinterpretation of American History, 1900–1916* (Free Press, Glencoe, Ill., 1963), pp. 30–9, 45–50.

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74 Ibid., pp. 280–3, 288.

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80 Hawley, *The New Deal*, p. 132, and see pp. 140–4, 480–1.

81 See on this and the following points, J. Holt, 'The New Deal and the American anti-statist tradition', in *The New Deal*, vol. 1, ed. J. Braeman et al., pp. 26–45.

82 Some further support for a post NRA growth of the 'relative autonomy' of the American state can be seen in the various Roosevelt presidential elections. There was a marked increase in the class alignment of US voters between 1932, 1936 and 1940, and with a significant de-alignment in 1944 due in part to Roosevelt's abandonment of an anti-business rhetoric. See C. D. Hadley, *Transformation of the American Party System* (Norton, New York, 1975), pp. 71–3, 123.

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84 Ibid., pp. 309, 342; Hawley, 'Business', p. 72; Bernstein, 'Conservative achievement', pp. 271–6.

85 See D. Brody, 'The New Deal and World War II', in *New Deal*, ed. J. Braemann et al., pp. 271–300, pp. 276–8; and see J. Hughes, 'Roots of regulation: the New Deal', in *Regulatory Change in an Atmosphere of Crisis*, ed. G. Walton (Academic Press, New York, 1979).

86 Brody, 'The New Deal', pp. 283–94.

87 See A. J. Heidenheimer, H. Heclo and C. T. Adams, *Comparative Public Policy. The Politics of Social Choice in Europe and America* (Macmillan, London, 1976), p. 191.

88 R. T. Kudrle and T. R. Marmor, 'The development of the welfare state in North America', in *Development of Welfare States in Europe and North America*, ed. P. Flora and A. Heidenheimer (Transaction Books, New Brunswick, NJ, 1981), pp. 81–121; and M. Harrington, *The New American Poverty* (Holt, Rinehart and Winston, New York, 1984).

89 A. J. Heidenheimer, 'Education and social security entitlement in Europe and America', in *Development*, ed. Flora and Heidenheimer, pp. 269–304, p. 277.

90 See M. Janowitz, *Social Control of the Welfare State* (Elsevier, New York, 1976), pp. 34–5.

91 It is also important to consider the effects of the distribution of welfare resources within industry itself. Partly in reaction to the industrial struggles of the late 1880s, a number of businessmen developed private welfare schemes. A quantum expansion of such schemes took place along with the rapid rise of the National Civic Foundation, to whose Welfare Department many of these 'social–paternalist' firms belonged. It has been estimated that in 1908 some 1.5 million workers were covered by company welfare plans or plant safety programmes, and some 100 firms were represented in the NCH's Welfare Department; 'innovating' companies here included Proctor and Gamble, Eastman Kodak, General Electric, US Steel and International Harvester. Six years later 500 firms were represented in the Welfare Department and the NCF claimed to have evidence confirming the existence of at least some welfare policy in 2500 enterprises. The service class, or at least those of service class training and ideology, played an important role here. Engineers trained at MIT in the waning years of the nineteenth century, such as Alfred Sloan of General Motors, I. du Pont, Paul W. Litchfield of Goodyear, and NRA business leader, Gerard Swope of General Electric led the way. The welfare efforts were seen, not as philanthropy, but as 'social engineering', as the application of the principles of scientific management to human relations; and companies like General Electric established life insurance, retirement and disability programmes and began to toy with the idea of unemployment insurance. This 'welfare Taylorism' was reflected in the growth of numbers of personnel specialists among company executives, who administered employment and welfare policies. By 1935, 80% of firms with more than 5000 employees had personnel managers. Development of private welfare policies proceeded apace. Between 1910 and 1925 some 180 companies set up retirement plans; in a 1929 inquiry, 70% of companies surveyed boasted group insurance schemes.

See E. Berkowitz and K. McQuaid, *Creating the Welfare State. The Political Economy of Twentieth-Century Reform* (Praeger, New York, 1980), pp. 19–21, 52–6; I. Bernstein, *The Lean Years, A History of the American Worker (1920–1937)* (Houghton-Mifflin, Boston, 1960), pp. 144–64. Note incidentally that the importance of this private welfare apparatus should not be exaggerated: such schemes were often associated with company or yellow unionism; they were often voluntary and could be suspended at will (as in the 1930s), and they only covered at most 20% of employees in 1929.

92 More generally on the role of the middle classes, and especially of social workers themselves, in the development of the US welfare state, see W. I. Trattner, *From Poor Law to Welfare State: a History of Social Welfare in America* (Free Press, New York, 1979), pp. 6–12, 42–53, 160–1; R. Lubove, *The Struggle for Social Security* (Harvard University Press, Cambridge, Mass., 1968), pp. 97–102; and R. Bremner, 'Poverty in Perspective', in *Change and Continuity in Twentieth*

Century America (Ohio State University Press, Columbus, Ohio, 1964), pp. 269–77.

93 For some useful discussion of recent state economic policy, especially in contrast with that of France, see the chapters in *Industrial Policy: Business and Politics in the United States and France*, ed. S. Zukin (Praeger, New York, 1985).

4 ECONOMIC CHANGE AND SPATIAL RESTRUCTURING (1)

1 This issue is examined in detail in many of the chapters in *Social Relations and Spatial Structures*, ed. D. Gregory and J. Urry (Macmillan, London, 1985). Other recent examinations include N. Smith, *Uneven Development* (Basil Blackwell, Oxford, 1984); D. Massey, *Spatial Divisions of Labour* (Macmillan, London, 1984); N. Thrift, 'On the determination of social action in society and space', *Society and Space* 1 (1983), pp. 23–57.

2 This is discussed further in L. Murgatroyd, D. Shapiro, J. Urry, S. Walby and A. Warde, *Localities, Class and Gender* (Pion, London, 1985), ch. 21.

3 Marx, *Grundrisse* (Penguin, London, 1973), p. 539.

4 D. Harvey, 'The geopolitics of capitalism', in *Social Relations*, ed. Gregory and Urry, pp. 128–63, p. 145.

5 See M. Berman, *All that is Solid Melts into Air* (Verso, London, 1983); especially see Berman's chapter, on the massive changes produced in Parisian social life brought about by the building of its famous boulevards by Baron Haussmann in the Second Empire. On changes in the spatial distribution of knowledge, N. Thrift, 'Files and germs: a geography of knowledge', in *Social Relations*, ed. Gregory and Urry, pp. 366–403.

6 See Smith, *Uneven Development*, p. 152.

7 See J. Urry, 'Localities, regions and social class', in *International Journal of Urban and Regional Research* 5 (1981), pp. 455–74.

8 See M. Storper and R. Walker, 'Capital and industrial location', 5 (1981), pp. 473–529.

9 A. Sayer, 'Industry and space: a sympathetic critique of radical research', *Society and Space* 3 (1985), pp. 3–29.

10 On the interconnections of the social and the spatial with nature, see the discussion in Smith, *Uneven Development*, ch. 3; on some comments of the connections with time, see Urry, 'Space, time'.

11 See A. Sayer, 'Explanation in human geography: abstraction versus generalisation', *Progress in Human Geography* 6 (1982), pp. 68–88; and Urry, 'Space, time', pp. 36–8.

12 D. Massey, 'Regionalism: some current issues', *Capital and Class* 6 (1978), pp. 106–25, p. 116.

13 See most usefully here Massey, *Spatial Divisions of Labour*. The argument here is found in Urry, 'Space, time'. Also see D. Massey and R. Meegan, *The Anatomy of Job Loss* (Methuen, London, 1982).

14 A. Sayer, 'Explanation in human geography', p. 80.

15 See M. Taylor and N. Thrift, 'Models of corporate development and the multinational corporation', in *The Geography of Multinationals*, ed. Taylor and Thrift, (Croom Helm, London, 1982), pp. 14–32; F. Fröbel, J. Heinrichs and O. Kreye, *The New International Division of Labour* (Cambridge University Press, Cambridge, 1980); and A. J. Scott, 'Industrialization and urbanization', *Annals of the Association of American Geographers* 76 (1986), pp. 25–37.

16 See R. Vernon, 'The product cycle hypothesis in a new international environment', *Oxford Bulletin of Economics and Statistics* 41 (1979), pp. 255–6, 258.

17 See H. Watts, 'The inter-regional distribution of West German multinationals in the United Kingdom', in Taylor and Thrift, *The Geography of Multinationals*, pp. 61–89, p. 61.

18 See I. Clarke. 'The changing international division of labour within ICI', in Taylor and Thrift, *The Geography of Multinationals*, pp. 90–116; and 'The imperial initiative', *The Guardian*, Feb. 19th, 1985, p. 24.

19 See Fröbel, Heinrichs and Kreye, *The New International Division of Labour*.

20 M. Taylor and N. Thrift, Introduction, in *The Geography of Multinationals*, pp. 1–13, p. 7.

21 See J. Dunning and R. Pearce, *The World's Largest Industrial Enterprises* (Gower, Farnborough, 1981), p. 115; and A. Lipietz, 'How monetarism choked Third World industrialization', *New Left Review* 145 (1984), pp. 71–87. See also I. D. Clarke, *The Spatial Organisation of Multinational Corporations* (Croom Helm, London, 1985), Table 1.1 which sets out the percentage changes in employment 1973–81 for all the leading UK multinationals.

22 Clarke, *Spatial Organisation*, p. 86.

23 See D. Harvey, *Social Justice and the City* (Edward Arnold, London, 1973); R. Walker, 'A theory of suburbanisation: capitalism and the construction of urban space in the United States', in *Urbanisation and Urban Planning in Capitalist Society*, ed. M. Dear and A. Scott (Methuen, London, 1981), pp. 383–430.

24 See J. A. Agnew, 'Homeownership and the capitalist social order', ibid., pp. 457–80.

25 See M. Aglietta, *A Theory of Capitalist Regulation* (New Left Books, London, 1979). More generally see K. Cox, 'Capitalism and conflict around the communal living space', in Dear and Scott, *Urbanisation*, pp. 431–56; P. Joyce, *Work, Society and Politics: the Culture of the Factory in Later Victorian England* (Harvester, Brighton, 1980), chs 3 and 4; and R. Hall, D. Thorns and W. E. Willmott, 'Community, class and kinship', *Society and Space* 2 (1984).

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28 See J. Urry, 'Some themes in the analysis of the anatomy of contemporary capitalist societies', *Acta Sociologica* 25 (1982), pp. 405–18.

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30 P. Bairoch, 'The main trends in national economic disparities since the industrial revolution', in *Disparities in Economic Development since the Industrial Revolution*, ed. P. Bairoch and M. Levy-Leboyer (Macmillan, London, 1981), pp. 3–17, p. 5.

31 See de Vries, *European Urbanization*, pp. 258–9, who points out the corresponding