

demonstrating conclusively that economic stagnation and underemployment of resources were not necessary and could be avoided if the financial system were subordinated to the economic system. In Germany this was not necessary, since the Nazis had already made this discovery in the 1930's. On the other hand, the destruction of the war left Germany with a large task to do, the rebuilding of the German industrial plant. But, since Germany could not get to that task until it had its own government, the masses of Germans suffered great hardships in the five years 1945-1950, so that, by the time the proper political conditions arrived to allow the task of rebuilding, these masses of German labor were eager for almost any job and were more concerned with making a living wage than they were with seeking to raise their standards of living. This readiness to accept low wages, which is one of the essential features of the German economic revival, was increased by the influx of surging millions of poverty-stricken refugees from the Soviet-occupied East. Thus a surplus of labor, low wages, experience in unorthodox financial operations, and an immense task to be done all contributed to the German revival.

The Development of the European Economic Community

The signal for this to begin was given by the West German currency reform of 1950, which encouraged investment and offered entrepreneurs the possibility of large profits from the state's tax policies. The whole developed into a great boom when the establishment of the European Common Market of seven western European states offered Germany a mass market for mass production just as the rebuilding of German industry was well organized. The combination of low wages, a docile labor force, new equipment, and a system of low taxes on producers, plus the absence of any need for several years to assume the expense of defense expenditures, all contributed to make German production costs low on the world's markets and allowed Germany to build up a flourishing and profitable export trade. The German example was copied in Japan and in Italy, and, on a different basis, in France, with the result that the Common Market area enjoyed a burst of economic expansion and prosperity which began to transform western European life and to raise most of its countries to a new level of mobility and affluence such as they had never known before. One result of this was the development of what had been backward areas within these countries, most notably in southern Italy, where the boom caught on by 1960. The only area within the Common Market where this did not occur was in Belgium, which was hampered by obsolescent equipment and domestic social animosities, while in France the boom was delayed for several years by the acute political problems associated with the death of the Fourth Republic (1958).

Chapter 34—France

Financial capitalism lasted longer in France than in any other major country. The roots of financial capitalism there, like Holland but unlike Germany, go back to the period of commercial capitalism which preceded the Industrial Revolution. These roots grew rapidly in the last half of the eighteenth century and were well established with the founding of the Bank of France in 1800. At that date, financial power was in the hands of about ten or fifteen private banking houses whose founders, in most cases, had come from Switzerland in the second half of the eighteenth century. These bankers, all

Protestant, were deeply involved in the agitations leading up to the French Revolution. When the revolutionary violence got out of hand, they were the chief forces behind the rise of Napoleon, whom they regarded as the restorer of order. As a reward for this support, Napoleon in 1800 gave these bankers a monopoly over French financial life by ... [allowing] them [to] control of the new Bank of France.

Financial Power Resides in Private Banking Houses Who

Control the Bank of France

By 1811 most of these bankers had gone over to the opposition to Napoleon because they objected to his continuation of a warlike policy. France at that time was still in the stage of commercial capitalism, and constant war was injurious to commercial activity. As a result, this group shifted its allegiance from Bonaparte to Bourbon, and survived the change in regime in 1815. This established a pattern of political agility which was repeated with varying success in subsequent changes of regime. As a result, the Protestant bankers, who had controlled financial life under the First Empire, were still the main figures on the board of regents of the Bank of France until the reform of 1936. Among these figures the chief bore the names Mirabaud, Mallet, Neuflyze, and Hottinguer.

Rivalry Between Older Protestant and Jewish Bankers

In the course of the nineteenth century, a second group was added to French banking circles. This second group, largely Jewish, was also of non-French origin, the majority Germanic (like Rothschild, Heine, Fould, Stern, and Worms) and the minority of Iberian origin (like Pereire and Mires). A rivalry soon grew up between the older Protestant bankers and the newer Jewish bankers. This rivalry was largely political rather than religious in its basis, and the lines were confused by the fact that some of the Jewish group gave up their religion and moved over to the Protestant group (such as Pereire and Heine).

Mirabaud and Rothschild Dominate the Entire

German Financial System

The rivalry between these two groups steadily increased because of their differing political attitudes toward the July Monarchy (1830-1848), the Second Empire (1852-1870), and the Third Republic 1871-1940). In this rivalry the Protestant group was more conservative than the Jewish group, the former being lukewarm toward the July Monarchy, enthusiastic toward the Second Empire, and opposed to the Third Republic. The Jewish group, on the other hand, warmly supported the July Monarchy and the Third Republic but opposed the Second Empire. In this rivalry the leadership of each group was centered in the richest and more moderate banking family. The leadership of the Protestant group was exercised by Mirabaud, which was on the left wing of the group. The leadership of the Jewish group was held by Rothschild, which was on the right wing

of that group. These two wings were so close that Mirabaud and Rothschild (who together dominated the whole financial system, being richer and more powerful than all other private banks combined) frequently cooperated together even when their groups as a whole were in competition.

Catholic Bankers

This simple picture was complicated, after 1838, by the slow rise of a third group of bankers who were Catholics. This group (including such names as Demachy, Seillière, Davillier, de Germiny, Pillet-Will, Gouin, and de Lubersac) rose slowly and late. It soon split into two halves. One half formed an alliance with the Rothschild group and accepted the Third Republic. The other half formed an alliance with the rising power of heavy industry (largely Catholic) and rose with it, forming under the Second Empire and early Third Republic a powerful industrial-banking group whose chief overt manifestation was the Comité des Forges (the French steel "trust").

Rothschild's French Investment Bank

Thus there were, in the period 1871-1900, three great groups in France: (a) the alliance of Jews and Catholics dominated by Rothschild; (b) the alliance of Catholic industrialists and Catholic bankers dominated by Schneider, the steel manufacturer; and (c) the group of Protestant bankers dominated by Mirabaud. The first of these accepted the Third Republic, the other two rejected the Third Republic. The first waxed wealthy in the period 1871-1900, chiefly through its control of the greatest French investment bank, the Banque de Paris et des Pays Bas (Paribas). This Paribas bloc by 1906 had a dominant position in French economic and political life.

Banking Groups Paralyze the French Political and Economic System

In opposition to Paribas the Protestant bankers established an investment bank of their own, the Union Parisienne, in 1904. In the course of the period 1904-1919 the Union Parisienne group and the Comité des Forges group formed an alliance based on their common opposition to the Third Republic and the Paribas bloc. This new combination we might call the Union-Comité bloc. The rivalry of these two great powers, the Paribas bloc and the Union-Comité bloc, fills the pages of French history in the period 1884-1940. It paralyzed the French political system, reaching the crisis stage in the Dreyfus case and again in 1934-1938. It also partially paralyzed the French economic system, delaying the development from financial capitalism to monopoly capitalism, and preventing economic recovery from the depression in the period 1935-1940. It contributed much to the French defeat in 1940. At present, we are concerned only with the economic aspects of this struggle.

In France the stage of commercial capitalism continued much longer than in Britain, and did not begin to be followed by industrial capitalism until after 1830. The stage of financial capitalism in turn did not really begin until about 1880, and the stage of monopoly capitalism became evident only about 1925.

The Greatest Bankers Had Intimate Connections with Governments

During all this period the private bankers continued to exist and grow in power. Founded in commercial capitalism, they were at first chiefly interested in governmental obligations both domestic and foreign. As a result, the greatest private bankers, like the Rothschilds or Mallets, had intimate connections with governments and relatively weak connections with the economic life of the country. It was the advent of the railroad in the period 1830-1870 which changed this situation. The railroads required capital far beyond the ability of any private banker to supply from his own resources. The difficulty was met by establishing investment banks, deposit banks, saving banks, and insurance companies which gathered the small savings of a multitude of persons and made these available for the private banker to direct wherever he thought fitting. Thus, the private banker became a manager of other persons' funds rather than a lender of his own. In the second place, the private banker now became much more influential and much less noticeable. He now controlled billions where formerly he had controlled millions, and he did it unobtrusively, no longer in the open in his own name, but acting from the background, concealed from public view by the plethora of financial and credit institutions which had been set up to tap private savings. The public did not notice that the names of private bankers and their agents still graced the list of directors of the new financial enterprises. In the third place, the advent of the railroad brought into existence new economic powers, especially in iron-making and coal mining. These new powers, the first powerful economic influences in the state free from private banking control, arose in France from an activity very susceptible to governmental favor and disfavor: the armaments industry.

Private Proprietorships and Partnerships

Industrial capitalism began in France, as elsewhere, in the fields of textiles and iron-making. The beginning may be discerned before 1830, but the growth was slow at all times. There was no lack of capital, since most Frenchmen were careful savers, but they preferred fixed-interest obligations (usually government bonds) to equity capital, and would rather invest in family enterprises than in securities of other origin. The use of the corporation form of business organization grew very slowly (although it was permitted by French law in 1807, earlier than elsewhere). Private proprietorships and partnerships remained popular, even in the twentieth century. Most of these were financed from profits and family savings (as in England). When these were successful and increased in size, the owners frequently cut off the growth of the existing enterprise and started one or more new enterprises alongside the old one. These sometimes engaged in the identical economic activity but more frequently engaged in a closely related activity. Strong family feeling hampered the growth of large units or publicly owned corporations because of reluctance to give outsiders an influence in family businesses. The preference for fixed-interest obligations over equity securities as investments made it difficult for corporations to grow in size easily and soundly. Finally, the strong feeling against public authority, especially the tax collector, increased the reluctance to embark in public rather than private forms of business organization.

The Schneider Monopoly Over Arms

Nonetheless, industry grew, receiving its greatest boost from the advent of the railroad, with its increased demand for steel and coal, and from the government of Napoleon III (1852-1870), which added a new demand for armaments to the industrial market. Napoleon showed special favor to one firm of iron and armaments makers, the firm of Schneider at Le Creusot. Eugene Schneider obtained a monopoly in supplying arms to the French government, sold materials to government-encouraged railway construction, became president of the Chamber of Deputies, and minister of agriculture and commerce. It is hardly surprising that the industrialists looked back on the period of the Second Empire as a kind of golden age.

Clash Between Two Economic Blocs

The loss of political influence by the heavy industrialists after 1871 reduced their profits, and drove them to ally with the Catholic bankers. Thus, the struggle between financial capitalism and monopoly capitalism which appeared in most countries was replaced in France by a clash between two economic blocs, both of which were interested in both industry and banking and neither of which was prepared to accept the unorthodox banking procedures which become one of the chief goals of monopoly capitalism. As a result, monopoly capitalism appeared late in France and, when it did, arose between the two great blocs, with ramifications in both, but largely autonomous from the central control of either. This new autonomous and rather amorphous group which reflected the rise of monopoly capitalism may be called the Lille-Lyons Axis. It rose slowly after 1924, and took over the control of France after the defeat of 1940.

The Rise of Financial Capitalism in France

The rise of financial capitalism in France, as elsewhere, was made possible by the demand for capital for railroad building. The establishment of the *Crédit Mobilier* in 1852 (with 60 million francs in assets) may be taken as the opening date for French financial capitalism. This bank was the model for the credit banks established in Germany later, and, like them, conducted a mixed business of savings accounts, commercial credit, and investment banking. The *Crédit Mobilier* failed in 1867, but others were founded afterward, some mixed, others more specialized on the British or American pattern.

Over 300 Billion Francs Taken from the French People

by Worthless Securities

Once begun, financial capitalism in France displayed the same excesses as elsewhere. In France these were worse than those in Britain or Germany (after the reforms of 1884), although they were not to be compared with the excesses of frenzy and fraud displayed in the United States. In France, as in Britain, the chief exploits of financial capitalism in the nineteenth century were to be found in the foreign field, and in government rather than in business securities. The worst periods of delirium were in the early 1850's, again in the

early 1880's, and again in much of the twentieth century. In one year of the first period (July 1, 1854 to July 1, 1855) no less than 457 new companies with combined capital of 1 billion francs were founded in France. The losses to security buyers were so great that on March 9, 1856, the government had to prohibit temporarily any further issue of securities in Paris. Again in the period 1876 to 1882 over 1 billion francs of new stocks were issued, leading to a crash in 1882. And finally, in the whole period 1900-1936, financial capitalism was clearly in control in France. In 1929 a Paris newspaper estimated that in a period of thirty years (from the Humbert embezzlement of 1899) more than 300 billion francs (equivalent to the total public and private debt of France in 1929) had been taken from the French people by worthless securities.

The center of the French economic system in the twentieth century was not to be found, as some have believed, in the Bank of France, but, instead, resided in a group of almost unknown institutions—the private banks. There were over a hundred of these private banks, but only about a score were of significance, and even in this restricted group two (Rothschild and Mirabaud) were more powerful than all the others combined. These private banks were known as the Haute Banque, and acted as the High Command of the French economic system. Their stock was closely held in the hands of about forty families, and they issued no reports on their financial activities. They were, with a few exceptions, the same private banks which had set up the Bank of France. They were divided into a group of seven Jewish banks (Rothschild, Stern, Cahen d'Anvers, Propper, Lazard, Spitzer, and Worms), a group of seven Protestant banks (Mallet, Mirabaud, Heine, Neuflyze, Hottinguer, Odier, and Vernes), and a group of five Catholic banks (Davillier, Lubersac, Lehideux, Goudchaux, and Demachy). By the twentieth century the basic fissure to which we have referred had appeared between the Jews and the Protestants, and the Catholic group had split to ally itself either with the Jews or with the forces of monopolistic heavy industry. None the less, the various groups continued to cooperate in the management of the Bank of France.

The Bank of France Was Controlled by Forty Families

The Bank of France was not the center of French financial capitalism except nominally, and possessed no autonomous power of its own. It was controlled until 1936, as it had been in 1813, by the handful of private banks which created it, except that in the twentieth century some of these were closely allied with an equally small but more amorphous group of industrialists. In spite of the fissure, the two blocs cooperated with each other in their management of this important instrument of their power.

The Bank of France was controlled by the forty families (not two hundred, as frequently stated) because of the provision in the bank's charter that only the 200 largest stockholders were entitled to vote for the members of the board of regents (the governing board of the bank). There were 182,500 shares of stock outstanding, each with face value of 1,000 francs but usually worth five or ten times that. In the twentieth century there were 30,000 to 40,000 stockholders. Of the 200 who could vote for the twelve elected regents, 78 were corporations or foundations and 122 were individuals. Both classes were dominated by the private banks, and had been for so long that the regents' seats had

become practically hereditary. The chief changes in the names of regents were caused by the growth of heavy industry and the transfer of seats through female lines. Three seats were held by the same families for well over a century. In the twentieth century the names of Rothschild, Mallet, Mirabaud, Neuflyze, Davillier, Vernes, Hottinguer, and their relatives were consistently on the board of regents.

Forty Families Control Nineteen Chief Banks

The Bank of France acted as a kind of general staff for the forty families which controlled the nineteen chief private banks. Little effort was made to influence affairs by the re-discount rate, and open-market operations were not used until 1938. The state was influenced by the Treasury's need for funds from the Bank of France. Other banks were influenced by methods more exclusively French: by marriage alliances, by indirect bribery (that is, by control of well-paying sinecures in banking and industry), and by the complete dependence of French banks on the Bank of France in any crisis. This last arose from the fact that French banks did not emphasize gold reserves but instead regarded commercial paper as their chief reserve. In any crisis where this paper could not be liquidated fast enough, the banks resorted to the unlimited note-issuing power of the Bank of France.

Investment Bank Supplied Long-Term Capital to Industry

In the third line of control of the French economy were the investment banks called "barques d'affaires." These were dominated by two banks: the Banque de Paris et des Pays Bas set up by the Rothschild group in 1872 and the Banque de l'Union Parisienne founded by the rival bloc in 1904. These investment banks supplied long-term capital to industry, and took stock and directorships in return. Much of the stock was resold to the public, but the directorships were held indefinitely for control purposes. In 1931, Paribas held the securities of 357 corporations, and its own directors and top managers held 180 directorships in 120 of the more important of these. The control was frequently made easier by the use of nonvoting stock, multiple-voting stock, cooptative directorships, and other refinements of financial capitalism. For example, the General Wireless Company set up by Paribas distributed 200,000 shares of stock worth 500 francs a share. Of these, 181,818 shares, sold to the public, had one-tenth vote each while 18,182 shares, held by the insider group, had one vote each. A similar situation was to be found in Havas stock, also issued by Paribas.

Interlocking Directorships

The investment bank of the non-Jewish private banks and their industrial allies was the Union Parisienne. Among its sixteen directors were to be found such names as Mirabaud, Hottinguer, Neuflyze, Vernes, Wendel, Lubersac, and Schneider in the period before 1934. The two largest stock-holders in 1935-1937 were Lubersac and Mallet. The directors of this bank held 124 other directorships on 90 important corporations in 1933. At the same time it held stock in 338 corporations. The value of the stock held by the

Union Parisienne in 1932 was 482.1 million francs and of that held by Paribas was 548.8 million francs, giving a total for both of 1,030.9 million francs.

Decline of Jewish Group of Private Bankers

In the fourth line of control were five chief commercial banks with 4,416 branches in 1932. At the beginning of the century these had all been within the "Paribas Consortium," but after the founding of the Union Parisienne in 1904 they slowly drifted over to the new bloc, the Comptoir National d'Escompte going over almost at once, with the others following more slowly. As a result, the control of the two great blocs over the great deposit banks was rather mixed during the twentieth century, with the old Jewish group of private bankers losing ground rather steadily. The decline of this group was closely related to the decline of international financial capitalism, and received its worse blow in the losses in foreign bonds resulting from the First World War. Regional deposit banks were controlled in varying degrees by one or the other of the two blocs, the Paribas control being stronger in the north, west, and south, while the Union-Comité bloc was stronger in the northeast, east, and southeast. Control of savings banks and insurance companies was also shared, especially where they had been founded before the two blocs achieved their modern form. For example, the largest insurance company in France, with capital and reserves of 2,463 million francs in 1931, had as directors such names as Mallet, Rothschild, Neuflyze, Hottinguer, and so on.

Banking Families Divide Up Their Spheres of Interest in Various

Industries and Public Utilities

This cooperation between the two blocs in regard to the lower levels of the banking system (and the Bank of France itself) did not usually extend to industrial or commercial activity. There, competition outside the market was severe, and became a struggle to the death in 1932-1940. In some activities, spheres of interest were drawn between the two groups, and thus competition was reduced. Inside France, there was the basic division between east and west, the Jewish group emphasizing shipbuilding, transatlantic communications and transportation, and public utilities in the west, while the Protestant-Catholic group emphasized iron, steel, and armaments in the east. Outside France, the former group dominated the colonies, North Africa, and the eastern Mediterranean, while the latter group emphasized central and eastern Europe (chiefly through the Union européenne industrielle et financière, created in 1920 to be the economic counterpart of the Little Entente).

Worldwide Ramifications of Rivalry Between Banking Groups

In some fields the rivalry of the two groups had worldwide ramifications. In petroleum products, for example, the Jewish bankers, through the Banque de Paris et des Pays Bas, controlled the Compagnie française des pétroles, which was allied to Standard Oil and Rockefeller, while the Catholic-Protestant bankers, through the Union Parisienne, controlled Petrofina, which was allied to Royal Dutch Shell and Deterding. Jules

Exbrayat, partner of Demachy et Cie. (in which François de Wendel was majority owner) was a director of Union Parisienne and of Petrofina, and Alexandre Bungener, partner of Lubersac et Cie., was also a director of Union Parisienne and of Petrofina. Charles Sergeant, once undersecretary of the Ministry of Finance and sub-governor of the Bank of France, was for years chairman of the Union Parisienne, and played a role in one bloc similar to that played by Horace Finaly in the other bloc. He was a director of Petrofina and of the Union européenne industrielle et financière. When he retired for reasons of health in 1938 he was replaced in several positions (including Petrofina and Union Parisienne) by Jean Tannery, honorary governor of the Bank of France. At the same time, Joseph Courcelle, former inspector of finances, was a director of seventeen companies including Petrofina and Union Parisienne. On the other side, Horace Finaly was general manager of Paribas and director of Standard Franco-Américaine, while his son, Boris, was a director of Cie. française des pétroles. Former ambassador Jules Cambon and Emile Oudot, both directors of Paribas, were respectively directors of Standard Franco-Américaine and Standard française des pétroles (before these merged in 1938).

French Economy Organized into Trade Association,

Industrial Monopolies and Cartels

Outside the banking system which we have sketched, the French economy was organized in a series of trade associations, industrial monopolies, and cartels. These were usually controlled by the Catholic-Protestant bloc of private bankers, since the Jewish group continued to use the older methods of financial capitalism while their rivals moved forward to the more obvious methods of monopoly capitalism. In such cases, individual companies controlled by the Jewish group frequently joined the cartels and associations set up by the rival bloc.

The Center of the Monopolistic Industrial Controls

At the center of the system of monopolistic industrial controls was the Confédération générale du patronat français, which after 1936 (Matignon agreements) did the collective bargaining for most French industry. The Confédération was divided into sections for different branches of industry. Around the Confédération was a series of general trade associations and cartels such as the Comité des Forges, Comité centrale des Houillères, Union des industries métallurgiques et minières, Société de l'industrie minérale, and so on. Below these were a large number of regional associations and local cartels. These were integrated into a single whole by financial controls, family alliances, and interlocking positions.

Monopolies in the Metal Industry

In this system the Comité des Forges, trade association of the metallurgical industry, held a key position. In France the iron industry was originally widely scattered in small enterprises. Of these, the factories at Le Creusot, acquired by the Schneider family in 1838, were so favored by Napoleon III that they began to emerge as the chief metal

company in France. As a result of the loss of governmental privileges by the shift from Second Empire to Third Republic and the blow to Schneider's prestige from the victory of Krupp steel cannon over Le Creusot's bronze cannon in 1870, the whole metal industry of France began to turn toward monopoly and to seek capital from private bankers. The turn toward monopoly appeared almost at once, especially in the typical French form of the *comptoir* (a joint selling agency).

In 1884, as we have said, the *Comité des Forges* was formed as an association of all the metallurgical industries of France, using a single *comptoir* to prevent price competition. By the twentieth century, the *Comité des Forges* consisted of representatives of over 200 companies with nominal capital of about 8 billion francs, but whose securities were worth almost 100 billion francs in 1939. Of the 200 corporations the chief perhaps were *Établissements Schneider*; *Les Forges et Aciéries de la Marine et Homécourt*; *La Société des Petits-Fils de François de Wendel*; *Les Aciéries de Longwy*, and so on. By the year 1939, 75 percent of French steel production was from six companies. The monopolistic influences, however, were much stronger than these figures would indicate. Of the 200 firms in the *Comité des Forges*, only 70 were of importance in iron and steel. These 70 had an aggregate capitalization of about 4 billion francs. Of these firms, 51 with 2,727,054,000 francs of capital in 1939 were in the *Union-Comité bloc* and were controlled by a Schneider-Mirabaud alliance. Eleven corporations with 506 million francs of capital were in the *Paribas bloc*. Eight firms with 749 million francs of capital were in neither bloc or doubtful.

Monopolies in the Coal Industry

A somewhat similar development is to be found in the French coal industry. This, perhaps, is not surprising, as the coal industry was largely dominated by the same groups as the steel industry. By 1938, 77 percent of French coal production came from 14 companies. Three of these companies were owned by Wendel, who thus controlled 15.3 percent of French coal output directly, and considerably more indirectly. Parallel to the *Comité des Forges* in steel, and controlled by the same group, was the *Comité-centrale des Houillères* in coal. This was supported by taxes on collieries based on output. Voting power within the organization was based on this financial contribution, so that 13 companies controlled over three-fourths of the votes and Wendel over one-sixth. The French coal industry was controlled nearly as completely by the *Union-Comité bloc* as was the steel industry. Coal in France was found chiefly in two areas —the northwest around Lille and the southeast about Lyons. The latter was controlled almost completely by the *Union-Comité bloc*, but the *Paribas* influence was very great in the far richer northern area. It was these *Paribas* coal mines of the north which gradually drifted away and became one of the chief elements in the monopolistic Lille-Lyons Axis.

The Paribas Bloc Had Taken Control of the Strategic Fields

of Communications and Publicity

The preponderant influence of the Union-Comité bloc in such important fields as iron, steel, and coal was balanced to some extent by the skillful fashion in which the Paribas bloc had taken control of the strategic points in the fields of communications and publicity.

There were only 1,506 corporations registered on the stock exchange in Paris in 1936. Of this number only about 600 were important. If we add to these about 150 or 200 important corporations not registered in Paris, we have a total of about 800 firms. Of these 800, the Paribas bloc controlled, in 1936, almost 400 and the Union-Comité bloc about 300. The rest were controlled by neither bloc. The superior number of firms controlled by Paribas was counterbalanced by the much heavier capitalization of the Union-Comité firms. This in turn was counterbalanced by the fact that the Paribas firms were in strategic positions.

The Paribas system Was Headed by Baron Edouard de Rothschild

The whole Paribas system in the twentieth century was headed by the Baron Edouard de Rothschild, but the active head was René Mayer, manager of the Rothschild bank and nephew by marriage of James Rothschild. The chief center of operations for the system was in the Banque de Paris et des Pays Bas, which was managed, until 1937, by Horace Finaly of a Hungarian-Jewish family brought to France by Rothschild in 1880. From this bank was ruled much of the section of the French economy controlled by this bloc. Included in this section were many foreign and colonial enterprises, utilities, ocean shipping, airlines, shipbuilding and, above all, communications. In this latter group were Cie. générale transatlantique, Cie. générale de télégraphie sans fils, Radio-France, Cie. française de câbles télégraphiques, Cie. internationale des wagon-lits, Havas, and Hachette.

Havas—a Great Monopolistic News Agency

Havas was a great monopolistic news agency, as well as the most important advertising agency in France. It could, and did, suppress or spread both news and advertising. It usually supplied news reports gratis to those papers which would print the advertising copy it also provided. It received secret subsidies from the government for almost a century (a fact first revealed by Balzac), and by the late 1930's these subsidies from the secret funds of the Popular Front had reached a fantastic size. Hachette had a monopoly on the distribution of periodicals and a sizable portion of the distribution of books. This monopoly could be used to kill papers which were regarded as objectionable. This was done in the 1930's to Francois Coty's reactionary L'Ami du peuple.

Rothschilds Desire to Form an Alliance with Russia

After 1934, the Union-Comité bloc was badly injured by the world depression, which fell on heavy industry more severely than on other segments of the economy. After 1937, the Paribas bloc was badly split by the rise of anti-Semitism, the controversy over orthodox and unorthodox financial methods for dealing with depression, and, above all,

by the growing foreign crisis. The Rothschild desire to form an alliance with Russia and adopt a policy of resistance to Hitler while supporting Loyalist Spain, continuing orthodox financial policies, and building up the labor unions against the Comité des Forges, collapsed from its own internal contradictions, their own lack of faith in it, and the pressure of Great Britain.

As the two older blocs thus weakened, a new bloc rose rapidly to power between them. This was the Lille-Lyons Axis. It was constructed about two regional groups—one in the north about Lille and the other in the southeast and east about Lyons and in Alsace. The former had a branch running to Brussels in Belgium, while the latter had a branch running to Basle in Switzerland. The Lille end was originally under Rothschild influence, while the Lyons end was originally under Mirabaud influence. The two ends were integrated into a single unit by the activities of several private banks and two deposit banks in Paris. The private banks included Odier, Sautter et Cie., S. Propper et Cie., and Worms et Cie. The credit banks included the Crédit Commercial de France and the Banque française pour le commerce et l'industrie.

Monopolies Over Electrical Utilities, Chemicals, Textiles and Light Metals

This Lille-Lyons Axis was built up about four economic activities: electrical utilities, chemicals, artificial textiles, and light metals. These four were monopolistic and interrelated, chiefly for technological reasons. They were monopolistic either by nature (public utilities) or because they were based on narrowly controlled natural resources (utilities and chemicals), or because they required large-scale operation utilizing by-products and affiliated activities for profitable operation (utilities, chemicals, artificial textiles, and light metals), or because they required use of closely held patents (chemicals, artificial textiles, and light metals).

The Lille-Lyons Axis

These activities were interrelated for various reasons. The public utilities of the north were based on coal, while those of the southeast were based on waterpower. The manufacture of light metals concentrated in the southeast because of the available water power. These metals, chiefly aluminum, were made by electrolysis, which provided chemical by-products. Thus the two light-metals firms in France moved into the field of chemicals. The textile industry was already centered in the north (about Lille) and in the southeast (about Lyons). When this textile industry turned to artificial fibers, it had to ally with chemical firms. This was easy because the chemical firms of the southeast were already in close contact with the textile firms of Lyons (chiefly the Gillet family), while the chemical firms of the north were already in close contact with the textile firms of the area (chiefly the Motte family and its relatives). These textile firms of the north already controlled, in cooperation with Paribas, the richest coal mines of the area. These coal mines began to generate electric power at the mine, utilizing all by-products for chemicals and artificial textiles. Since the textile families of the north (like Motte) were already related to the textile families of the southeast (like Gillet) by marriage and by trade associations, it was easy for the Lille-Lyons Axis to grow up along these lines.

The Lille-Lyons Axis Take Over the Whole Economy of France

As a result of the stalemate between the two great blocs, between financial capitalists and monopoly capitalists, between supporters of the Russian alliance and supporters of appeasement, between orthodox and unorthodox financial measures, between Jews and anti-Semites, France was completely paralyzed and went down to defeat in 1940. This was quite acceptable to the Lille-Lyons Axis. It accepted the defeat with satisfaction, and, with German help, began to take over the whole economy of France. The Paribas bloc was destroyed by the anti-Semite laws, and many of its chief strong points taken over. The Union-Comité bloc was badly crippled by a series of severe blows, including the forced sale of all Schneider's foreign holdings, and of most of Wendel's domestic holdings to the Germans (chiefly to the Hermann Göring Werke), the seizure of the other Lorraine iron properties, and the abolition of the Comité des Forges itself.

Giant Monopolies Control the Economy of France

At the same time, the Lille-Lyons Axis strengthened itself. The French chemical industry, already largely monopolized by Etablissements Kuhlmann, was forced into a single corporation (Société Francolor) controlled by the Lille-Lyons Axis and I. G. Farben. The light-metals industry, already largely monopolized by Alais, Froges, et Camargue, was centralized almost completely in this firm. The artificial textile industry, already largely monopolized by the Gillet clique, was centralized under a single corporation, France-Rayonne, under joint Gillet-German control. The automobile industry was subjected to a single control—the Comité d'organisation d'automobiles—and set up a joint manufacturing company—Société générale française de construction d'automobiles. The whole system was controlled by a small group in Lyons centering about the Gillet family and represented on the political scene chiefly by Pierre Laval.

The Struggles Between the Three Great Economic Power Blocs

The struggles between these three great economic power blocs in France are rather difficult for Americans to understand because they were not reflected in price competition in the market where Americans would normally expect economic competition to appear. In the field of price policies, the three blocs generally cooperated. They also cooperated in their attitudes toward labor, although to a lesser degree. Their rivalries appeared in the fields of economic and political power as struggles to control sources of raw materials, supplies of credit and capital, and the instruments of government. Price competition, which to an American always has seemed to be the first, and even the only, method of economic rivalry, has, in Europe, generally been regarded as the last possible method of economic rivalry, a method so mutually destructive as to be tacitly avoided by both sides. In fact, in France, as in most European countries, competing economic groups saw nothing inconsistent in joining together to use the power of the state to enforce joint policies of such groups toward prices and labor.

The French defeat in 1940 shattered the stalemate between the economic power blocs which had paralyzed France in the 1930's and done so much to make the defeat possible. The two older blocs were disrupted under the German occupation and the Vichy regime, the Paribas bloc by the anti-Semitic laws and the Union-Comité bloc because its holdings were desirable to the Germans and their French collaborators. The Lille-Lyons Axis, led by the associates of the Banque Worms and the Banque de l'Indochine, sought to take over most of the French economy as the willing collaborators of the Germans and their old associate, Pierre Laval, and were fairly successful in doing so, but the economic confusions of the occupation and the burden of the German occupation costs made it impossible to win any significant benefits from their position. Moreover, as collaborators with the Nazis the Lille-Lyons Axis could not expect to survive a German defeat, and did not do so.

René Mayer

... [S]ome of the personnel of Paribas have [played a significant role in France since 1945] ... notably René Mayer, active head of the Rothschild family interests who was minister of finance in the early postwar government. Later, in 1962, De Gaulle made the director of the Rothschild bank, George Pompidou, prime minister. The rather prominent role played by bankers such as these did not prevent France from following the pattern of new economic procedures which we have observed in other countries. The process was delayed by the political paralysis arising from the French parliamentary system, especially the instability of Cabinets arising from the multiplicity of parties. The military crisis in Indochina, followed by the protracted and frustrating civil war in Algeria, prevented France from establishing any satisfactory economic system until 1958.

The European Economic Community

The only achievement of the earlier period was, however, a very great one—the French role in establishing the European Common Market, which was decisive. This was established by the Treaty of Rome of 1957, with six members (France, West Germany, Belgium, the Netherlands, Italy, and Luxembourg). It planned to remove the internal customs barriers among its members by stages over at least a dozen years, while adopting a common external tariff against outsiders. In this way a mass market would be provided which would allow mass production with lower costs. France was unable to contribute much to this new market until its political instability was ended by the establishment of the Fifth Republic, on a more authoritarian pattern, in 1958 (constitution of October 4th). In December of that year, the franc was devalued and a program of fiscal austerity was inaugurated. At once economic activity began to rise. The rate of growth of industrial production reached 6.3 percent in 1961 and almost 8.5 percent in 1962. The gold reserves doubled within two years of the devaluation.

The resulting prosperity, called an "economic miracle" in the 1962 Report of the twenty-nation Organization for Economic Cooperation and Development (the successor organization to the Marshall Plan), was unevenly spread in that farmers and government employees obtained less than a fair share of it, and it was accompanied by an undesirable

inflation of the cost of living (with 1953 as 100) to 103 in 1956, up to 138 in 1961, and to 144 in 1962. However, it brought France and the other Common Market countries to an unprecedented level of prosperity which was in striking contrast to the drab conditions in the unfortunate countries within the Iron Curtain. The British, who had formed a European Free Trade Association of the "Outer Seven" (Austria, Denmark, Norway, Portugal, Sweden, Switzerland) to seek free trade among members but no common external tariff against others, sought to lift its rather lethargic economy by joining the Common Market in 1962, but was rebuffed by De Gaulle, who required as a price that Britain renounce its efforts, going back over decades, to establish a special relationship with the United States.

Chapter 35—The United States of America

... From the beginning, the United States had a shortage of labor in the face of an unprecedented richness of resources. As a result, it sought labor-saving devices and high output per man-day of work, even in agriculture. This means that the amount of capital equipment per man was unusually high throughout American history, even in the earliest period, and this undoubtedly presented a problem in an undeveloped country where private savings were, for many generations, scarce. The accumulation of such savings for investment in labor-saving mechanisms brought an opportunity to financial capitalism at an early date. Accordingly, the United States had financial capitalism over a longer period and in a more extreme form than any other country. Moreover, the size of the country made the problem of transportation so acute that the capital necessary for the early canals, railroads, and iron industry was large and had to be found from sources other than local private persons. Much of it came from government subsidies or from foreign investors. It was observable as early as 1850 and had overseas connections which were still in existence in the 1930's.

The Techniques of Finance Capitalism Reach Levels of Corruption into

America Higher Than Any Country in the World

By the 1880's the techniques of financial capitalism were well developed in New York and northern New Jersey, and reached levels of corruption which were never approached in any European country. This corruption sought to cheat the ordinary investor by flotations and manipulations of securities for the benefit of "insiders." Success in this was its own justification, and the practitioners of these dishonesties were as socially acceptable as their wealth entitled them to be, without any animadversions on how that wealth had been obtained. Corrupt techniques, associated with the names of Daniel Drew or Jay Gould in the wildest days of railroad financial juggling, were also practiced by Morgan and others who became respectable from longer sustained success which allowed them to build up established firms.

Close Alliance of Wall Street with Two Major Parties