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SELLING PEACE: THE HISTORY OF THE INTERNATIONAL CHAMBER OF
COMMERCE, 1919-1925

by

SHANE TOMASHOT

Under the Direction of Jared Poley, PhD

ABSTRACT

This dissertation is a study of the International Chamber of Commerce (ICC) from its inception in 1919 to the Brussels Conference in 1925. The study argues, based upon evidence from ICC conference proceedings and reports that the ICC, as well as the League of Nations, was part of the pre-war Allied (the United States, Great Britain, and France) imperial project that sought to maintain Allied global hegemony following the Great War. The businessmen of the ICC, who had numerous Allied political ties, were descendants of the social Darwinist milieu, which guided their thought processes and perceptions of the world. Their belief that they operated in a globalized world was, therefore, a misconception. Business leaders were mistakenly convinced that free trade would create and maintain world peace. Business and

government operated through a symbiotic relationship throughout the 1920s. Fledgling industries, including automotive and air transport, relied upon government assistance. Thus, Allied and corporate international manipulation of markets was cloaked in the rhetoric of “free trade.” Furthermore, ICC business leaders, operating during the Progressive Era’s focus upon scientific efficiency, were convinced that mass production was the key to rebuilding the global economy in the aftermath of the Great War. Evidence shows that the political economic system erected by the bankers, businessmen and politicians of the 1920s helped lay the foundations for the Great Depression. The system, controlled by the Allied powers, included the gold standard system of international fiduciary exchange, trade regimes operated under the auspices of Anglo-Saxon jurisprudence, Allied multinational corporate (MNC) control of Latin America and the Middle East, via electrical MNCs and oil MNCs, and the control and manipulation of labor and migration.

This study contributes to the literature concerning the causes of the Great Depression as well as studies regarding global capitalism. Moreover, the evidence contained within this work suggests that many parts of the neoliberalist argument are actually rooted in the 1920s rather than the late 1970s.

INDEX WORDS: Business, League of Nations, Multinational corporation, Trade, Capitalism, Great Depression

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SHANE TOMASHOT

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Georgia State University

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May 2015

DEDICATION

I dedicate this work to my grandfathers Herbert Gray Parnell and Robert Clay Tomashot.
Their lives, although long past, inspire me every day.

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Writing a dissertation is a monumental task. However, I received much needed and appreciated help along the way. First, I wish to thank my adviser, Dr. Jared Poley. Jared read through numerous drafts of each chapter, offering suggestions, advice and much guidance. He was always receptive to my ideas and always available for my many questions whether via email or in person. For his help, I am eternally grateful. I also wish to thank Dr. Alex Cummings and Dr. Michelle Brattain. They also read through drafts and offered constructive suggestions and thoughtful guidance. The brilliance, kindness and passion of each of these three scholars has helped to make me a better scholar. I also wish to thank Dr. Carolyn Biltoft for giving me the idea to research the International Chamber of Commerce (ICC). Until now, ICC records have remained nearly untouched.

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1 INTRODUCTION

Cornelius Vanderbilt, the commanding U.S. nineteenth century shipping and railroad magnate, was known to frequently say: “There is no friendship in trade.” One of the original “Captains of Industry,” Vanderbilt overcame numerous fierce rivalries and built his fortune through decades of savvy business deals and monopolization. During the American Civil War, Abraham Lincoln called upon Vanderbilt for assistance. The government asked to use Vanderbilt’s ship, the *Vanderbilt*, to help defeat the Confederate Navy. The patriotic Vanderbilt donated his ship to the Union’s cause. Government and business worked together to defeat a common enemy. For the remainder of his life, however, Vanderbilt fought the likes of Jay Gould, James Fisk and John Rockefeller in an effort to control the U.S. railway system. Indeed, “there was no friendship in trade.” At the time of his death in 1877, Vanderbilt was the richest man in America.

Rivalry on an international scale contributed to the outbreak of the Great War in August of 1914. Once again, government called upon business to assist the war effort. However, the war was the first of its kind to require the shift of entire economies to war production. The British, French and American governments created administrative boards to direct production and, in essence, nationalize industry. Following the war, numerous Allied businessmen, including prominent figures such as Thomas Lamont and A.C. Bedford, met in Atlantic City from October 20-24, 1919 to discuss the creation of a permanent international business organization that could help restart “the privately operated peacetime machinery of world industry and commerce.”¹

¹ George Ridgeway, *Merchants of Peace* (Little, Brown and Company, 1959), p. 30.

They agreed to meet again the following year in Paris where they would create the International Chamber of Commerce (ICC).

The ICC is an international business organization. The ICC's goal is to reduce trade barriers, resolve trade disputes, through its Court of Commercial Arbitration, and ensure that the interests of businessmen are known by political leaders and citizens around the globe. The organization's global headquarters, which publishes trade reports and proceedings, is located in Paris, although its biennial meetings are held in member cities around the world. The meetings, under the leadership of an elected chairman (also referred to as president), are typically attended by representatives of multinational corporations (MNCs), representatives of national chambers of commerce, bankers, economists, diplomats and, at times, members of academia. Today, the organization boasts a membership of six and a half million companies and one hundred and thirty countries.²

The businessmen and bankers who met in Paris in 1920 created "a new organization which would be permanent in character and constituted so as to bind together the business and economic forces of the countries of the world, and to furnish a body to which business men could turn for information regarding commercial, financial and economic conditions in all foreign countries."³ The original goal of the organization, informed by international business leaders and bankers, was the perpetuation of free trade. The ICC, whose members referred to themselves as "merchants of peace," established the ICC motto: "world peace through world trade."⁴

² International Chamber of Commerce, "International Chamber of Commerce: ICC Global Headquarters," <http://www.iccwbo.org/about-icc/organization/icc-global-headquarters/>.

³ J. H. Fahey, "The International Chamber of Commerce," *The ANNALS of the American Academy of Political and Social Science*, 1921, 126–30, p. 127.

⁴ Dominic Kelly, "The International Chamber of Commerce," *New Political Economy* 10, no. 2 (2005): 259–271, p. 261.

Business leaders such as Owen Young, the founder of Radio Corporation of America (RCA) and Vice President of General Electric, Alberto Pirelli, President of the Italian Pirelli Tire Company, and numerous others were motivated to form the organization for a few key reasons. First, they disdained government nationalization of industry that had taken place during the war. As we will see, business leaders were convinced that government interference hindered economic progress, trade and profit. The war itself also played a critical role. The evidence shows that economic elites believed that the liberalization of trade, or “free trade,” was a guarantor of global peace. Finally, the spirit of internationalization and the creation of the League of Nations offered an opportunity for men of business to collaborate and discuss ideas, like nation-states in the League, in an established, regularly scheduled forum.

The ICC was viewed as “a businessmen’s League of Nations” that worked to maintain the independence of MNCs and create resolutions to submit to their respective governments to eliminate tariffs.⁵ The organization sought, as stated in its original constitution, “to further the development of an open world economy with the firm conviction that international commercial exchanges are conducive to both greater global prosperity and peace among nations.”⁶ ICC businessmen and bankers were, they believed, the political and economic experts who would avert the tragedy of another world war.

The ICC was an economic consultant for the League of Nations throughout the 1920s, and, by 1927, was the dominant economic advisory body for the League, operating as a non-voting member through the League’s Economic Consultative Committee (LECC). Moreover, its members, including prominent politicians, business leaders, bankers and economists such as A. C. Bedford, Thomas Lamont, Walter Leaf, Fred Kent, Etienne Clémentel, Alberto Pirelli,

⁵ Ridgeway, *Merchants of Peace*, p. 22.

⁶ Kelly, “The International Chamber of Commerce,” p. 259.

Gustave Cassel and a host of others, advised their governments, on a national level, and the League, on an international level, on political economy. The ICC was a biennial platform for discussion and debate that hosted the men who helped determine the economic course of the 1920s. ICC proceedings and economic reports were made available to the public shortly after each meeting. These proceedings and reports form the basis of analysis for this dissertation.

This project is the first scholarly account of the organization, covering its formative years from 1919-1925. The important political economic role of the ICC in the 1920s has been virtually ignored in the historiography of the inter-war period. The decision-making processes, ideas, biases and mentalities of ICC participants, extrapolated from the organization's proceedings, offer valuable insights into not only 1920s international relations and political economy, but also the causes of the Great Depression. The ICC proceedings offer an intimate view of the ideas of businessmen, bankers, politicians, and economists that informed and guided international political economic decision-making during the inter-war era and, as we shall see, contributed to the onset of the Great Depression.

The focus of this dissertation is limited to the years 1919-1925 because, I argue, the ICC's mindset was consolidated during these years and remained for the duration of the 1920s. The 1921, 1923 and 1925 conferences show the unwavering commitment of ICC businessmen and bankers to the axioms that formed their perspective of how to maintain global peace. These axioms, as we will see, included fierce dedication to the political economic systems of the Allied powers, the U.S., Britain and France (throughout this dissertation, I will interchangeably refer to the U.S., Britain and France as either the "core," the "Allies," or the "Allied powers"). The Allied systems, which operated in a social Darwinist intellectual milieu, included the gold standard as the basis for global fiduciary exchange, an imagined free market and globalized

world economic system, and the manipulation of labor in the name of production. Although, at times, minor rifts developed between the Allied powers, the ICC remained dedicated to the aforementioned axioms and the empowerment of the Allied system of control.

The businessmen and bankers of the ICC, who created the institution during the Progressive Era's emphasis upon societal perfection, were regarded as the international economic "experts" of the 1920s. Additionally, ICC participants had numerous political connections that contributed to a business-government nexus. Thus, ICC calls for laissez faire were impractical and, perhaps, disingenuous. Allied governments helped MNCs penetrate Latin American and Middle Eastern markets. Burgeoning industries such as air and automobile transport relied upon government assistance, with ICC support, to initiate their development. The supposed post-war "globalized" system, under the auspices of international organizations such as the ICC and the League, was actually a slightly augmented continuation of the pre-war imperial model.

This study of the ICC contributes to globalization and Great Depression literature and sheds light upon today's political economy. Africanist scholar Frederick Cooper argues that today's use of the term globalization is vague, misleading and farcical. "The world has long been—and still is—a space where economic and political relations are very uneven." The world, Cooper contends, "Is filled with lumps, places where power coalesces surrounded by those where it does not, where social relations become dense amidst others that are diffuse...structures and networks penetrate certain places and do certain things with great intensity, but their effects tail off elsewhere."⁷ The world is, in Cooper's estimation, not a single, connected system. For example, International organizations such as the International Monetary Fund (IMF) manipulate

⁷ Frederick Cooper, "What Is the Concept of Globalization Good For? An African Historian's Perspective," *African Affairs, Royal African Society* 100 (2001): 189–213, p. 190.

and warp peripheral economies while market access in various parts of the globe is often limited by disparate distributions of wealth. Furthermore, if we assume the world is globalized, we overlook smaller scale economic processes and cultures.

The views of the ICC during the 1920s are similar to neoliberal beliefs today. The businessmen of the ICC believed that they lived in a globalized world. Pretentiously, they believed that they spoke for “all nations” and that their supposed free market economic policies would prevent another world war. Like neoliberals today, the ICC believed that they could integrate the globe through standardization of trade practices and currency exchanges. Today’s neoliberals, like their ICC predecessors, believe that “all nations have to do is trust in the effectiveness of self-regulating markets.”⁸ The businessmen and bankers of the 1920s were the trusted experts who insisted that if MNCs were given free reign, they could be trusted to maintain global prices, production and hence employment.

This analysis of the ICC also contributes to literature on the Great Depression. Prominent economists and historians such as Charles Kindleberger, John Kenneth Galbraith, Peter Temin, Barry Eichengreen, Milton Friedman, Ben Bernanke and numerous others have addressed the causes and consequences of the Great Depression. Friedman, and to some extent, Bernanke, finds fault in the Federal Reserve’s monetary policies during the 1920s. Others, such as Eichengreen and Temin focus on the gold standard as a root cause. For the sake of brevity, let us look at two of the most popular, classic accounts of the causes of the Depression by Kindleberger and Galbraith.

Kindleberger blames the crash of the economic system on “British inability and U.S. unwillingness” to police and maintain open markets, exchange rates, lending systems and

⁸ Fred Block, “Introduction,” p. xxxiii, in Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, 2nd Beacon Paperback ed (Boston, MA: Beacon Press, 2001).

coordinated “macroeconomic policies.”⁹ Essentially, Kindleberger insists that there needed to be a reliable financial structure, governed by the U.S. or Britain, following the Great War. Galbraith blames the onset of the Depression upon the poor distribution of income, corrupt business practices on Wall Street, poor banking structures, nation-state debt and what he terms “the poor state of economic intelligence.”¹⁰

The analysis of the ICC during its formative years, however, reveals a more nuanced understanding of the causes of the Great Depression. Key ICC business leaders were granted a great deal of international prestige and relied upon to inform political leaders of global economic health. Banking and business leaders insisted upon the gold standard as well as the standardization of trade as international frameworks to repair and maintain global economic vitality. The works of Kindleberger and Galbraith overlook the influences of individual bankers and businessmen, as well as international institutions such as the ICC, as causes of the Depression. ICC proceedings, investigated here, provide an intimate look at the mentalities at work in the business and banking world of the 1920s.

1.1 Previous Works

Secondary sources that analyze the ICC, especially during the inter-war era, are scarce. George Ridgeway’s profile of the organization, published in 1938 and republished and updated in 1959, is the only book-length discussion of the ICC. Ridgeway’s volume discusses each biennial conference from 1921 to 1957. Though he quotes the proceedings and places the organization’s activities within the historiography, the volume lacks citations and an index.

⁹ Charles Poor Kindleberger, *The World in Depression, 1929-1939*, Rev. and enl. ed, History of the World Economy in the Twentieth Century, v. 4 (Berkeley: University of California Press, 1986), p. 289.

¹⁰ John Kenneth Galbraith, *The Great Crash, 1929* (Boston: Houghton Mifflin Harcourt, 2009), p. 182.

Ridgeway's arguments were fundamentally in support of the ICC and its policies; his volume, while very useful, is of a different nature than this study, which seeks to examine how the new spirit of internationalism was applied within the international business community in the early 1920s.

Ridgeway accepts globalization, the free market and the "revolutionary concept of free trade," like the 1920s ICC, as established truths. He labels the ICC as a "liberal economic force" that acted for the good of the globe. Ridgeway's bias may, arguably, be a product of his profession as a corporate executive and member of the U.S. Chamber of Commerce. It is important to acknowledge, however, that all history, including this dissertation, is written through the biased lens of its author.

Ridgeway's book, however, is useful in terms of its framing and introduction of key ICC participants. Ridgeway interposes key historical events between ICC biennial meetings, placing the organization in the broader historical context. Moreover, although his quotes from the proceedings lack citations, I have been able to verify many of them. Ridgeway introduces numerous important ICC participants including Etienne Clémentel, Walter Leaf, Owen Young, among numerous others, but biographical sketches of participants are wanting.

"International Organization and the International Chamber of Commerce," an article by Kurt Wilk published in 1940, discusses the ICC's collaboration with other international institutions, especially the League of Nations, during the 1920s. However, Wilk's article provides no discussion of the actual ICC minutes. Thus, it lacks descriptions regarding the influence of individual ICC members. Such detail would show the intricacies of the institution including multinational corporate and nation-state influences.¹¹

¹¹ Kurt Wilk, "International Organization and the International Chamber of Commerce," *Political Science Quarterly*, vol. 55, no. 2 (June 1940): 231–48.

Dominic Kelly's 2005 article, entitled simply "The International Chamber of Commerce," provides a brief overview of the founding of the organization. The short article is by no means an exhaustive study of the organization. Though Kelly's commentary relating to the inter-war era is brief, Kelly's assertions regarding the foundations and role of the organization are useful. Kelly argues, as does this dissertation, that the ICC's "actions are steeped in the liberal tradition of political economy."¹² Kelly, rightfully, also points out the ICC's desire to create "expansive monetary and trade regimes," while questioning "the legitimacy of [its] private authority in international affairs."¹³ Kelly's analysis, like Wilk's, however, does not analyze ICC proceedings. Moreover, Kelly's aforementioned assertions, though valid, only scratch the surface of the ICC's influence and significance, especially during the 1920s.

Other sources that focus directly upon the organization include a handful of articles from the *Advocate of Peace*, known today as *World Affairs*, written by ICC participants following their attendance at a particular ICC conference in the 1920s. These contributions, though biased, provide a glimpse of the thought processes of ICC participants and serve as another primary source for this project.

The ICC proceedings and trade reports from the 1920 Organizational Conference and the three biennial conferences held in 1921, 1923 and 1925 are the authoritative sources for this study. The 1920 and 1921 conference proceedings are located online, in their entirety. The 1923 and 1925 conference proceedings and reports were obtained via inter-library loan from various libraries across the United States. It is also important to indicate that ICC conferences, and thus the minutes, were broken into various committees. Typically, the committees were labeled "Transportation," "Industry and Trade," and "Finance." These labels are used throughout the

¹² Kelly, "The International Chamber of Commerce," p. 259.

¹³ *Ibid*, p. 260.

dissertation. Other useful primary sources include, but are not limited to, *The New York Times*, *The Nation*, *Advocate of Peace*, *The New Republic*, and economic reports published by the League of Nations.

1.2 Method

This dissertation relies upon a hybrid of Wallersteinian and Foucauldian theories. Immanuel Wallerstein's world-systems theory, from an economic perspective, helps explain the political economic international relationships between the ICC and the core powers and the interactions of these entities with Latin America and the Middle East during the 1920s. Michel Foucault's theories of power provide an intricate cultural understanding of ICC participant and Allied core mentalities. Before we engage the function of each theoretical construct, let us first look at the international power structures of the 1920s including the ICC, League, core powers and individual businessmen.

The ICC and the League held a degree of power on the international stage, but each was limited by nation-state ambition. Each organization established an international headquarters, the League in Geneva and the ICC in Paris, which was a new aspect of international organization that required steady individual and nation-state participation. Both organizations held regularly scheduled conferences and meetings, though the League more frequently, out of which were produced various resolutions intended to guide economic and political nation-state interactions. Furthermore, both organizations provided a forum for a "meeting of the minds," per say, which permitted an international exchange of ideas. Both organizations also provided arbitration. The ICC's Court of Arbitration helped resolve trade disputes between corporations while the League's arbitration committee helped resolve political disputes between countries.

League and ICC policies were, in reality, recommendations. Neither institution could enact and enforce policy. Embargoes initiated by League vote, for example, were only enforceable to the extent that sovereign nation-states wished to enforce them. ICC resolutions were really policy preferences that the organization wished for nation-states to follow. ICC resolutions that called for the elimination of tariffs, for example, went unheeded as the U.S. and Britain, at various times in the 1920s, invoked tariff legislation in their industrial and agricultural sectors. The League, comprised of numerous institutions with the backing of governments, may have seemed to have more sway on the international stage relative to the ICC. This assertion, however, is misguided. The League was also voluntary. Nation-states could rescind their membership at any time as many did during the 1920s and 1930s.

Individual decision-makers in the Allied business and banking sectors, most of which were ICC members, held a great deal of power and influence. Bankers such as Edwin Kemmerer and Thomas Lamont were looked upon to reform economic and banking systems in Latin America and Central Europe. Other bankers such as Benjamin Strong, head of the Federal Reserve, and Montague Norman, head of the Bank of England, played a central role in determining exchange rates, based upon the gold standard. Businessmen such as Roy Chapin and Owen Young as well as bankers such as Thomas Lamont and Fred Kent were key advisors to Calvin Coolidge and Herbert Hoover and relied upon to devise major financial restructuring strategies such as the Dawes Plan and Young Plan.

The businessman's powers were limited to the decision-making processes of individual nation-state leaders, who hoped to maintain the pre-war imperial order. During the 1920s, however, businessmen and bankers were regarded as "experts." Because these experts were held in such high esteem, power coalesced around individual bankers, businessmen and the political

leadership of core nation-states. Bankers and businessmen played a fundamental role in international economic policy-making. Businessmen and their corporations relied upon core military, economic and political manipulation of peripheral nation-states. Bankers and corporate leaders, with core trust and backing, were the agents of manipulation in peripheral nation-states. The ICC's prestige and power was derived from the trust placed upon its participants by the core.

The ICC proceedings expose the thought processes of its participants and show us the crucial intersection of the 1920s where business and core nation-state interests aligned. These interests included the sequestration of labor, the manipulation of Latin American and Middle Eastern markets for MNC penetration, the gold standard as an international fiduciary exchange control, and, overall, the maintenance of core global hegemony. The relationship between businessmen and the core for the duration of the 1920s was, then, symbiotic. It is important to indicate, however, that this symbiosis was a nation-state choice, not a businessman's choice. Thus, nation-states could, and by the 1930s, did, pull the rug from beneath the power base of the transnational economic elite.

This study uses a combination of the theories of Immanuel Wallerstein and Michel Foucault. Both scholars investigate human interaction, on a global scale, in regard to power. Wallerstein's world-systems theory, at its most basic level, grants agency to what he terms the "core," or, a collection of nation-states with supreme political economic power who work to maintain their global hegemony. Foucault's theories, at their most basic level, focus more upon mentalities, which guide human behavior and the development of power. A shortcoming of Wallerstein's theory is his focus upon economy, which seems to disregard a cultural component of power accumulation. Furthermore, it reduces power to a basic class struggle.

Foucault's method of analysis concerning power relations denies the conscious existence of dualities "extending from the top down and reacting on more and more limited groups to the very depths of the social body."¹⁴ Power is, in Foucault's analysis, an esoteric phenomenon that works through and upon people rather than emanating from people. This power approach is problematic in that it does not grant agency to specific groups. Therefore, it seems to conflict with Wallerstein's model, which grants agency to the core.

The use of both theoretical approaches, in tandem, is tenable if we use Wallerstein to show us the realities on the ground in the 1920s. In other words, Wallerstein's model shows us the contemporary political economic situation between the core, working with the businessmen of the ICC, and periphery. Foucault's analysis gives us a deeper understanding of relationships and interactions by elucidating the mental frameworks that guided individual decision-making processes and helped form the world-system. Using Foucault, we can understand the cultural roots of the decision-making processes of the ICC and the core.

Wallerstein helps us understand the 1920s at its political economic surface. The core, consisting of the U.S., Britain and France, with the assistance of its businessmen and bankers indeed maintained a hegemonic authority over the globe for the duration of the decade. The Allied powers worked to maintain the pre-war imperial order, through an international division of labor and various Allied economic control mechanisms such as the gold standard and the creation of trade laws based upon Anglo-Saxon jurisprudence. Foucault helps us understand the mentalities operating beneath the core's power base. Social Darwinism and Anglo-Saxon superiority, the gold standard mentality (GSM) and free market mentality were long established Allied psychological, cultural schemas that were regarded as governing logic. Wallerstein's

¹⁴ Michel Foucault, *The History of Sexuality, Vol. 1: An Introduction* (New York: Vintage Books, Random House, 1990 [1976]), p. 94.

theories, then, operate as our economic analytical tool. Foucault's theories operate as our cultural analytical tool. Together, their theories will give us a better understanding of the political economy of the 1920s.

The U.S., Britain and France, especially with the defeat of Germany, remained in control of the world-system, to use Wallerstein's term, following the war. The world-system divided the globe into core, semi-peripheral and peripheral powers. The core consisted of the U.S., Britain and France with, in this study, Latin America and the Middle East on the periphery. The ICC proceedings show us that the political economic interests of the core nation-states typically coincided, especially in regard to the use of the gold standard as an international fiduciary exchange base, the empowerment of businessmen and bankers as international "experts," and the control of labor. Though some rifts developed on topics such as immigration, war debts and tariffs, the core maintained its domination of the world-economy for the duration of the 1920s.

The world-economy, which Wallerstein defines as "a large geographic zone within which there is a division of labor and hence significant internal exchange of basic or essential goods as well as flows of capital and labor," was manipulated and preserved with Allied economic mechanisms such as the gold standard and the reorganization of peripheral banking systems to fit Allied interests.¹⁵ The ICC proceedings, in regard to labor, reveal the clear delineations between the elite and the subaltern. Business leaders demanded increased production, for the duration of the 1920s, while maintaining blatant contempt for labor unions. Ideally, as Wallerstein indicates, capitalists, in their effort to endlessly accumulate capital, seek "ways to reduce the costs of production" and boost profits.¹⁶ The demand for production was part of the Progressive Era's

¹⁵ Immanuel Maurice Wallerstein, *World-Systems Analysis: An Introduction* (Durham: Duke University Press, 2004), p. 23.

¹⁶ *Ibid*, p. 78.

reliance upon “scientific efficiency,” which played into the ICC members’ idealization of the “efficiency of production.”

The ICC’s goal to facilitate free trade was rhetorical, yet sincere. We will investigate the “sincerity” of the ICC’s free trade mission in our discussion of Foucault. The “capitalist world-economy,” as Wallerstein argues, never functions as “totally free.” Realistically, businessmen operate in a “quasi-monopoly” reliant upon state intervention and market manipulation. We will see throughout this work that the businessmen of the ICC had numerous political, business and banking ties. The core worked to open and control markets, as we will see in chapter two’s discussion of Allied oil MNCs in the Middle East and chapter three’s discussion of American electricity MNCs in Latin America, for the benefit of corporate investment. The core facilitated and maintained this process through military and political coercion to maintain a low cost labor force, which we will see in chapter four’s discussion regarding migrant workers in Latin America.

The quasi-monopoly is also maintained through patent protections and definitions of international exchange rules, both of which were key issues for the ICC in the 1920s. Due to competition from similar products on the market, Wallerstein contends, makers of patented “leading products” tend to form oligopolies to maintain higher price levels.¹⁷ We will see the establishment of Allied oligopolic regimes, with the tacit support of the ICC, in chapter two in our discussion of Allied oil MNCs in the Middle East. Furthermore, ICC resolutions called for laws regarding flag discrimination and bills of exchange to be constructed with Anglo-Saxon jurisprudence, regarded by the ICC as a superior legal system. Thus, the core was able to create

¹⁷ Ibid, p. 23.

an exclusionary international trade regime that forced the periphery to adopt core exchange methods in order to participate in global commerce.

The analysis above provides an understanding of *how* the 1920s political economy functioned, but does not tell us *why* it functioned in this manner. Why, for example, did the businessmen of the ICC believe they operated in a free-trading, globalized world when, in fact, they did not? The core powers, the ICC and the League operated under their own, to borrow Foucault's term, "regimes of truth." Foucault argues that "each society has its regime of truth, its 'general politics' of truth—that is, the types of discourse it accepts and makes function as true."¹⁸ Regimes of truth, over the course of time, mutate into a "governmentality," or an established set of methods and procedures to control the behavior of others.

The 1920s governmentalities adamantly relied upon by the ICC included, but were not limited to, the free market, production, social Darwinism and the GSM. Each of these governmentalities derived from a long-established lineage. The businessmen and bankers of the ICC, as well as the political leaders of the core, as we will see in chapter one, were descendants of the nineteenth century era in which these governmentalities were rooted. The truth regime "society" consisted of the Anglo-Saxon core, including its businessmen, bankers and politicians, represented in the ICC, who, over the course of the nineteenth and early twentieth centuries, assumed the existence of a globalized, free market and that free trade was the key to global peace. Terms such as "free trade" and "free market," as well as the belief in an interconnected globe, became part of the core's political economic discourse. Globalization, in essence, became an "established truth." Furthermore, from the businessman's perspective, the only way to rejuvenate the global economy after the war and the 1920-1921 depression was to permit free

¹⁸ Michel Foucault, Paul Rabinow, and James D Faubion, *The Essential Works of Michel Foucault, 1954-1984* (New York: New Press, 1997), p. 131.

trade and continually produce manufactured goods for the global marketplace. International commercial transactions were to be backed by the gold standard, the “civilized” and most secure form of exchange.

Challenges to the established truth of free trade emerged in the form of socialist and communist agitation by the fin-de-siècle. Such challenges, as we will see in chapter four, were dismissed by the ICC business class. Communists and socialists were linked with labor radicalism and deemed a hindrance to production and the maintenance of the perceived free market. It is important to indicate, however, that ICC businessmen were not necessarily conscious of the inherent contradictions they displayed in regard to demanding free markets and free competition while practicing the opposite. Labor strife, for example, was not as much a threat to the businessman’s status as it was to the perceived free market and production. The core governmentality required the sequestration of labor in an effort to maintain the truth regime of the free market. Labor strife, from the 1920s ICC businessman’s perspective, was labor’s misunderstanding of the legitimacy, in the businessman’s mind, of the free market system. The only power capable of maintaining the free market system was the culturally, and therefore politically and economically, superior core.

Foucault, in his book *The History of Sexuality, Volume One*, contends that power relations are not controlled or conveyed by any single human entity over another human entity. “Discourse,” Foucault contends, is not “divided between accepted discourse and excluded discourse, or between the dominant discourse and the dominated one.”¹⁹ Rather, power relations are “games of truth” that generate categories and structures that become “the intellectual and practical instruments and devices enjoined upon human beings to shape and guide their ways of

¹⁹ Michel Foucault, *The History of Sexuality, Volume One: An Introduction*, vol. One (New York: Random House, 1990), p. 100.

‘being human.’”²⁰ For the ICC, the free market, as they imagined it, was central to “being human.” Hence, the manipulation of non-Anglo-Saxon markets was viewed as an ethical, common-sense endeavor.

The ICC and the core powers were trapped within the confines of their own discourse and logic. Anglo-Saxon superiority, for example, was an unconscious episteme, to use Foucault’s term, which guided the ICC mentality. Anglo-Saxon superiority became an established conviction, reinforced by pre-war imperial domination that controlled the logic of ICC businessmen and core politicians. This sheds light upon the core belief in the “expertise” of 1920s bankers and businessmen. ICC bankers and businessmen, members of the superior human class, were the ultimate practitioners of free trade and the gold standard system. It was a logical conclusion, within the constraints of myopic ICC and core logic, that these men could be the saviors of the global economic system in the wake of the Great War. Discourses and power, as we will see in the concluding chapter, are fleeting. By the 1930s, the ICC and the core discovered that their system was dysfunctional as it crumbled under the weight of the Great Depression and the rise of competing systems including fascism.

1.3 Layout of the Chapters

The first chapter provides the historical antecedents for the free market mentality of the ICC and helps us understand why the businessmen and bankers of the ICC believed that they lived in a globalized world. The development of the free market mentality in conjunction with the ICC’s belief in social Darwinism and Anglo-Saxon superiority, led ICC members to believe that they spoke for “every class.” The ICC, in conjunction with the League of Nations, was part of the broader core imperial project, which manipulated markets and sought to control global

²⁰ Foucault, Rabinow, and Faubion, *The Essential Works of Michel Foucault, 1954-1984.*, p. xxi.

resources. The organization, however, was convinced of the veracity of its core motto: “world peace through world trade.” Finally, we are introduced to Etienne Clémentel, the first ICC president. He serves as an example of the numerous political and business ties that characterized most members of the organization.

Chapter two investigates the ICC’s mission to create free trade regimes, as well as its commitment to *laissez faire*, through the creation of export credits and bills of exchange. These exchanges, however, were to be carried out between “civilized” nation-states. Although the organization demanded *laissez faire* and believed that free world trade would create world peace, it tacitly accepted the League’s Middle Eastern mandate system because this region was “uncivilized.” Despite the ICC’s demand for *laissez faire*, MNCs, namely oil companies, penetrated and monopolized Middle Eastern markets with the assistance of core governments and implicit support from the ICC.

The third chapter focuses upon bankers, government subsidization of fledgling industries, and the penetration of Latin American markets. We are introduced, in this chapter, to the central importance of the gold standard. ICC bankers and businessmen, representing the core powers who also held the ICC’s leadership positions of the 1920s, operated under a “gold standard mentality” (GSM). The ICC proceedings reveal the high reverence given to gold as the base for international fiduciary exchange and the over-whelming fear of inflation amongst business and financial leaders. Furthermore, we will see the high esteem granted to ICC participants, who were viewed as experts by core politicians and the League of Nations. In addition, the ICC, despite its supposed *laissez faire* approach to business, called for government assistance to new and developing industries in air, auto and rail transport as well as electricity. There was a symbiotic relationship between business (including banks) and the core during the 1920s. This

relationship is exemplified by the incursion of electric companies into Latin America with core governmental assistance.

The final chapter focuses upon the ICC's relationship with labor. The ICC was formed in the midst of the Progressive Era. Businessmen put great emphasis upon scientific management and mechanized mass production. Efficiency and mass production, ICC leaders believed, were the keys to maintaining the well-being of the global economy. Labor unions were viewed as a nemesis to mass production and hindrance to free trade. Although wages in the top consumer economy, the U.S., remained stagnant, business leaders continued their demand for more production, which they linked with "human happiness." The ICC "flag discrimination" debate revolved around the definition of migrants. The ICC was thoroughly concerned with the free movement of peoples around the globe as a source of low-cost labor. Thus, they disdained U.S. immigration restrictions during the 1920s. The U.S., however, was able to reproduce its own labor supply for MNCs in Latin America, with its military, economic and political control of numerous nation-states in Central America and the Caribbean.

The following study of the ICC tells us much in regard to the international political economy of the first half of the 1920s. It elucidates the decision-making processes of individual business administrators, bankers, and Allied political leaders. This work exposes the meanings and understandings of "globalization" that developed in the aftermath of the Great War and operated throughout the following decade. We will see concepts such as "free trade" and "laissez faire" intertwined with aspirations of power and control. The pages that follow provide an intimate portrait of the views of multinational corporations regarding production, and the businessman's attempt to reign in labor in an effort to accumulate capital and manipulate the

global marketplace. Finally, this work is a contribution to the discourse on twentieth century global capitalism and literature regarding the causes of the Great Depression.

2 CHAPTER ONE: IDEOLOGICAL ROOTS

The ICC Organizational Session held in June of 1920 was witness to numerous speeches from representatives of the various nation-states participating in the conference, including Belgium, Britain, France, Italy and the U.S., that emphasized economic cooperation in the wake of the economic, social and political catastrophe of the Great War. The American representative, John H. Fahey, the head of the U.S. Chamber of Commerce and organizer of the committee that drafted the ICC constitution, opened the conference by introducing the parameters of the organization's new charter. He also introduced the intellectual precepts that would dominate the thinking of the members of the ICC and of the organization itself for the duration of the 1920s: the belief that they existed in a naturally globalized world and that the ICC, working to improve the condition of "all peoples," was a new, integral agent of globalization.

Referring to the end of the war, fresh on the minds of all participants, Fahey stated: "When we pause to consider thoughtfully the situation which confronts *all* nations, it must become apparent at once that there has never been a time in history when knowledge and experience could count more toward the attainment of real progress."²¹ It was imperative, Fahey insisted, that "every class and every group must do its part" to help the world recover from the ravages of war. "The war has demonstrated the absolute interdependence of the peoples inhabiting every part of the globe. The businessmen of the world," Fahey argued, could

²¹ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920* (ICC Headquarters, Paris), p. 20. Accessed February 11, 2013, <http://books.google.com/books?id=fVIRAQAAMAAJ&q=Proceedings+Organization+Meeting+1920&dq=Proceedings+Organization+Meeting+1920&hl=en&sa=X&ei=Y0AZUdaSB4PC9QsfloCwDg&ved=0CDAQ6AEwAA>.

“overcome” the intense “nationalism” and “just pride in nationality” that not only helped cause the Great War, but, more importantly, hindered international trade and thus global peace.²²

Evidence indicates that Fahey’s speech echoed the core beliefs of his ICC cohorts. An analysis of the ICC proceedings show ICC participants believed that they spoke for “every class” and that the ICC could work to address “the situation” which “confronts all nations.” Members believed that they lived in an interconnected world in which the actions and policies of one nation-state impacted the affairs of other states. This was indeed the case. However, the power to influence belonged to the nation-states holding the most political and economic sway: the U.S., Britain and France. The aforementioned major powers, allies during the Great War, had the agency and ability to define, in Fahey’s words, “real progress.” ICC businessmen, bankers and politicians, citizens of the Allies, would work closely with their governments for the duration of the 1920s to maintain the nineteenth century imperial order that existed prior to the Great War. They would seek to manipulate labor, migration, the money supply and governments themselves to maintain the political economic system that they (the ICC) deemed beneficial for the world as they imagined it.

This chapter analyses the foundations of international organizations and the motivations behind their formation, providing a scaffolding to help us understand why Allied leaders (Britain, France and the U.S.) sought to form the ICC and the League of Nations. The urge for international collegiality began shortly after the French Revolution with the emergence of public opinion, the industrial revolution and nationalism. After a period of intense mid to late nineteenth century nationalism, which drove a wedge between interstate collegiality, the Great War created a renewed desire for internationalization. With closer political and economic cooperation on a

²² Ibid.

global scale, Allied leaders believed, the cataclysm of the Great War would never be repeated. Utilizing the ICC as our lens, we will see that what Allied leaders believed was an economically integrated, globalized world was actually internationalist, and dominated by the political and economic imperial endeavors of the U.S., Britain and France.

At the heart of the ICC mentality was a mischaracterization and misunderstanding of globalization, confusing it with internationalism. The leaders of the ICC understood internationalism to be the cooperation of a sovereign nation-state in a trans-national endeavor or organization (e.g. the League of Nations or war time alliances). This cooperation is based on the premise that the long term interests of the collective nation-states are indeed mutual and that the long-term interest supersedes the shorter term interests of the individual states. Internationalism, then, is artificial and more contrived than globalization. Internationalism is an egocentric nation-state decision to participate in an interconnected cohort of nation-states. The cohesion of international agreements is reliant upon the decision-making processes of the individual members. ICC members viewed the interconnectedness of 1920s internationalism as more natural than contrived.

Globalization is an organic process that is not necessarily reliant upon the direct initiation of policies by an individual nation-state or collective. For example, the spread of disease, pollution, cultural values, or ideas do not require direct initiation by a particular government. Globalization is a natural integration of the interests and values of peoples and, by default, the governments of nation-states. The ICC, though, was part of the nineteenth century imperial contrivance of internationalism, driven by the political and economic motivations and the desires of the U.S., Britain and France. The issues confronting “all peoples” and “all nations” were often a byproduct of the imperial order that had been under the tutelage of the major powers, the U.S.,

Britain, France and, to a lesser extent, Belgium, Germany and Portugal, since the beginnings of the “new imperialism” of the nineteenth century.

The aforementioned European and American empires controlled large swaths of Africa, Asia and Latin America. They were internationalist agents of an imagined globalization. The confusion over internationalism and globalization was rooted in the “spirit” of international organization that emerged in the early nineteenth century, where political economy, liberalism and industrialization both intersected and diverged. We focus in this chapter upon the historical roots of international organization that created the ICC and the League of Nations. Undergirding the formation of these organizations, as we shall see, was the misconstrued notion of globalization. In reality, the U.S., Britain and France, through the ICC and the League, sought to initiate a return to the international pre-war imperial order. The ICC and League of Nations were conduits for the reestablishment of the pre-war political economic system based upon internationalism, not globalization.

The idea of international organization is rooted in the late eighteenth to early nineteenth century writings of the utilitarian Jeremy Bentham. Though earlier philosophical tracts discussed the concept of internationalism, Bentham’s writings opportunistically reached a wider, more literate audience during the height of the Enlightenment Era. Furthermore, the Enlightenment Era marked a fundamental shift in the understanding of internationalism. Pre Enlightenment authors “had thought unity imperative to heal Christendom’s divisions.”²³ Enlightenment philosophers, however, viewed the world in a mechanistic, secular prism in which the light of internationalism was ordered by scientific law rather than God’s commandments as interpreted by the Church.

²³ Mark Mazower, *Governing the World: The History of an Idea* (New York: The Penguin Press, 2012), p. 14.

Relations between nation-states were driven by competition, as competition drove innovation and commerce.

Bentham coined the term “international” in his work *An Introduction to the Principles of Morals and Legislation*, written in 1780 and published in 1789. Bentham’s immediate purpose in coining the term was “to clarify two technical matters that he felt the old ‘law of nations’ muddled: the need for a sharp distinction between law within a state and law between states.”²⁴ Bentham’s call for internationalism fell within the confines of his utilitarian argument, based upon communal interests. “The interest of the community...is the sum of the interests of the several members who compose it.”²⁵ Laws, both national and international, operate, ideally, to ensure the greatest good and happiness for the greatest amount of people. Internationalism, however, by its very definition, cannot provide for the greater good of all peoples globally. Rather, as Bentham states, internationalism “is the sum of the interests of” those nation-states that create international organizations. This was the case for the duration of the nineteenth century.

Bentham could not predict the course of the nineteenth century. However, his statement: “It is evident enough, that international jurisprudence may, as well as internal, be censorial as well as expository, unauthoritative [sic] as well as authoritative” provided a realistic preview of the internationalism that would develop over the course of the nineteenth century and remain intact, with efforts from the ICC and the League of Nations, throughout the 1920s.²⁶ Both the ICC and the League were products of the imperial era who sought to implement their version of

²⁴ Mark Mazower, *Governing the World: The History of an Idea*, p. 20.

²⁵ Jeremy Bentham, *An Introduction to the Principles of Morals and Legislation*, Classic Reprint Series: Forgotten Books (London: The Clarendon Press, 2012), p. 4.

²⁶ *Ibid*, p. 327.

internationalism, revolving around free market rhetoric and political economic control of Latin America and the Middle East under the tutelage of the U.S., Britain and France.

Etienne Clémentel discussed the spirit of internationalism that could be forged by the ICC while speaking before the General Meeting on Monday 27 June 1921:

Human nature ever finds strengthening encouragement in the presence of adversity. In its misfortune and anxiety mankind will find a remedy for many of the evils of to-day in the development of a mutual fellowship between nations and individuals, in the birth of a truly international spirit, and in the creation of one controlling purpose which aims at the bettering of a common lot of mankind.²⁷

The “adversity” to which Clémentel referred was in reference to both the Great War and the 1920-1921 economic depression. To avoid war and global economic crises, Clémentel argued, nation-states must create a “mutual fellowship,” working together for a common interest. Ideally, this would help the condition of all of mankind. Ironically, Clémentel’s statement was made at a time when Britain and France directly controlled large swaths of Africa and Asia while the U.S. held colonial possessions in the Philippines and dominated the economic systems of Central America and the Caribbean. The “fellowship between nations” was, in reality, based upon the economic and political aspirations of the Allied powers.

Britain shifted to the core of the global political economy during the nineteenth century, pushing other regions, including Africa and Eurasia, to the periphery and Latin America to the semi-periphery. As historian Michael Adas notes, “Scientific and technological measures of human worth and potential dominated European thinking on issues ranging from racism to colonial education.”²⁸ European technological advances outpaced technological advancements in

²⁷ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, Brochure (London: International Chamber of Commerce, July 27, 1921), University of Denver Penrose Libraries, pp. 39-40.

²⁸ Michael Adas, *Machines as the Measure of Men: Science, Technology, and Ideologies of Western Dominance* (Ithaca, N.Y., 1990), p. 3.

Africa, Asia and Latin America. This, along with the development of social Darwinism, excited the notion, in the minds of core leaders, that they were indeed a superior race. Technological and racial motivations, as well as the need for raw materials for industrial production, drove the imperial endeavors of major European powers in the first half of the century and the United States by the middle of the century following its civil war.

Most of Africa and Southeast Asia fell under the colonial sway of European powers, their resources extracted for the benefit of their European usurpers. Latin America, though independent of colonial rule for most of the nineteenth century, found its economic systems manipulated from within and without. Brazil, Cuba, Chile and Peru, among others, became export economies, shipping products such as sugar, coffee and cotton to Europe and North America. Core nation-state capitalists, especially from the U.S. and Britain, provided loans for infrastructure projects such as railways and power plants, indebting Latin American governments. Hence, Latin American countries were unable to develop their own indigenous industries. Wealthy Latin American landowners and political leaders benefited from this system, while the majority of the population remained trapped in low paying agricultural jobs with little opportunity for social advancement. In Argentina and Chile, for instance, only one-quarter of the population had access to primary school enrollment by the end of the nineteenth century.²⁹

The 1921 ICC conference acknowledged this global situation, introducing a set of core goals that included putting “a stop to rivalries between nations in their search for raw materials, to stamp out the cause of economic conflicts which may threaten peace, to do away with the natural inequality arising from the fact that the riches of the world are unequally spread over its

²⁹ Jeffrey A Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W.W. Norton, 2007), p. 94.

surface, and to assure the rapid restoration of the world's commerce."³⁰ These ICC goals were in reply to the 1920-1921 economic recession as well as the Great War, which ICC members viewed as a product of "rivalries between nations." However, the goals were also in reaction to the long term trends set in motion by the rise of Western Europe and the U.S. to the global core over the course of the nineteenth century.

The nineteenth century foundation of internationalism was also rooted in the development of economic liberalism. Economic liberalism provides deeper insight into the rationale behind the creation of both the ICC and the League. Economic liberalism, a belief in free trade and laissez faire policies, combined with a strong sense of nationalism, permeated the global economic ponderings and discourse of European leaders and businessmen during the nineteenth century. The prominent British parliamentarian and arch proponent of free trade Richard Cobden, arguing against Britain's Corn Laws (established in 1815), argued that "free trade acted 'on the moral order as the principle of gravitation in the universe--drawing men together, thrusting aside the antagonism of race, and creed, and language, and uniting us in the bond of eternal peace.'"³¹ Benjamin Disraeli, in 1853, condemned colonial mercantile rule arguing: "We cannot cling to our rags and tatters of a protective system."³² Former systems of trans-European political, governmental control, especially Metternich's Concert of Europe, were considered a pariah in an atmosphere of aspiring free traders. Moreover, because those such as Metternich who sought to repress popular sovereignty and economic liberalism across Europe

³⁰ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 13.

³¹ Leften Stavros Stavrianos, *Global Rift: The Third World Comes of Age*, 1st ed (New York: Morrow, 1981), p. 174.

³² *Ibid*, p. 175.

were united in their endeavors, liberals such as Cobden saw all the more reason to “pursue strategies of international cooperation” to break down trade barriers.³³

Global free trade was associated with peace and avoidance of war. An interconnected global economic system of nation-states, Western European leaders concluded, would make war more costly and less enticing. It was widely believed that politicians and special interests were the causes of war. In order to avoid the corruption of “man’s innate selfishness,” it was widely believed, governments must “allow the free association of men and ideas” to flourish since this would “construct a force for peace.”³⁴ Many free trade advocates by the mid-nineteenth century would likely have agreed with Adam Smith’s argument made nearly seventy years prior:

The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government and of the greatest errors of administration.³⁵

Smith viewed government as a hindrance to the free exchange of goods. If industries were permitted to freely exchange goods, mid-nineteenth century free market advocates, echoing Smith, argued, nation-states would focus upon profit from trade rather than war. International free trade was equivalent to the maintenance of global peace. Free trade, as Paul Kennedy points out, “was hailed not just as an act of economic liberalization, but as a bonding together of peoples, their mutual dependency preventing future wars.”³⁶ The notion that government was a hindrance to free trade was a hallmark of ICC rhetorical policy for the duration of the 1920s, as we will see throughout this dissertation.

³³ Mazower, *Governing the World*, pp. 40-41.

³⁴ *Ibid*, p. 45.

³⁵ Adam Smith, *The Wealth of Nations / Adam Smith; Introduction by Alan B. Krueger; Edited, with Notes and Marginal Summary, by Edwin Cannan*, Bantam classic ed (New York, N.Y: Bantam Classic, 2003), p. 438.

³⁶ Paul M. Kennedy, *The Parliament of Man: The Past, Present, and Future of the United Nations*, 1st ed (New York: Random House, 2006), p. 5.

The idea that trade created peace remained a strong belief well into the twentieth century, especially following the Great War. This sentiment was captured by ICC members, referring to themselves as “merchants of peace” and calling for “world peace through free trade” for the duration of the 1920s (we will see many more examples throughout this work). Prior to the Great War, however, trade was flourishing between and amongst the major powers that went to war in 1914. Tariffs, recessions and depressions were not the root causes of the war. Rather, the war was caused by political, imperial rivalries accentuated by the intense growth of nationalism during the latter half of the nineteenth century, which will be addressed below. First, we need to further explore the other major international trends of the nineteenth century that encouraged the creation of the ICC and the League.

Concerns regarding peace, humanity and commerce created international organizations as early as the 1840s, thus providing a framework that later groups like the ICC would emulate. The World Anti-Slavery Convention, held in London in June 1840, was organized under the direction of the English Quaker Joseph Sturge and the British and Foreign Anti-Slavery Society. Before 1840, modern era international gatherings tended to be “infrequent church councils,” meetings related to a war or “*ad hoc* conferences of diplomats dealing with a specific problem.”³⁷ Though most of the World Anti-Slavery Convention delegates were from either Britain or the U.S., other nations were represented including France, Canada, Jamaica, South Africa, Haiti, Ireland and Barbados. The 1840s witnessed eleven total international conferences including another anti-slavery convention as well as the First General Peace Convention in 1843, the Prison Reform Congress in 1846, the Free Trade Conference in 1847 and two more peace conferences by the end of the decade.

³⁷ Douglas Maynard, “Reform and the Origin of the International Organization Movement,” *American Philosophical Society*, Vol. 107, no. 3 (June 19, 1963), p. 220.

The ability to hold such international conventions revolved around the ease of transportation and communication as well as the realization of the power of public opinion. Travel times across land and sea were diminished greatly with steam travel. Joshua Leavitt, an American delegate attending the 1843 Anti-Slavery Convention noted: “It seems now to be such a trivial affair to cross the Atlantic, that [sic] occasions comparatively trifling might bring me to London.”³⁸ By the middle of the decade, telegraph wires were strewn along much of the U.S. eastern seaboard. By the late 1850s, the Trans-Atlantic telegraph cable connected North America and Europe creating an even stronger trans-Atlantic nexus of communication.

The importance of public opinion was also widely acknowledged by the 1840s. The first president of the American Peace Society, William Ladd, commented in 1840: “Already there is no civilized nation that can withstand the frown of public opinion.”³⁹ Reverend William Jay stated during the same year: “This is an age in which Governments [sic], as well as individuals are amenable to PUBLIC OPINION [sic], whether foreign or domestic.”⁴⁰ Pacifists, humanitarians, politicians, economists and the like felt that the “new power of public opinion governs the world in the long run.”⁴¹

Transportation and communication networks created, from the standpoint of European, core leaders, a globalized world. This was a misconception. The world was ordered and controlled by European imperial powers. Notions of Western European racial superiority, global consciousness and industrialization coincided with a strong sense of nationalism. The bourgeois classes in Britain, France and the U.S. (among other nation-states) were able to erect a centralized state apparatus by commandeering ideations of ethnicity, religion, semiotics,

³⁸ Ibid, pp. 220-221.

³⁹ Ibid, p. 221.

⁴⁰ Ibid.

⁴¹ Mazower, *Governing the World*, p. 32.

language and history to manipulate the masses. Nationalism was used as a social construct for social engineering.⁴² The elites ignited “proto-nationalism,” or primordial feelings of collectiveness. In the French Third Republic, for instance, government leaders encouraged the formation of a national language, as Eugen Weber discusses in *Peasants Into Frenchmen*, as well as a common economic system and requisite public schooling to indoctrinate the youth with the bourgeois creed. In the U.S., citizens were convinced that their nation was “exceptional” and that it was their “manifest destiny” to control the entirety of the North American continent.

It is understandable, then, that ICC businessmen, representing the core powers, would perceive a globalized world. ICC leaders, as we will see, were locked in a myopic Eurocentric world view. This was the lens, historically speaking, with which they were most familiar. Etienne Clémentel captured this sentiment during the 1920 Organizational Conference. “When the bankers, merchants and manufacturers of the United States,” Clémentel stated, summoned [this] meeting “a year ago,” they “invited their colleagues of the Allied countries of Western Europe to associate themselves together to maintain that close cooperation which is indispensable in the restoration of the world.”⁴³

Clémentel viewed Western European and U.S. cooperation and collaboration, like his ICC colleagues, as critical for the restoration of the global economy. Clémentel’s statement exhibits an air of cultural superiority, reflective of the social Darwinist mentality of the first half of the twentieth century, which will be discussed below. Furthermore, even though the world required “restoration,” which was in reality due to a war caused by European avarice, those same nation-states were most qualified, in Clémentel’s estimation, to right the ship. After all, the

⁴² E. J. Hobsbawm, *Nations and Nationalism Since 1780: Programme, Myth, Reality*, 2nd ed (Cambridge [England] ; New York: Cambridge University Press, 1992).

⁴³ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, pp. 50-51.

Allied powers were the governors of the pre-war global political economy for roughly one hundred years prior to the culmination of the Great War. The long held core status of the Allied powers, and thus the businessmen of the ICC, allowed them to define the meanings of “free trade” and “globalization.” We will see throughout the chapters in this thesis that the ideals of Western superiority, laissez faire and the manipulation of labor, in the name of production, were prominent ICC characteristics. A brief analysis of the nineteenth century sugar industry will help us understand the roots of ICC participant social, political and economic belief systems regarding the aforementioned characteristics imperialism, labor control and production.

The notion of global free trade, as well as laissez faire, was a misconception, operating under the auspices of British, French and, later in the nineteenth century, American economic manipulation undergirded by the realities of social Darwinism and imperialism. We can evaluate this argument through the lens of the nineteenth century sugar trade. As the profitability of slavery declined (Britain ended the importation of slaves to its colonies in 1807; it formally rebuked the global slave trade in the mid-1830s), Europeans began to shift their investments from sugarcane and slaves to newly emerging manufacturing industries. Wage labor in factories actually became cheaper, especially as the doctrine of free trade became sacrosanct for British politicians and European economists. For example, “the most distinctive feature” of the second Anti-Slavery Convention was a “vehement debate” regarding “the admission of slave-grown sugar into the British market.”⁴⁴ Free traders such as Cobden argued that exposing the British market to foreign sugar would only further encourage the slave trade, thus harming the burgeoning wage labor manufacturing industry in the British metropole.

⁴⁴ Maynard, “Reform and the Origin of the International Organization Movement,” p. 222.

Sugar became a necessity for the laboring classes of the first industrial era.⁴⁵ Slave-grown sugar supplied sugar and thus energy to the industrial laborers in the metropole. In 1807, the year Britain banned the slave trade to its colonies, it imported nearly three hundred million pounds of sugar and nearly four million gallons of rum for domestic consumption.⁴⁶ The vast majority of this was produced with slave labor. As the will to work was increasingly linked with the will to consume during the mid-nineteenth century and as commodity prices decreased making more items available to the lower and middle classes, sugar consumption (as well as other commodities such as tobacco) remained high. Moreover, this worked to the advantage of the bourgeois factory owners who sought increased production in the name of profit. With the energy from sugar, workers worked longer hours while increasing the consumer base for manufactured goods as work was linked to consumption rather than pride in one's craft.

Sugar was a tool for the manipulation of the labor class in the name of production. For the duration of the nineteenth century, ownership's demand for production superseded the comfort of the worker, contributing to labor unrest. Despite decades of labor uprisings well into the twentieth century, the ICC continued to regard production, rather than the well-being of the laborer, as sacrosanct. We will have a more detailed discussion of this topic in chapter four, but it bears a brief mention here as well. A resolution passed by the 1920 Organizational Conference stated that it was necessary to "marshal statistics regarding the world's supply of food...and to place such statistics before suitable authorities to effect a just and appropriate allocation of such

⁴⁵ Sidney Wilfred Mintz, *Sweetness and Power: The Place of Sugar in Modern History* (New York: Penguin Books, 1986).

⁴⁶ Marcus Rediker, *The Slave Ship: A Human History* (New York: Penguin Books, 2008), p. 347.

food.” Without “appropriate allocation,” the resolution stated, “there can be no adequate production and no adequate commerce.”⁴⁷

Though British politicians spoke of free trade and ending protectionism by the 1830s and 1840s, free trade sugar was not implemented until the 1870s as the government worked to convince the British populous to consume more sugar.⁴⁸ Henry John Temple otherwise known as Viscount Palmerston, who would serve two terms as British Prime Minister in the 1850s and 1860s, stated in 1841 that the British would not accept Brazilian sugar or coffee since they were products of slave labor. “We are men of principle,” Palmerston argued, “and our consciences will not allow us to consume the product of slave labour [sic].” However, Palmerston added, “We are also men of business.” Thus, he encouraged the Brazilians to sell their sugar to “some 40,000,000 industrious and thriving Germans, who are not as conscientious as we are.” The Brazilians could then use their sugar profits to purchase “our cottons.”⁴⁹ Moreover, Palmerston offered to “refine” the Brazilian sugar, for a fee, which would “cleanse it from part of its original impurity.” Furthermore, Palmerston was willing to “Send it [Brazilian sugar] to the West Indies and Australia,” since these peoples were not “men of conscience” like those in Britain proper.⁵⁰

Palmerston’s understanding of so-called free trade, then, contained moral and ethical components based upon Western European conceptions of race and nation. This line of thought was reflected not only in Palmerston’s own words, but also in the words of prominent periodicals of the time. For instance, *The Economist*, a British periodical created in 1843 to advocate free trade, condemned France in 1847 for not immediately removing tariffs on foreign goods. “They

⁴⁷ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 194.

⁴⁸ Mintz, *Sweetness and Power*.

⁴⁹ Quoted in Mintz, *ibid.*, p. 62.

⁵⁰ *Ibid.*, p. 63.

propose *gradual* [sic] alterations in nearly all the customs laws. To us that seems to imply a deficiency of faith in their principles.” The tariff laws of France were, in the opinion of *The Economist*, “morally wrong” and hence “delay the triumph of free trade.” Free trade is supposed to help “all classes of men,” and laws that prohibit free trade are “unjust.”⁵¹

The views of *The Economist* do not necessarily contradict the trade practices recommended by Palmerston if we place race and nationalism into the equation. “Whiteness” was a transnational phenomenon of the mid nineteenth century through the early twentieth century. Anglo-Saxon males imagined a world in which they were the superior race; the only race capable of self-government, democracy and civilization. Moreover, such government, in the Anglo-Saxon mindset, was only feasible within the framework of a homogenous society, free of racial variation.⁵²

The intersections of racial superiority and free trade continued well into the twentieth century, as evidenced by the ICC proceedings. We will have a broader discussion regarding the ICC’s belief that it inhabited a higher cultural plain in comparison with the peripheral nation-states in the next chapter. However, let us briefly view the 1920 Organizational Meeting to see the enduring legacy of core nation-state perceived preeminence. The chairman of the Italian delegation to the 1920 Organizational Conference, Vittorio Rolandi Ricci, lavished praise upon the conference’s directors, Britain and France, labeling Britain as “the world’s paragon of political civilization,” and France as “the birth place of generosity and chivalry.”⁵³ British delegate Arthur Shirley Benn assured the conference that “America, France, Italy, Belgium and

⁵¹ “The Tariff of France and the Free Trade Association,” *The Economist*, October 23, 1847, 217 edition, sec. News, The Economist Newspaper Limited, p. 1217. Accessed 8 June 2014.

⁵² Marilyn Lake, *Drawing the Global Colour Line: White Men’s Countries and the International Challenge of Racial Equality*, Critical Perspectives on Empire (Cambridge: Cambridge University Press, 2008).

⁵³ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 74.

the British Empire” had to “stand shoulder to shoulder” to “uphold international liberty and justice.” Should this camaraderie fail, Benn warned, “Europe will fall into anarchy” and “civilization will be wiped out.”⁵⁴ The aforementioned powers were the harbingers of supposed free trade since they perceived themselves as the beacons of civilization.

Nineteenth century white literary and political leaders, including Charles Pearson, James Bryce, and Theodore Roosevelt, among others, sought to maintain white global supremacy within the “climate zones” amenable to white settlement against the perceived onslaught of Chinese and Indian migration as well as the existence of other “inferior” races such as Africans, African-Americans, Native Americans and Aborigines. Furthermore, Anglo-Saxon’s feared the spread of technology to the “backward races” and the impact of a “smaller globe” upon white ascendancy. The goal of white leaders, “whose sense of self was constituted in relations of racial domination,” was the maintenance of “white men’s countries” through the use of segregation, immigration restrictions and imperialism.⁵⁵ We can argue that the maintenance of “free trade,” which is itself contradictory to the semantics of “free trade,” was propelled by the white Anglo-Saxon race for the benefit of that very same group. Evidence of the continuation of this mindset, as we shall see, is purveyed in the ICC proceedings. ICC ideals of “free trade” applied only to interactions between “civilized” nation-states. By default, those regions deemed “unfit” could then be manipulated and exploited by the Allied powers as they were not part of the free trading, white, civilized international sphere.

Free trade and the destruction of trade barriers as harbingers of world peace, frequent points of discussion for the ICC, were topics of conversation at the Brussels Peace Conference in 1847, as political and societal leaders continued to link free trade with global tranquility. The

⁵⁴ Ibid, p. 71.

⁵⁵ Lake, *Drawing the Global Colour Line*, p. 110.

Congress was sponsored by The London Peace Society and The American Peace Societies. Essays were presented, which called for an end to war, methods for international arbitration and the formation of “a Congress of Nations.” Once again, orators linked free trade with world peace. M. Bouvet of the French National Assembly linked international peace with free commerce, stating: “Who does not see that commercial transactions are so spread abroad from one end of the world to the other that any commotion [war] instantly affects our national prosperity?”⁵⁶ War, Bouvet argued, required taxes, which hinder the prosperity of the general populous.

Moreover, the conferees made clear what their general expectations for global free trade actually entailed: imperial control by white nation-states. The *Advocate of Peace*, the academic publication that published the proceedings of the conference, labeled the conference as “international” by pointing out that “All around the hall were hung the banners of Holland, of England, of Germany, of France, of the United States and of Italy.”⁵⁷ Meanwhile, Governor Roberts, referring to treaties signed with “African tribes,” stated that British treaties had language inserted in them that kept war from breaking out “between those savage tribes for ten years.” Peace could be fomented even amongst “such populations, whose ruling passion was war.” We should bear in mind that by 1847, major European powers were penetrating the African continent and claiming large tracts of territory. These territories, as well as those in southern and southeastern Asia, were to serve as raw material producers whose natural resources would be brought to the European metropole for manufacture and then sold globally, often to the very peoples from whom the resources were taken.

⁵⁶ American Peace Society, “Peace Congress at Brussels,” *Advocate of Peace* vol. 7, no. 24 (December 1848): 292–312, p. 300.

⁵⁷ *Ibid*, p. 294.

We see the phrases “civilized world” and “civilized countries” stated three times in the 1920 ICC Organizational Meeting proceedings. Marco Cassin of the Italian delegation, for example, in referring to the war, argued that Italy had joined the war to fight “under the impulse of brotherhood towards civilized countries.”⁵⁸ Italy, he argued, knew “its duty toward the civilized world.”⁵⁹ M. Georges Pascalis, President of the Paris Chamber of Commerce, in referring to reconstruction following the war, referred to French leaders as having “laid the basis of the economic reconstruction of the civilized world.”⁶⁰ For the duration of the 1920s, ICC participants continued to refer to themselves as representing the leadership of the civilized nations of the world. Furthermore, in regard to the misconception of free trade, French representative M. Reibel believed that the ICC would pave the way to “the return to the normal interplay of economic laws and to freedom of trade,” which was interrupted by the war.⁶¹ The “freedom of trade,” however, existed between and amongst the imperial victors of the war.

Hopes for global free markets, at least amongst the major European powers, evaporated in the midst of the strong sentiment of nationalism and imperialism that conveyed Europe by the 1870s. The nationalistic and imperialistic spirit initiated a drive to imperialize Africa, Southeast Asia and other non-white lands, dashing hopes for both global peace and free trade. Possession of a vast empire was indicative of the prowess of the nation-state. “Free traders and the peace movement were shocked by the militarism of public opinion” as well as the “return to protectionism” that became prevalent by the end of the nineteenth century.⁶² Seeking imperial control as well as the desire to spread the nation-state’s ideological and cultural values led to the

⁵⁸ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 46.

⁵⁹ *Ibid*, p. 74.

⁶⁰ *Ibid*, p. 170.

⁶¹ *Ibid*, p. 172.

⁶² Mazower, *Governing the World*, p. 63.

rise of protectionism on a global scale. The so-called “New Imperialism” created nationalistic rivalries upon the European continent and international competition for empire. With the tensions of imperialism and nationalistic rivalry so prescient by the mid to late nineteenth century, nationalistic zeal and jingoism replaced the hopes of free traders and pacifists for world peace through unencumbered global commerce.

European technologies such as steam-driven gun boats, machine guns and medical advances (quinine) became another motivation. The mid to late nineteenth century was marked by a process of “penetration, conquest and consolidation,” as Daniel Headrick argues.⁶³ For example, the advent of steam powered ships necessitated the conquest of island bases for refueling. European powers, and later the U.S., acquired islands across the Indian and Pacific Oceans to facilitate their empires (eg. The U.S. and Hawaii, Britain and Diego Garcia, France and various Polynesian Islands, Germany, France and the U.S. in Samoa). The Second Industrial Revolution, buttressed by social Darwinism, incorporated political and economic power into the hands of the North Atlantic.

By the end of the nineteenth century, the international system was dominated by what Paul Kennedy terms a “European-centered pentarchy.” The old imperial order, with Britain, France and Germany leading the way, continued to create bilateral and multilateral economic and political agreements without dedicating their nation-state to any form of international organization. The 1885 Berlin Conference settled European competition over Africa, with the major powers divvying up the continent amongst themselves to avoid war. The major powers also formed numerous formal alliances across the European continent while bitter economic and imperial competition between Britain and Germany led the two nation-states to engage in a fin

⁶³ Daniel R. Headrick, *The Tentacles of Progress: Technology Transfer in the Age of Imperialism, 1850-1940* (New York: Oxford University Press, 1988).

de siècle arms race. By the turn of the century, the United States joined the network of powerful Western Europe imperial states, finishing off its conquest of the western half of the North American continent and, after the 1898 Spanish-American War, acquiring the Philippines, Guam and Puerto Rico. Though the international order, dominated by the West, was rhetorically based upon the ideals of the American and French Revolutions as well as laissez-faire capitalism, the realities of nationalism trumped hopes for a realization of international law or governance. Nationalistic zeal, imperial competition and the array of alliances all combined by 1914 to immerse the Great Powers in the Great War.

It is necessary to pivot to a brief discussion of the League of Nations and the political economic issues faced by the ICC and the League in the immediate aftermath of the war. The League was viewed as the culmination of the spirit of international organization. It was to maintain peace and prevent another world war. The ICC would work in tandem with the League for the duration of the 1920s. Though the dissertation does not focus solely upon the ICC-League relationship, we would be remiss not to mention the League, since ICC members viewed it as a critical element to the perpetuation of the Allied imperial order.

2.1 The Great War and the Call for a New International Order

Woodrow Wilson, a devout Presbyterian, received a telegraph message in the midst of the Great War imploring him: “In the name of God and humanity, declare war on Germany!”⁶⁴ Not only did the contemporary domestic political realities of the nation prevent Wilson from seeking a declaration of war from the United States Congress until late in the war (April, 1917), but his own religious faith also guided his response to the anxious telegrapher: “War isn’t declared in the name of God; it is a human affair entirely.”⁶⁵ “Human affairs” had brought the

⁶⁴ John Milton Cooper, *Woodrow Wilson: A Biography*, 1st ed (New York: Alfred A. Knopf, 2009), p. 4.

⁶⁵ *Ibid.*

globe of nation-states and colonies, or, more specifically, Europe and its colonial holdings, to the precipice of sheer and utter destruction in the cataclysm of World War I. By the time Wilson received his declaration of war, however, his mind was not so much focused upon the war as it was upon the peace. How could human affairs of war and destruction be avoided by future generations? Perhaps the Great War was, as British Prime Minister David Lloyd George stated, a “war to end all wars.” Wilson’s solution was a League of Nations that could protect “the world right to be free from every disturbance of its peace.”⁶⁶

The Great War shook the foundations of Western European global dominance, yet did not destroy its imperial edifice. Social Darwinism and notions of Western European cultural and racial superiority were shaken, but would remain until the end of the Second World War. Following the Great War, Britain and France looked to maintain their already profligate empires stretching from Latin America to Africa to Southeast Asia. Moreover, utilizing the newly established League of Nations and its protocols, Allied nations Britain and France erected “mandates” (to be discussed in the next chapter) in the former regions of the vast Ottoman Empire. Britain occupied Palestine, Jordan and what would become Iraq while France occupied Syria and Lebanon. Utilizing the argument that these regions were not yet “ready for democracy,” which had been a core Western ideation since the initiation of the New Imperialism during the mid-nineteenth century, Western powers facilitated an influx of multi-national corporations seeking to exploit oil resources.

The Great War shifted the global economic hierarchy, making the U.S. a creditor for the first time in its history. Prior to 1914, “the United Kingdom, France and Belgium were at the center of the classical order, supplying capital and manufactured products to the rest of the

⁶⁶ Ibid, p. 327.

world.”⁶⁷ The United States filled this role following the war, after the destruction of the aforementioned powers. The U.S. government withdrew from what it considered potential entangling alliances with European powers, refusing to sign the Versailles Treaty (signatories, save for Germany, were automatically enrolled in the League of Nations). Meanwhile, the U.S. Congress passed the Edge Act in 1919, which loosened anti-trust laws while permitting U.S. banks to create syndicates to finance trade and various commercial endeavors abroad. Hence, the U.S. government restricted its own power to allocate foreign loans, whilst empowering the private sector to do so. Private U.S. based investors and bankers now had to work even more closely with other governments and their economic systems due to the isolationist economic policy of the U.S. government.⁶⁸

Wilson made his way to Paris, at the conclusion of the Great War, in order to engage in the peace talks that would inevitably become the disastrous Treaty of Versailles. Wilson was a social Darwinist whose foreign policy was committed to “moral imperialism.” Wilson, mirroring the Western political economic mentality, believed that by proliferating U.S. markets and U.S. capitalism, the U.S. was by default spreading freedom. In 1916, meeting with a group of businessmen, Wilson implored them to “carry liberty and justice” by selling goods “that will make the world more comfortable and happy,” and “convert” other peoples “to the principles of America.”⁶⁹ Wilson launched more military incursions into Latin America, in the name of “moral imperialism,” than any president in U.S. history. On 4 April 1917, he asked the U.S. Congress for a declaration of war in order to make “the world safe for democracy.” In reality,

⁶⁷ Frieden, *Global Capitalism*, p. 130.

⁶⁸ *Ibid*, pp. 146-147.

⁶⁹ Eric Foner, *Give Me Liberty!. an American History Volume 2, from 1865* (New York: W.W. Norton, 2011), p. 774.

the U.S. role in the Great War sought to “make the world safe” for Allied power, capital and market manipulation.

The ICC, which would serve as an economic advisement committee to the League during the 1920s and become its chief economic advisor by 1927, lavished praise upon the League. Pascalis, speaking before the 1920 Organizational Meeting, called the League a “magnificent dream” along the lines of which “Jean Jacques Rousseau may have dreamed.” The League was “the logical goal of a progressive humanity advancing toward perfection.”⁷⁰ M. Reibel, speaking after Pascalis, noted that, in tandem with the League, the ICC “will have to stimulate production, the only real source of wealth, and will have to promote competition, the necessary factor to progress.”⁷¹

Pascalis and Reibel had captured an imperial spirit of international organization. The definition of “progress” was defined by those with authority, the Allied powers. The League, as will be discussed later, was a conduit for the continuation of imperial control by Britain and France. Political and economic rifts, however, developed between the Allied powers for the duration of the 1920s. Moreover, the League’s key players, Britain and France, worked in tandem with the ICC toward the “perfection” of market manipulation. As we will see in the remainder of this chapter, Britain, France and the U.S. did not see eye to eye on numerous political economic issues such as Allied war debts (to the U.S.) and reparations. Most importantly, the WWI allies did not agree upon the allocation and maintenance of natural resources. The ICC, as we shall see in the next chapter, would leave this to a system of collaboration between multinational corporations (MNC) and their respective governments.

⁷⁰ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 169.

⁷¹ *Ibid*, p. 172.

Following the war, U.S. international political economic interests often did not align with the international interests of Britain or, more frequently, France. Though each speech given at the 1920 ICC Organizational Meeting, for example, was laced with laudatory tones of appreciation toward other members, the different ambitions and concerns of each was apparent. Though each participant, especially France, spoke of limiting “individuality” in favor of “altruism, concord and harmony” on an international economic scale, each delegation conveyed its national desires.⁷²

The British delegation at the 1920 ICC Organizational meeting was chaired by Sir Arthur Shirley Benn, President of the Association of British Chambers of Commerce. Speaking during the Fifth Session on 28 June 1920, he provided the British perspective on ICC formation and British membership. Benn provided a glimpse into the imagined globalized economic system of the early twentieth century, stating: “It is difficult to present an accurate view of the present economic position of Great Britain, as it changes from day to day and is vitally affected by conditions prevailing in other countries.”⁷³ As opposed to the French delegate M. Georges Picot, who voiced concerns over Allied (Britain, France, U.S.) collaboration and rebuilding, Benn pointed out the necessity of finding “markets” for Britain “to sell her goods.” Also alluding to labor issues, namely unemployment in the coal industry, which would spring up in the form of the Ammanford anthracite strike in 1925, Benn discussed the importance of finding employment for millions of men and women who were formerly employed by the war industry.

Germany, the U.S. and France feared labor unrest as well. By the end of the Great War, Germany, who was not given a voice during the Versailles Treaty negotiations nor permitted to partake in the formation of the ICC, had fallen into revolution. Numerous Right and Left

⁷² Ibid., p. 42. Descriptors used by Clémentel on 28 June 1920 during the Fifth Session.

⁷³ Ibid, p. 56.

political groups formed, vying for power. Many supported and many feared the establishment of a communist government similar to the one that had just formed in Russia in 1917. The Leftist groups, chief of which was the Spartacus League led by communists Rosa Luxemburg and Karl Liebknecht, sought to bring a “Red Revolution” to Germany. They were opposed by the nationalist forces of the “Schwartz-Rot-Gold” revolutionaries. By 1919, the nationalists were able to form a loose coalition with the centrist Social Democrats (SDP) to quell revolution and draw up a new constitution.

The Treaty parameters, from the German perspective, were unwarranted and punitive at best. “It was a catastrophe,” German historian Hagen Schulze argues, “that the first German democracy emerged as the product not of an elected parliament and strong political parties but rather of a general staff [the German Army under Generals Erich Luddendorf and Paul von Hindenberg] at its wits’ end.”⁷⁴ The newly established Weimar Republic, created out of defeat, was viewed by the Germans as an illegitimate, weak political entity after agreeing to the harsh stipulations of the Versailles Treaty (mentioned above). The Weimar government, in the eyes of the German people, was a product of the “dictat of Versailles.” It was a pseudo-democratic entity forced upon Germany by the victorious, gloating Allied powers. Indeed, to the Germans, it was the “product of complex and painful compromise, of defeats and mutual concessions,” not the desires of the German people.⁷⁵

France, represented by newly appointed ICC President Clémentel, among other prominent French business and government officials, was most concerned about the rebuilding process following the Great War. Germany could not be admitted to the ICC, Clémentel

⁷⁴ Hagen Schulze, *Germany: A New History* (Cambridge, Mass: Harvard University Press, 1998), p. 197.

⁷⁵ Ibid, p. 204; Detlev J.K. Peukert, *The Weimar Republic: The Crisis of Classical Modernity* (New York: Hill and Want, 1987), p. 6.

announced in his speech on 28 June 1920, “until she repairs the damages she has caused” and “cast off forever that cloak of Nessus-Prussian militarism.”⁷⁶ Clémentel was prepared to exploit the newly established ICC as a political and economic tool to manipulate Germany to abide by the stipulations of the Treaty of Versailles. Claiming that the Germans, by the middle of 1920, had yet to abide by treaty protocols, Clémentel called for the Allied Powers (the U.S., France, Britain, Italy and Belgium) to “inform the German government that further postponement [of treaty obligations] will not be permitted.” These included the size of the German army, which it had not yet reduced to agreed upon levels, and German transfer “of coal and other supplies” to war torn France. The enforcement of German Treaty obligations was supposed to fall upon the League of Nations. However, Clémentel was attempting to grant powers of treaty coercion to the ICC as well.⁷⁷

French delegates at the Paris Peace Conference, a year prior to Clémentel’s speech before the ICC, were prepared to take a more aggressive stance against their former foe, Germany, than were the British or Americans. France approved of Wilson’s League of Nations. Leon Bourgeois, the French representative to the League Charter Commission, proposed that the League have “an armed intervention force.” When Wilson rebuffed this proposal, the French felt that the League was “a plan without real teeth.”⁷⁸ Clemenceau sought French annexation of the Rhineland, but this proposal was rejected by both Wilson and British Prime Minister David Lloyd George. Instead, the French delegation settled for a temporary fifteen year occupation of the Rhineland. Clemenceau biographer Jean-Baptiste Duroselle contends that “Clemenceau sacrificed the full

⁷⁶ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 50.

⁷⁷ Ibid.

⁷⁸ Jeremy D. Popkin, *A History of Modern France* (Englewood Cliffs, N.J: Prentice Hall, 1994), pp. 237-238.

realization of his goals to the maintenance of an alliance which he considered more solid than it really was.”⁷⁹

The French, however, achieved many of their objectives at the peace table. Along with the fifteen year French occupation of the Rhineland, France regained the territory of Alsace-Lorraine that it had lost nearly fifty years earlier to the Germans. To further augment French security, Germany could not have an army of over one hundred thousand troops and was strictly limited as to the amount of armaments it could use. Of the thirty four billion dollars in reparations required of Germany (or, one hundred and thirty billion gold marks), fifty-two percent were to go to France. France also received all Saar coal production for fifteen years, duty-free export rights to Germany with no reciprocation, and possession of former German and Ottoman territorial imperial holdings.

French delegate Picot, addressing the Third Session of the Organizational Conference on 28 June 1920, remained focused upon French war sacrifices, despite German concessions at Versailles the year prior. “We shall not forget,” Picot stated, “that we are among the countries that have suffered most from the war.” The “paralyzation [sic] of all means of production” and the mobilization of troops as well as the costs of munitions and arming of troops, Picot argued, formed “part of the burdens of war which the Allies had agreed to bear in common. Are they [the Allies] about to let France bear that burden all alone? Alone bear the expense of the reconstruction of the battlefields? Ah, gentlemen, I feel sure your reply is ‘no.’”⁸⁰

The French, furthermore, understood the more favorable economic position of the British and the Americans. The U.S. had become the world’s largest creditor and most powerful

⁷⁹ Ibid, p. 238.

⁸⁰ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 42.

economy following the war, seeing a nearly threefold increase in manufacturing production during the war. In 1914, U.S. production stood at twenty-three billion dollars. By 1919, it stood at sixty billion dollars.⁸¹ Advocating free trade, the third point of his fourteen point peace plan, Wilson recognized the new U.S. global political economic position. “We have got to finance the world in some important degree,” he argued in 1919, “and those who finance the world must understand it and rule it with their spirits and with their minds.”⁸² Indeed, the U.S., which once exhibited more suspicion toward British economic imperialism as well as its strict adherence to a global gold standard, now embraced the rhetoric of free market capitalism under the auspices of nineteenth century liberalism. The U.S., with well-established domestic manufacturing industries prior to the war, was now able to expand “into overseas markets formerly regarded as the exclusive preserve of European manufacturers.”⁸³

The British-American relationship proved to be closer during the post-war period, beginning with the Treaty of Versailles, than either an American-French or British-French diplomatic relationship. Although the U.S. maintained its traditional international diplomatic approach of resisting foreign “entangling alliances,” it maintained especially cordial ties with the British Empire. Moreover, as Michael Hogan argues, there was indeed “a large degree of continuity in the foreign policies of the Wilson, Harding and Coolidge administrations.” U.S. post-war officials envisioned a global economy largely reliant upon the whims of U.S. “free market,” “open door,” global economic policies, revolving around the gold standard. Along with

⁸¹ Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century*, p. 132.

⁸² *Ibid.*, p. 133.

⁸³ Rondo E. Cameron, *A Concise Economic History of the World: From Paleolithic Times to the Present* (New York: Oxford University Press, 1989), p. 347.

this vision, U.S. financial and commercial interests often operated in collaboration with British interests, especially in the fields of “cable, radio, and petroleum policy.”⁸⁴

French and Belgian representatives sought “an Allied industrial front to promote reconstruction on the basis of reparations and military sanctions” during the 1920 ICC Organizational Meeting, while the British and American representatives sought “to ‘demilitarize’ national economies and restore the [pre-war] market system.”⁸⁵ By 1921, however, British governing elites “began to regret the war and the Treaty of Versailles,” preferring to “liquidate the Treaty of Versailles, especially war-debts and reparations.”⁸⁶ Anglo-American cooperation became readily apparent, for example, in Latin America during the inter-war era as the U.S. and British cooperated through “multinational monopolies” while espousing the rhetoric of an open door free market.⁸⁷

The French, in regard to German reparations, sought to implement the “London Schedule of Payments,” the plan laid out by the Allied powers in May of 1921, in order to clarify and uphold Articles 231 and 232 of the Versailles Treaty, which blamed Germany for the material and human destruction created by the war. The Reparation Commission, established by the Treaty of Versailles, set German war debts at one hundred and thirty two billion dollars in late April 1921. To understand the French perspective, including the divide between the Allied powers (the British and Americans on one side and the French on the other), it is necessary to briefly discuss the topic of reparations and the controversies and disagreements associated with

⁸⁴ Michael J. Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918-1928* (Columbia: University of Missouri Press, 1977), pp. 6-7.

⁸⁵ Robert W. D. Boyce, *British Capitalism at the Crossroads, 1919-1932: A Study in Politics, Economics, and International Relations* (Cambridge [Cambridgeshire] ; New York: Cambridge University Press, 1987), p. 27.

⁸⁶ Robert Gerwarth, *Twisted Paths: Europe 1914-1945* (Oxford: Oxford University Press, 2008): Ross McKibbin, *Great Britain*, pp. 39, 44.

⁸⁷ Hogan, *Informal Entente*.

the implementation of reparation payments as reparations would remain a major issue for the duration of the 1920s.

“France needed reparations not only to reconstruct, but also to pay its wartime debt to Britain and the United States.”⁸⁸ The British viewed exorbitant German reparation amounts as a hindrance to British economic prosperity before the ink dried on the London Schedule. U.S. presidential administrations beginning with Warren Harding in 1921 adamantly held both Britain and France accountable for repaying war debts to American private and public coffers. For the British, a healthy German economy would mean a reestablishment of prewar trade patterns and prosperity and hence a greater ability to alleviate war debts and domestic unemployment. It is interesting to point out that although the U.S. did not participate directly in French and British reparation negotiations with Germany, the U.S. did ultimately receive some four hundred million dollars’ worth of gold marks and, until 1922, regular shipments of German dyes as part of the U.S. claim upon Germany to pay the U.S. six billion gold marks.⁸⁹ Meanwhile, the U.S. remained adamant about repayment of French and British war debts for the duration of the 1920s as well as a degree of leniency toward Germany.⁹⁰

The London Schedule of Payments, which remained in effect until Germany began to default on reparations in early 1922, broke German reparation payments into three categories: A, B and C bonds. The Allied powers were well aware of Germany’s inability to pay the astronomical sum of one hundred and thirty two billion gold marks. The C bonds, which constituted the largest amount of the German war debt, were “deliberately chimerical,” and

⁸⁸ Harold James, “Economy,” *Europe, 1900-1945*, The Short Oxford History of Europe (Oxford [England], Julian Jackson, ed.; New York: Oxford University Press, 2002), p. 56.

⁸⁹ Sally Marks, “The Myth of Reparations,” *Central European History*, Vol. 11, no. 3 (September 1978): 231–255, p. 235.

⁹⁰ See: Benjamin Rhodes, “Reassessing ‘Uncle Shylock’: The United States and the French War Debt, 1917-1929,” *The Journal of American History* Vol. 55, no. 4 (March 1969): 787–803.

publicized in an effort to enhance the image of the British and French side in the public eye.⁹¹

The actual amount expected to be paid was contained within the A and B bonds, which amounted to roughly fifty billion dollars in gold marks. The Weimar government met the first one billion dollar cash payment in the summer of 1921. Germany made two small annuity payments by early 1922 but made no further payments until the establishment of the Dawes Plan in late 1924. By late 1921, Germany experienced rampant hyperinflation and the destruction of its currency. With Germany unable to meet its payment obligations, the French occupied the Ruhr Valley in January 1923 to take control of German coal reserves.

2.2 Clémentel's Alternative Plan

Clémentel, who excelled in politics, also understood France's position after the war. He had served the French government in numerous capacities prior to his ICC service. From 1900 to 1919, Clémentel was a member of the French National Assembly. From 1920 until his death in 1936, he served as a senator. Throughout the majority of those years, he also served as the Minister of the Colonies (1905-1906), the Minister of Agriculture (1913), the Minister of Finance (June 1914, 1924-1925) and the Minister of Commerce (1915-1919). Like his ICC contemporaries, he was intertwined in business and political circles. His four year stint as the head of Commerce was, arguably, his most influential.

Clémentel's willingness to take a hard line approach to Germany at the 1920 ICC Organizational Meeting was foreshadowed by his actions as the French Minister of Commerce in the two years prior. As Minister of Commerce, Clémentel found himself immersed in the politics of both the Great War and the Paris Peace settlement. During the Great War, Clémentel began drawing up plans for a post-war peace that would, in his estimation, avoid future wars. In

⁹¹ Marks, "The Myth of Reparations," p. 237.

Clémentel's mind, "'organization' was a magic word. An ordered economy based on cooperation rather than competition had to replace the 'anarchy' of the free market."⁹² Clémentel called for a push toward corporatism for not only the French economic system, but also for an "Inter-Allied System" (IAS) made up of France, Great Britain and the United States. Such a system was necessary, Clémentel argued, in order to restrain a potentially resurgent Germany. Early on in the 1919 Paris Peace negotiations, Clémentel's plan was held in rather high esteem by French Prime Minister Georges Clemenceau.⁹³

The IAS called for a "permanent economic bloc" with Allied control of global raw materials, not only to prevent German resurgence, but also to maintain the prewar international imperial political economic system of control. The bloc was to include a "system of preferential tariffs" amongst the French, British and U.S. empires, with France leading the way.⁹⁴

Clémentel's main motivation for such a plan, recalling that Germany had invaded France twice within 40 years, was a fear of Germany rising to prominence once again. Ideally, though, the plan would reintegrate Germany into the global economic system, without obliterating the German economy, while maintaining the global economic superiority of France, Britain and the U.S.

The IAS was also part of a broader plan for the reconstruction of France itself. Germany's thirty four billion dollars in reparation payments assigned by the Treaty of Versailles in 1919 was subsidiary to French reconstruction. In Clémentel's estimation, it was a "material impossibility for Germany to rebuild so many ruins" without eviscerating its economy and

⁹² Marc M. Trachtenberg, "'A New Economic Order': Etienne Clémentel and French Economic Diplomacy during the First World War," *French Historical Studies* 10, no. 2 (1977): 315–41. *French Historical Studies*, Vol. 10, No. 2 (Autumn, 1977), p. 318.

⁹³ *Ibid.*

⁹⁴ *Ibid.*, pp. 329-330.

leading to further hostilities.⁹⁵ Moreover, even if Germany were able to pay such exorbitant amounts to the French coffers, it would likely lead to inflation in the French economy. Instead, as part of the IAS, Germany's raw materials, especially those of the Ruhr Valley and Saar, would be pooled and redistributed by France within its role as leader of the IAS. These raw materials, Clémentel believed, could be used by French industries to create French products (and hence maintain employment) for the global market.

Clémentel's plan, however, clashed with Anglo-American plans for a global capitalist system. For the Americans and the British, the post-war order was to consist of a "community among the capitalist countries, one rooted in shared interests, common dedication to democratic values, and respect for the principles of liberal capitalism."⁹⁶ The U.S. was more than willing to encourage *European* raw material and resource collaboration, as laid out by Clémentel.

However, Herbert Hoover, Woodrow Wilson's chief economic advisor during the Paris Peace talks, wrote to Wilson on 7 November 1918 that the U.S. "will not agree to any programme [sic] that even looks like inter-Allied control of our [U.S.] economic resources after peace."⁹⁷ Hoover, and Wilson, firmly rejected Clémentel's IAS, seeking instead the imagined free market system that operated during the pre-war global order. Clémentel's international economic scheme fell apart since it was to rely heavily upon the most prolific economy on the planet following the Great War, the United States.

Clémentel turned inward, hoping to ameliorate France's economic situation through corporatism, which Charles Maier terms the key to understanding 1920s European political

⁹⁵ Ibid, p. 332.

⁹⁶ Hogan, *Informal Entente*. P. 6.

⁹⁷ Trachtenberg, "A New Economic Order': Etienne Clémentel and French Economic Diplomacy during the First World War," p. 335.

economics.⁹⁸ He sought a new relationship between business and government in France, calling for the creation of regional consortiums organizing prominent industries under a centralized governing apparatus. Dividing France into thirty-one economic regions, Clémentel created “pyramids of interlocking associations based both upon regional bodies and industry-wide boards.”⁹⁹ Each regional body was developed out of a local chamber of commerce whose representatives would form the “Federation Nationale des Syndicats.” Clémentel also devised the “Confederation Generale de la Production Francaise,” for business managers and representatives.

Clémentel soon faced opposition from his own countrymen. A rift had developed by 1919 between the government’s economic corporatist ambitions and the ambitions of the business culture that sought less government regulation. Louis Loucheur, a prominent French industrialist, munitions manufacturer and later ICC participant, increasingly gained a prominent position among French business and government leaders. During the war, Loucheur was appointed Minister of Munitions in September of 1917. Like Clémentel, Loucheur believed the state would need to remain involved in the economy following the war. However, he believed, more so than Clémentel, that the best way to economic recovery was “through private initiative.”¹⁰⁰ Loucheur agreed with Clémentel’s Allied resource pooling scheme until Loucheur realized that such a plan was untenable since it required American cooperation. By late 1919, it was Loucheur, who had been named Minister of Industrial Reconstruction during the waning months of the war, who had the ear of Clemenceau and the French leadership, as Clémentel and his international corporatist

⁹⁸ Charles S Maier, *Recasting bourgeois Europe stabilization in France, Germany, and Italy in the decade after World War I: with a new preface* (Princeton, N.J: Princeton University Press, 1975).

⁹⁹ *Ibid*, p. 74.

¹⁰⁰ Stephen Douglas Carls, *Louis Loucheur and the Shaping of Modern France, 1916-1931* (Baton Rouge: Louisiana State University Press, 1993), pp. 128-129.

plan disintegrated. Clémentel's international and domestic economic ideas fell from favor within French cabinet circles.

It is important to bring attention to Clémentel's plan. The debate amongst French business and government leaders concerning a corporatist state "reveals a certain lack of faith in the old [nineteenth century] liberal economic system of free markets and government non-intervention."¹⁰¹ Karl Polanyi argues there was an almost "universal conviction" following the Great War "that only the establishment of the pre-1914 system could restore peace and prosperity." Moreover, as we will see, "the failure of this effort to return to the past" created the economic and political catastrophe of the 1930s.¹⁰² For a brief moment in time, Clémentel sought to overcome the "haute finance" of the nineteenth century. His plan was thwarted by the desire of industrial capitalists in the U.S., Britain and France to maintain the only global economic system with which they were familiar: a system controlled and manipulated by European and American banking and industrial interests with the gold standard (to be discussed later) as the fulcrum of economic balance and stability. Moreover, Clémentel's plan also shows that France understood its lower position of power vis-à-vis the U.S. and Britain, following the Great War. The IAS was a power play that fell upon deaf ears in the face of the resurgent U.S. economy and the independent business interests of corporate leaders.

There is a semblance of irony in the outcome of Clémentel's plan as well. His plan failed to come to fruition because it was rejected by the U.S., the major global economic power following the Great War. However, the inherent goal of the plan, to control the content and flow of the world's most strategic natural resources, was the inborn goal of the U.S. and Britain as

¹⁰¹ Trachtenberg, "'A New Economic Order': Etienne Clémentel and French Economic Diplomacy during the First World War," p. 341.

¹⁰² Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, 2nd Beacon Paperback ed. (Boston, MA: Beacon Press, 2001), p. 23.

well. We will see that all three of these imperial powers, despite their political differences and their rhetorical usage of the term free trade, had similar goals of controlling global commerce and resources. These goals were ascertained through the medium of multinational corporate, banking and governmental collaboration throughout the course of the 1920s. The ICC proceedings provide a glimpse into this collaboration.

In closing, we return to the 1920 ICC Organizational Meeting, and take a closer look at Fahey's words, which opened this chapter. On 23 June, 1920, Fahey stated: "More than ever the war has demonstrated the absolute interdependence of the people inhabiting every part of the globe." There is "just pride in nationality," Fahey continued, "but in no sense does true nationalism conflict with those international relationships which are absolutely essential if the world is really to achieve the blessings of peace and that happiness, prosperity and freedom of opportunity for its people which are its heritage. There is no class or group which can aid more than the business men of the world."¹⁰³

Fahey was followed immediately by Clémentel, who officially accepted his nomination to become the first president of the ICC. "The only merit I have," Clémentel stated, "is to have understood the importance of economic cooperation. The hour of individualism has passed, and it is not only a question of national cooperation within the different countries, but of international cooperation between different nations. The idea of cooperation is born. A bridge has been thrown over the Atlantic."¹⁰⁴

Both Fahey and Clémentel viewed the world as globalized. Fahey spoke of helping the "world," locked in a state of "absolute interdependence," achieve "peace" through reliance upon

¹⁰³ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 20.

¹⁰⁴ *Ibid.*, pp. 22-23.

“the businessmen of the world.” Clémentel, who had abandoned his IAS plan only a year prior, spoke of “international cooperation between different nations.” Both men, however, also realized the imperial political economic order that had emerged from the war. Neither Clémentel nor Fahey had experienced a change of heart regarding the powers that be. Their goal was to strengthen “the bridge over the Atlantic.” They realized an opportunity that had been in development for some time prior to the war: the empowerment of the business man on a global scale. Yet, as we shall see in the next chapter, the businessmen, and their multinational corporations, would rely upon the government interference they rhetorically disdained to help them gain a foothold in Latin America and the Middle East.

3 CHAPTER TWO: BUSINESS AND GOVERNMENT

The ICC was a platform and sounding board for the businessmen of the Allied powers, forming an international intersection of business and nation-state interests. ICC participants demanded laissez faire policies for the duration of the 1920s. U.S. representative Willis H. Booth captured this sentiment during the 1920 Organizational Meeting. “Businessmen of the world,” Booth argued, “working under fundamental economic laws, should endeavor to aid in rational economic stabilization...entirely independent of government financial support.” Booth viewed the ability of the businessman to work independent of government interference as “a very definite factor in the world’s steady progress.”¹⁰⁵

W. J. Noble, Chairman of the Chamber of Shipping of the United Kingdom, speaking shortly after Booth, was even more direct: The “revolting system” of “government control,”

¹⁰⁵ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920* (ICC Headquarters, Paris), accessed February 11, 2013, <http://books.google.com/books?id=fVIRAQAAMAAJ&q=Proceedings+Organization+Meeting+1920&dq=Proceedings+Organization+Meeting+1920&hl=en&sa=X&ei=Y0AZUdaSB4PC9QSfloCwDg&ved=0CDAQ6AEwAA>, p. 77.

Noble insisted, was “inseparable” and “paralyzing” because “it kills all initiative.”¹⁰⁶ M. William Thys of the Belgian delegation insisted that “the Belgian temperament is opposed as a matter of principle to every description of government interference.”¹⁰⁷ A unanimous resolution adopted during the June 1921 Conference in London stated: “Government control of or participation in industry and commerce discourages individual initiative and renders trade conditions uncertain and artificial.”¹⁰⁸ The statements made by Booth, Noble and Thys a year prior, then, spoke to the spirit of laissez faire that became a rhetorical foundation of the ICC. Indeed, laissez faire sentiment echoes throughout the proceedings of the 1920s.

In this chapter, we see ICC member interests and nation-state interests intersect during the 1920s despite ICC demands that laissez faire policies be adopted. The ICC meeting of 1921 revolved around the topics of trade and taxation and trade law disputes and resolutions, since these issues were seen as the most pressing in regard to facilitating free trade and business independence in the imagined globalized world. Free trade, however, did not apply to regions that were deemed “uncivilized.” In these regions, industries relied upon political, economic or military government leverage, particularly in the Middle East and Latin America following the Great War. The businessmen of the ICC, with heavy political, business and banking connections, railed against government involvement whilst relying upon it, saying nothing in regard to the manipulation of markets and industries in the aforementioned regions. In the next chapter, we will see how governments helped multinational corporations (MNC) penetrate the economic systems of Latin America. In this chapter, we investigate the free market, laissez faire rhetoric of

¹⁰⁶ Ibid, p. 110.

¹⁰⁷ Ibid, p. 117.

¹⁰⁸ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, Brochure (London: International Chamber of Commerce, July 27, 1921), University of Denver Penrose Libraries, p. 12.

the ICC and the British and French infiltration of the Middle East under the banner of the League of Nations mandate system. Using the League Mandates in Syria and Iraq as our examples, we will see that free market, laissez faire rhetoric did not apply to these regions, which were deemed “uncivilized.”

Woodrow Wilson, following the war, openly advocated free trade within the context of his Fourteen Points with Point II, calling for “absolute freedom of navigation upon the seas” and Point III, calling for “the removal, so far as possible, of all economic barriers...among all the nations consenting to the peace.”¹⁰⁹ ICC participants wished to perpetuate the free trade spirit of Wilson’s Fourteen Point program. They argued that the “task of business” was to “aid in the rational stabilization” of global commerce, which would be “helpful and profitable to Europeans, safe and remunerative to Americans,” and “a very definite factor in the world’s steady progress.”¹¹⁰ “The world’s steady progress,” according to the ICC, hinged upon not only the rehabilitation of Europe, but also upon the protraction of Western European and American imperial economic strategies. By ensuring free commercial liberty on a global scale, ICC participants believed, future wars could be averted and the globe would find itself immersed in a protracted era of peace through free, unfettered trade.

The first official, biennial meeting of the ICC was held at Central Hall, Westminster in London from 27 June to 1 July in 1921. Although thirty six countries were represented, only twelve were affiliated with the Chamber and had thus created National Committees.¹¹¹ The meeting was presided over by A. J. Hobson, the President of the British National Committee and

¹⁰⁹ John Milton Cooper, *Woodrow Wilson: A Biography*, 1st ed. (New York: Alfred A. Knopf, 2009), p. 422.

¹¹⁰ George Ridgeway, *Merchants of Peace* (Little, Brown and Company, 1959), p. 28.

¹¹¹ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*. The twelve countries included: Austria, Belgium, Czecho-Slovakia [sic], Denmark, France, Great Britain, Italy, Luxemburg, Netherlands, Poland, Sweden and the United States.

the recently elected president of the ICC, M. Etienne Clémentel of France. The agenda, which became protocol for ICC gatherings, was divided into five sections in an effort to facilitate discussion, permit debate on numerous topics and to allow men from various countries to share their interests and concerns. The meeting was public and reported upon by the London press and other national news agencies in attendance.

The American delegation to the First Congress was particularly adamant regarding the removal of government forces in the face of international commerce. American delegate A. C. Bedford spoke of the liberation of trade during the conference's first day. "There is a distinct feeling in America," Bedford argued, "that the Government should, as far as practicable, refrain from interference with the normal development of business, and that in working out the tasks of economic reconstruction in both their domestic and international relations, private enterprise should have the utmost free play."¹¹²

The first Congress included prominent members of the economic and political systems of the respective countries in attendance. This chapter focuses primarily upon the first official ICC meeting. Thus, we bring attention to the prominent businessmen in attendance because their business acumen and their perceptions of the way the world worked by the 1920s was fundamental not only to the founding of the ICC, but also its goals for the duration of the decade. These men headed corporations, served in various government positions, and advised political and banking leaders. Most of them will appear again in the pages and chapters that follow.

Political, business and banking ties between members and their respective nations were readily apparent. The French delegation, for example, included Jean Coignet, a French Senator elected in January of 1920. Coignet was a former president of the Lyon Chamber of Commerce

¹¹² Ibid, p. 47.

and “a magnate of the local chemical industry.”¹¹³ Historian John Laffey describes the Chamber, referred to as the “Lyonnais,” as France’s “most effective local organization devoted to the cause of imperialism.”¹¹⁴ From the early 1900s to the early 1930s, the Lyonnais played a significant role in perpetuating French economic imperial endeavors in China, Southeast Asia and northern Africa.¹¹⁵ Coignet served in numerous French senatorial committees dealing with issues including mining, railway rates, taxation on French MNCs and legislation to favor local French businesses.

Eugène Schneider, a prominent French businessman and politician, represented the French delegation. Schneider was the grandson of the great railway, banking and armaments magnate Joseph Eugène Schneider. Operating out of Le Creusot, the Schneider Company made a fortune from armament production during the Franco-Prussian War as well as from its near monopoly over the construction of government purchased railway networks. By the *fin-de-siècle*, the Schneider Company engaged in a fierce international competition with the German Krupp Family to sell military armaments on a global scale.

Schneider, like his grandfather, served in the French Chamber of Deputies (from 1900 to 1925). Beginning in 1902, Schneider entered a contentious competition with Krupp to sell rifles and other armaments to Brazil and then Argentina in 1906 and Chile in 1909. Defeated by Krupp in South America, Schneider and other French investors increasingly turned to Tsarist Russia and Eastern Europe as investment havens.¹¹⁶ In 1920, for example, Schneider’s bank, L’Union Parisienne, bought out Skoda, the prominent Czechoslovak armament industry, and later gained

¹¹³ John Laffey, “Lyonnais Imperialism in the Far East 1900—1938,” *Modern Asian Studies* Vol. 10, No. 2 (1976): 225–248, p. 237.

¹¹⁴ *Ibid.*

¹¹⁵ *Ibid.*, pp. 225-228.

¹¹⁶ H. C. Engelbrecht and F. C. Hanighen, *Merchants of Death: A Study of the International Armaments Industry* (New York, NY: Dodd, Mead & Company, 1934), pp. 123-127.

control, through Skoda, of Czechoslovakia's auto industry. Skoda's tentacles spread into neighboring Hungary where it gained a strong financial interest in the Austro-Hungarian bank Kreditanstalt. Using this fiduciary connection, Schneider loaned money to the Hungarian government that it was unable to pay back. The French government then arranged for a government loan official to loan the money to Hungary through the Banque de France, which then reimbursed L'Union Parisienne.¹¹⁷ Like Coignet, then, Schneider indeed represented more than just his nation at the first ICC congress.

The British representatives exhibited a similar demographic pedigree, linking business, politics, and banking interests. Sir Arthur Shirley Benn served nearly a quarter of a century in the British Parliament (1910-1935 with a brief absence from 1929 to 1931). Prior to his legislative career, he served as the British Vice-Consul in Mobile, Alabama. He had many "connections with British trade bodies" and urged expanded trade within the British Empire and with the U.S.¹¹⁸ During his time in the U.S., Benn also invested in the lumber industry, forming Hunter, Benn and Company in the mid-1880s. He was managing director of the company while serving as the British Vice-Consul in Mobile. In the 1920s he was the head of the British Chambers of Commerce and by 1927 became the president of the ICC.

Booth, a prominent U.S. ICC delegate, was the vice president of the Guaranty Trust Company of New York, owned by J.P. Morgan & Co. since 1909. Booth was an example of the individual and state interests represented at the ICC conference: banking, big business and political interests wrapped around a reverence for the gold standard with a free market mentality. Prior to his time with the Guaranty Trust Company, Booth had entered the family business, L.

¹¹⁷ Ibid, p. 194.

¹¹⁸ Wireless to THE NEW YORK TIMES. 1937, "Lord Glenravel, M. P. for 23 Years," *New York Times (1923-Current File)*, Jun 15, p. 23. Accessed 1 May 2014
<http://ezproxy.gsu.edu/login?url=http://search.proquest.com/docview/102339920?accountid=11226>.

Booth & Sons, as its treasurer. The machining company consolidated with the Smith Machinery Company (Smith-Booth-Usher Company) in 1908 and became the industry leader on the Pacific Coast. In the meantime, Booth also helped organize the Pacific Electric Heating Company, which by the mid-1910s had branches across the U.S. Midwest and Canada.

Booth had a plethora of experience in the business world and, by 1923, would be acting president of the ICC. After nearly monopolizing trade in machine parts on the American Pacific coast during the *fin-de-siècle*, he later became vice-president of Guaranty Trust Company. He also served as the president of the Los Angeles Chamber of Commerce after 1909. Additionally, he served as vice-president of Guaranty Trust Company from 1918 until 1941 as well as a director of International Business Machines (IBM) from 1922 until his death in 1958.

Owen D. Young, an American ICC representative throughout the 1920s, and future president of General Electric (GE), founded RCA in 1919, at the government's behest, as a subsidiary of GE. Between 1919 and 1929, RCA's annual profits grew from \$2 million to \$182 million.¹¹⁹ He later became president of GE in 1922, and founded the National Broadcast Corporation (NBC) in 1926. He would prove instrumental in the mid-1920s in delineating the Dawes Plan (1924) to reduce German reparation payments. In 1929, he was named *Time* magazine "Man of the Year" for his role in creating what would be dubbed the "Young Plan," which further reduced German reparation payments and created an annual installment plan.¹²⁰

Alfred C. Bedford, mentioned earlier, was elected president of the Standard Oil Company in December of 1916. His uncle had been a founding member of the Standard Oil group. Bedford

¹¹⁹ Jefferson Cowie, *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* (New York: New Press: Distributed by W.W. Norton, 2001), p. 14.

¹²⁰ See: Ida M Tarbell, *Owen D. Young, A New Type of Industrial Leader* (New York: The Macmillan Co., 1932).; Josephine Young Case, *Owen D. Young and American Enterprise: A Biography* (Boston: D.R. Godine, 1982).

had been with the company since 1882 working in its “manufacturing” sector.¹²¹ In 1910 he became the company’s treasurer. Bedford, however, had cosmopolitan business acumen. While treasurer of Standard Oil, he also represented Charles Pratt & Co. as a “director of the Long Island Railroad.” He also served as president of the Portland General Electric Company (in Portland, Oregon) and was director and secretary of the Ohio River Railroad Company. By the time he was elected to head Standard Oil, he belonged to numerous prestigious business clubs including the Metropolitan, Bankers and Downtown Association of New York. Thus, Bedford’s defense of business in the face of potential government regulation and interference is understandable.

Bedford worked to defend the ethical face of the business world as well. On 22 October 1923, for example, Bedford addressed the Presbyterian Social Union of New York. “For the most part,” Bedford claimed, “business men in this country are not credited with having ethics.”¹²²

They are damned if they do, and damned if they don’t. But that is because the public does not understand the underlying motives of the business man of the country today. There was a period not long ago when business was charged, with the railroads, of charging what the traffic would bear. But today the rule of ruthlessness is giving way to generosity. Increasing responsibility is being felt by business men for standards that more closely approach the Christian ideal... Big business can no longer concern itself with solely selfish methods... Government interference will diminish as business is based on higher standard [sic] of business ethics.¹²³

Bedford, writing in 1923, saw business as a benevolent, benign force for the common good of mankind. Interestingly, he references railroads only “charging what the traffic would

¹²¹ “A. C. Bedford Heads Standard Oil Co.,” *New York Times*, December 23, 1916, p. 11, ProQuest Historical Newspapers. Accessed 1 May 2014.

¹²² “A. C. Bedford Defends ‘Big Business’ Ethics,” *New York Times*, October 23, 1923, p. 30, ProQuest Historical Newspapers. Accessed 1 May 2014.

¹²³ *Ibid.*

bear.” His home country, however, witnessed the vast monopolization of the railroad industry for the duration of the late nineteenth century. The U.S. railroad industry was able to cross the American continent utilizing government military intervention to wipe out Native American tribes. Moreover, the U.S. government, which established “the highest tariffs of any major nation in the world” from the Lincoln Administration to World War II, heavily subsidized railroad construction to assist the development of private corporations through land grants and tax breaks.¹²⁴ Once the railroads gained immense monopolistic power by the late nineteenth century, the government often sided with owners, especially via the judicial system, rather than labor, breaking strikes and refusing to address demands for higher wages.

U.S. government commissions, set up in the heart of the U.S. to monitor railroad prices during the late nineteenth century, often proved ineffective. A critic of the California Railroad, writing in 1895, complained: “The curious fact remains that a body created sixteen years ago for the sole purpose of curbing a single railroad corporation [the Central Pacific] with a strong hand, was found to be uniformly, without a break, during all that period, its apologist and defender.”¹²⁵ Indeed, federal and state governments “played from the start a very active role in the growth of American capitalism: Legislation in all jurisdictions was lenient on businesses declaring bankruptcy, and harsh on workers resisting exploitation.”¹²⁶ State and federal court decisions often favored big business over labor and the consumer until the early twentieth century. The capitalist class, consisting of political elites as well as business owners, coalesced in “a wide variety of local civic, social, and cultural organizations” and “national institutions” that worked

¹²⁴ Michael Lind, *Land of Promise: An Economic History of the United States* (New York: Broadside Books, 2012), p. 9.

¹²⁵ John Steele Gordon, *An Empire of Wealth: The Epic History of American Economic Power*, 1st ed (New York: HarperCollins, 2004), p. 237.

¹²⁶ Leo Panitch and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire* (London; Brooklyn, NY: Verso, 2012), p. 32.

to “stimulate U.S. exports” while shunning labor unions.¹²⁷ The ICC, formally created by 1921, institutionalized this political-business collaboration at an international level.

Bedford, apparently, felt that the era of “big business” using “selfish methods” had diminished by the 1920s. His ICC colleague, F. E. Smith, introduced during the 1921 ICC conference by his noble title, Viscount Birkenhead, would not have agreed with Bedford’s characterization of the businessman. “No view could be more superficial than that which from time to time is attempted in this or any other country in the world to censure the capitalist,” Birkenhead stated during the General Meeting on Monday 27 June. “The capitalist is not, never has been and I most sincerely trust never will be a philanthropist.”¹²⁸ Philanthropy was best “left to other channels,” because the “vague influences of benevolence” distract the “mind of the “capitalist.” A distracted businessman, whose mind “is influenced or deflected by other considerations,” endangers “the whole [free market] system upon which capital depends” and thus endangers “the very cause of civilization itself.”¹²⁹

Birkenhead and Bedford captured the essence of the condition of the businessman by the dawn of the early twentieth century: men who were endowed with the long imbued orthodoxy of free trade, social Darwinism, Allied imperialism and manliness, combating Progressive Era ideals of government surveillance and oversight of the political economy with the goal of perfecting the human condition. How could the international businessman, they may have pondered, enhance “the very cause of civilization” when confronted with government regulation of commerce? The ICC was created in the wake of the Great War, which witnessed direct government control of major industries. Working in tandem with the League, the ICC could

¹²⁷ Ibid, pp. 33-34.

¹²⁸ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 29.

¹²⁹ Ibid, p. 30.

return civilization to the pre-war organization of international trade, which they believed was a free trade system. Their ideas of civilization, however, played a central role in determining the satisfactory level of government involvement in global commerce. We will explore ICC notions of civilization later in this chapter. Now, let us return to the 1921 conference to better understand the political economic conditions of the perceived world and the foundations of ICC participant reasoning.

The globe experienced a brief economic boom between 1919 and 1920 prior to the 1921 conference. Eminent historian and economist Charles Kindleberger contends that this was due principally to “a scramble for goods to replace the inventories drawn down during five years of war.”¹³⁰ “Pent-up financial accumulations were let loose on limited stocks, and prices soared.”¹³¹ By mid-1920, however, this economic boom had fallen drastically into an economic depression marked by extreme deflation, a drop in wholesale prices and increases in unemployment in the Allied nation-states. We will see a deeper discussion of the ICC reaction to the 1920-1921 depression in the next chapter with our discussion of the gold standard. Regardless, it is important to give passing mention to the depression here since it influenced the thought processes of ICC participants during the 1921 conference in regard to export credits and trade liberalization.

The reinvigoration of trade was paramount in the minds of the ICC participants in the wake of the 1920-1921 depression. An ICC brochure published just prior to the London conference urged “Production and Export are the means of economic recovery.”¹³² A key

¹³⁰ Charles Poor Kindleberger, *The World in Depression, 1929-1939*, Rev. and enl. ed. History of the World Economy in the Twentieth Century, v. 4 (Berkeley: University of California Press, 1986), p. 15.

¹³¹ *Ibid.*

¹³² International Chamber of Commerce, *Export Credits (National Schemes)*, Brochure (Paris, France, April 1, 1921), University of Washington, Suzzallo Library, p. 4.

component for the reinvigoration of trade included the establishment of an international export credit system under the aegis of an “International Credit Interchange Bureau.” The original idea for such an organization was initiated at the Brussels Economic Conference the prior year. The ICC argued that “manufacturers, when working at full pressure to constantly renew their stocks of raw materials, require a large floating capital, and consequently have not the financial capacity for granting long credits.”¹³³ An international system of export credits, the ICC believed, would alleviate this issue. At the most basic level, an export credit is one that is opened by an importer with a bank in an exporter’s country in order to finance an export operation. Essentially, the credit acts as an insurance policy and capital infusion to facilitate the movement of goods. The ICC proposed three “schemes” for establishing a system of export credits: “Solutions Due to Government Initiative,” “Solutions Due to Private Initiative,” or a combination of each.

A governmental board would consist of “a Commission or a Council created by the government to study the different points of the problem.” Corporations would work through the government with the state national bank. Since 1919 the British Board of Trade had operated under this type of system under the Overseas Trade (Credits and Insurance) Act. “As soon as the money lent by the Board of Trade to an individual [corporation] was repaid, it could be applied immediately for a subsequent credit elsewhere.”¹³⁴ The Board would decide to which countries such practices may be applied. The Board would advance “the whole sum required, provided that the exporter assumed responsibility for one-fifth of the risk involved.”¹³⁵

This scheme, the ICC reported, “Met with disappointing results.” Under the scheme, the British Parliament voted for twenty six million pounds to be “devoted to the creation of an

¹³³ Ibid, p. 4.

¹³⁴ Ibid, p. 6.

¹³⁵ Ibid.

insurance fund.” However, the government disagreed with the exporters’ desire “to keep profits realized by the working of the scheme.”¹³⁶ The British Parliament, after discussion with the Bank of London, passed further legislation in early 1921 to find a more symbiotic solution to the export credit issue. However, like the ICC, the Parliament issued a new system that would meld with the recently proposed Ter Meulen Scheme, to be discussed in a moment.

The ICC presented an example from the U.S. regarding “solutions due to private initiative.” In 1919 U.S. Representative Walter Evans Edge, a wealthy newspaper publisher and advertisement executive, proposed legislation that would come to be called the Edge Act. An amendment to the 1913 Federal Reserve Act, the Edge Act permitted U.S. national banks to engage in international banking. Banks could form a “corporation,” which could then “grant credits for exports.” The corporations “are authorized to receive money on deposit for the United States in all countries, but they can only accept this money for the purpose of devoting it to transactions with foreign countries, or with American colonies.”¹³⁷ However, these corporations were not necessarily independent of the U.S. government. The corporations “are prohibited from carrying on trade in goods, even in an indirect manner.” Moreover, “the Federal Reserve Board has a certain right of verification and control over the work done by these corporations.”¹³⁸

An export credit hybrid solution presented by the ICC came from a French example. The French National Bank for Foreign Trade (*Banque Nationale française du Commerce Extérieur*) was “a private organization originating in government action and organized under its supervision.”¹³⁹ Bank bonds are to be registered and “cannot be made payable to the bearer without a decision of the General Meeting and authorization of Ministers of Finance and

¹³⁶ Ibid, p. 7.

¹³⁷ Ibid, p. 10.

¹³⁸ Ibid.

¹³⁹ Ibid, p. 12.

Commerce.” A Board of Directors, who “must be French citizens and of French birth,” were to administer the bank. “The Directors may not be members of the French Parliament.” The bank was to be subsidized by the government to the amount of twenty five million francs. Twenty percent of the profits were to be paid to the state. However, the bank itself “has absolute freedom in carrying on its business.”¹⁴⁰

The Ter Meulen Plan, however, seemed to incite the most excitement amongst members of the ICC. This international export exchange and international commerce scheme was proposed by M. C. E. Ter Meulen of Messrs. Hope and Co., Bankers in Amsterdam. It was studied and adopted by the Provisional Economic and Financial Committee of the League of Nations in late 1920. A prominent industrial financier, Ter Meulen presented his international exchange rate plan at the 1920 Brussels Finance Conference, held under the auspices of the League of Nations, in September of 1920. The plan included “a combination of government and private security.”¹⁴¹ Governments were to issue bonds to their importers based on “the gold value of the underlying securities.” Thus, the plan maintained the gold standard mentality, to be discussed in more detail in the next chapter. The bonds would be “issued in whatever currency the lender may require.”

An “international committee of experts” was to determine the gold value of the underlying securities.¹⁴² The committee was to “consist of bankers and businessmen of international repute, appointed by the League of Nations.”¹⁴³ The League of Nations was only directly involved in commercial interactions “in the event of defalcation in the redemption of the bonds, and only then in case the guaranteed fund is not adequate to take care of the defaulted

¹⁴⁰ Ibid, pp. 13-14.

¹⁴¹ W. F. Gephart, “The Ter Meulen Credit Plan,” *The North American Review* 215, no. 796 (1922): 338–44, p. 340.

¹⁴² Ibid, p. 341.

¹⁴³ International Chamber of Commerce, *Export Credits (National Schemes)*, p. 15.

sum.”¹⁴⁴ Ideally, international traders would maintain confidence in the plan since it was backed by the League. Moreover, confidence would remain high since the international committee was to be “impartial.”

The ICC’s main goal, more broadly, was to “remove all restrictions on commerce and trade.”¹⁴⁵ The international economic crisis of late 1920-1921 was caused, in the ICC’s estimation, by the “unmethodical restrictions imposed on commercial liberty and especially on the free circulation of capital in all its forms.”¹⁴⁶ Furthermore, by ameliorating the situation of international commerce, war, according to the ICC, would be avoided in the future. It was critical for governments to make tariffs “moderate” to “avoid the erection between peoples of barriers that are obstacles to peace and the progress of civilization.”¹⁴⁷

The ICC discussions in regard to the establishment of export credit systems and the Ter Meulen Scheme to improve global commerce are quite revealing in regard to how the ICC viewed the League of Nations. ICC participants, who held free trade and laissez faire in high esteem, saw the League as a benevolent, global free agent. I use the term “global” here in reference to the previous chapter, which discussed the misunderstanding amongst ICC members in regard to globalization and internationalism. The League, in the ICC’s estimation, transcended the bounds of government control. The League, according to the ICC, had the ability to overcome selfish nation-state tendencies and deliver the globe into a universe of protracted tranquility. Hence, the ICC rejected the British, French and American plans for the export credit system, which involved those governments more directly.

¹⁴⁴ Gephart, “The Ter Meulen Credit Plan,” p. 340.

¹⁴⁵ International Chamber of Commerce, *International Chamber of Commerce, First Congress London (June 27, to July 1, 1921), Brochure No. 5: Foreign Exchange*, Brochure (International Headquarters, Paris, France: International Chamber of Commerce, n.d.), University of Washington, Suzzallo Library, p. 11.

¹⁴⁶ *Ibid*, p. 10.

¹⁴⁷ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 18.

Export credit systems were not only to be monitored by a committee of experts appointed by the League, but violations of the credit export system were to be handled by a group of “impartial experts” appointed by the international institution as well. The ICC and the League itself, however, failed to acknowledge that both institutions were dominated by British, U.S. (though not a member of the League) and French interests. “The League itself was an entirely Victorian institution, based on the notional superiority of the great powers, an instrument for a global civilizing mission through the use of international law and simultaneously a means of undergirding British imperial world leadership.”¹⁴⁸ The League, like the ICC, was a vestige of European imperialism, seeking to uphold the pre Great War European imperial order.

The Finance Group, which met on 28 June 1921, addressed numerous issues related to the facilitation of global trade including double taxation. Participants argued that double taxation, or the levying of a tax by two or more jurisdictions on the same declared income, “places a heavy burden on international trade.”¹⁴⁹ To alleviate the problem of double taxation, the Finance Group recommended pressuring governments to treat “all taxpayers, both citizens and foreigners” without prejudice in regard to what they called a “super tax.”¹⁵⁰ Treating the corporation as an individual, a common practice in U.S. legal circles during the *fin-de-siècle*, the committee asked for “companies and partnerships” to be treated “in the same manner as to individuals” in regard to the super tax.

The committee further addressed the issues of Export Credits, Foreign Exchange, the Treatment of Foreign Banks and Bills of Exchange, calling for the use of private enterprise and

¹⁴⁸ Mark Mazower, *No Enchanted Palace: The End of Empire and the Ideological Origins of the United Nations*, Lawrence Stone Lectures (Princeton: Princeton University Press, 2009), p. 21.

¹⁴⁹ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, Brochure No. 18 (London: International Chamber of Commerce, July 27, 1921), University of Denver Penrose Libraries, p. 9.

¹⁵⁰ *Ibid.*

little to no government regulation. In regard to foreign exchange, for example, the committee recommended “the creation of national and international organizations for export credits be actively undertaken by private enterprise with the support of Governments.” They argued that “the greatest possible liberty be granted in all commercial and financial transactions,” a position that foreshadowed the International Monetary Fund’s core philosophy by some thirty years.¹⁵¹ The committee also called for “industrial and commercial liberty.” Government should refrain from “participation in industry and commerce,” since government intervention “renders trade conditions uncertain and artificial.”¹⁵² The committee, echoing the overriding theme of the 1921 conference, recommended that “Government control of industry and commerce be discouraged and private enterprise encouraged in all lines of industry and commerce.”

The amelioration of these issues, as stated previously, was considered the solution for eliminating future conflicts on the scale of the Great War. Prior to WWI, European commentators argued that “the commercial and financial linkages between countries” were “now so extensive that no rational country should contemplate starting a war.”¹⁵³ ICC President Etienne Clémentel captured this sentiment during the first ICC meeting in London in 1921. The ICC, Clémentel urged, would create “mutual fellowship between nations and individuals, in the birth of a truly international spirit, and in the creation of one controlling purpose which aims at the bettering of a common lot of mankind.”¹⁵⁴

The “common lot of mankind,” however, was a selective reference. The ICC proceedings suggest that ICC members viewed the world in a social Darwinist lens, distinguishing the

¹⁵¹ Ibid, p. 11. For a critique of the laissez faire policies of the IMF, see: Joseph Stiglitz, *Globalization and Its Discontents* (New York: W.W. Norton & Co., 2003).

¹⁵² Ibid, p. 12.

¹⁵³ Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin Press, 2009), p. 20. See also Norman Angell, *Europe’s Optical Illusion* (London: Simpkin, Marshall, Hamilton, Kent & Co., 1909).

¹⁵⁴ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, pp. 39-40.

“civilized” world from the “uncivilized” world. Western Europe, especially Britain and France, and the U.S. constituted the enlightened globe. Thus, government intervention by the Allied powers in the economies of uncivilized nation-states was a valid practice. Below, we look at the League Mandate System, which will provide evidence of the aforementioned assertion.

3.1 The League of Nations, the ICC and the Mandate System

The *English Review*, a British magazine, held an essay contest during the first half of 1918. A £100 prize was to be given to the author of “the best short study of the idea of a League of Nations.”¹⁵⁵ The winning author, H. N. Brailsford, who had written a book critical of European imperialism and balance of power politics just four years prior, determined that “economic cooperation” was central to peace and hence the formation of a league of nations. He viewed the war itself as a prelude to economic international integration. “The rationing among the Allies of essential food supplies and raw materials implies a community of interest that is, even in war, a new fact in international life.”¹⁵⁶ He argued that “commercial rivalry must diminish,” and that the Allied powers must realize, after the atrocity of war, that the rationing of materiel is central to peace and economic exchange.

Brailsford’s essay shows the visceral effects of the war upon the general population. Like Clémentel a year later, Brailsford envisioned wartime cooperation as equivalent to peace time economic cooperation. Brailsford, and later Clémentel with his IAS plan (see chapter one), envisioned the war as the wake-up call that would convince nation-states to surrender a portion of their sovereignty, in this case control over their own natural resources, for the sake of

¹⁵⁵ H. N. Brailsford, “The Covenant of Peace: An Essay on the League of Nations” (B. W. Heusch, 1919), HeinOnline, <http://heinonline.org>.

¹⁵⁶ *Ibid*, p. 9.

maintaining global peace. Brailsford argued: “The purely national era in history has been transcended.”

The ICC believed, like Brailsford, that the “national era in history” had been “transcended.” ICC spokesmen naively assumed a level of superiority and near infallibility in the League. M. Reibel, for example, representing France at the 1920 ICC Organizational Meeting, saw the ICC as a “useful” catalyst, “once the world again finds its [economic] equilibrium,” for the League. The ICC, Reibel confidently asserted, “will powerfully help to introduce into the sphere of reality the fundamental idea of the League of Nations.”¹⁵⁷

The ICC was to assist the League’s mission of globalization in an era that was, in their view, in the process of transcending nationalism. Countries who wished to join the ICC would first have to be viewed as “eligible” by the League.¹⁵⁸ The League, British ICC representative Arthur Shirley Benn argued, would “facilitate the restoration of confidence” for “all countries.”¹⁵⁹ Frenchman Eugene Schneider, discussed above, waxed romantically at the ICC’s Organizational Meeting: “We private men, we individuals, we workers whose task it is to create and exchange for the profit of mankind the riches that are the fruit of the toil of our brains or hands have in us the spirit of the League of Nations and happen what may, it is sure not to die.”¹⁶⁰

The ICC indeed captured the “spirit” of the League. However, the spirit was one of nationalistic imperialism, not globalism. Efforts to help “mankind” and to assist “all countries” regain their “confidence” fell upon deaf ears in the League Mandate System. The ICC never

¹⁵⁷ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 172.

¹⁵⁸ *Ibid.*, p. 166.

¹⁵⁹ *Ibid.*, p. 70.

¹⁶⁰ *Ibid.*, p. 78.

directly discussed the mandate system, which was a fundamental aspect of the maintenance of the pre-war imperial political economic international order. The ICC continued its free trade mantra while Britain and France consolidated imperial control over the Middle East, manipulating its resources and political and economic systems.

On 28 March 1921, the King of the Hedjaz, Hussein bin Ali, Sharif of Mecca, sent a telegram to Geneva (headquarters of the League of Nations) accusing the Great War victors of duplicity. An agreement was made between European authorities for Arab rule to cease in the region of Aintab-Orfa. The Sharif claimed: The “direct agreement to abandon Aintab-Orfa which is absolutely contrary to Mandates makes Allies saying very far from facts and forces Arab to mistrust Allies’ declarations and especially those of Great Britain because of the unsatisfactory results which will come out and which injures our mutual interests and Allies.” As will be discussed below, the League mandate system and French and British economic interests usurped notions of self-determination and the maintenance of a free market in the Middle East.

The British army occupied the whole of Palestine, Syria and present-day Iraq shortly after the Great War. The fading Ottoman Empire, the ruler of the aforementioned provinces, could no longer hold on to its Middle Eastern regions. The Ottoman Empire was officially defunct by 1923 with the much smaller state of Turkey as its only descendent. This left the Levant, present-day Saudi Arabia, Yemen, Oman and Iraq, temporarily free for self-determination. However, it was the determination of Britain and France that these provinces were simply not yet “able to stand alone” for sovereign rule. Therefore, under the official League of Nations mandate system, Britain established mandates in Palestine (including present-day Jordan), present-day Iraq, Yemen, Oman, Bahrain, Kuwait and Qatar while France established mandates in Syria and

Lebanon by 1920. The mandates for the former Ottoman Empire were established according to the League Covenant, Article twenty-two, Paragraph four:

Certain communities formerly belonging to the Turkish Empire have reached a stage of development where their existence as independent nations can be provisionally recognized subject to the rendering of administrative advice and assistance by a Mandatory until such time as they are able to stand alone. The wishes of these communities must be a principal consideration in the selection of the Mandatory.¹⁶¹

The ICC proceedings do not include a direct discussion of, and thus agreement or disagreement with, the League Mandate system. We can, however, detect approval of the League mandate system in the ICC's discussions regarding civilization. By understanding how the ICC perceived civilization, we see that the ICC viewed free trade as applying only to those nation-states and peoples whom it deemed "civilized." Free trade was reserved for those countries deemed economically, politically and culturally capable and urbane. In chapter one, we saw references to the term "civilization" during the 1920 Organizational Meeting. References to the "civilized world" by the ICC continued throughout the 1920s.

Hobson, mentioned previously, made civilizational distinctions quite clear during his speech to the General Meeting on 27 June 1921. Referring to the Organizational Meeting and its participants the year prior, Hobson stated that "In founding this International Chamber they did not build for any exclusion of other nations, they built rather with a view ultimately to include all civilized nations within its scope as a truly international institution."¹⁶² Those nation-states wishing to join the ICC had to also be members of the League.

¹⁶¹ Yale University Law School, "Avalon Project - The Covenant of the League of Nations," accessed September 3, 2013, http://avalon.law.yale.edu/20th_century/leagcov.asp#art22.

¹⁶² International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 25.

At the time of the 1921 conference, Argentina, Bulgaria, Spain, Haiti, Japan and a host of other nations were in negotiations to join the ICC. Therefore, distinctions by the ICC regarding civilization were not solely racial. Distinctions, rather, revolved around the perception of the greatness of the institutions of the Allied powers. “There are three great systems of law in the world,” Hobson continued, “Roman Law, the *Code Napoleon*, and British common law, which is the common heritage not only of ourselves but of our cousins across the Atlantic.”¹⁶³ These legal systems, European in origin, were viewed by the ICC as the most viable and successful systems of law and thus applicable on a global scale for use in commercial interactions. Other nation-states would have to adopt these standards in order to participate in the free trade system. Viewed through the biased lens of the perceived superiority of European international jurisprudence, then, the British and French mandates in the Middle East were justifiable and thus not worthy of debate for the members of the ICC. Let us now look at French Syria and British Iraq as examples of not only the mandate system, but also as continuing vestiges of Allied imperialism.

Britain and France had political, social and economic interests in Syria well prior to the war. The French funded the construction of the *Societe Ottomane du Fer Damas-Hama et Prolongements* railway in Syria, which opened in 1895. Moreover, “Christians under French patronage resided” along Syria’s Mediterranean littoral. Indeed, the French remained concerned for the duration of the war that the British would invade Syria, adding it to the already enormous British Empire.¹⁶⁴ Syria was to act as a French base (and later “military air route”) and conduit

¹⁶³ Ibid, p. 26.

¹⁶⁴ David Fromkin, *A Peace to End All Peace: The Fall of the Ottoman Empire and the Creation of the Modern Middle East*, 1st Owl Books ed (New York: H. Holt, 2001), pp. 179-180.

for its southeast Asian empire while strengthening its “position as a Mediterranean power and a world power.”¹⁶⁵

French and British concerns over the Middle East resulted in the secret Sykes-Picot Agreement, which was hammered out by British Conservative and diplomatic advisor Sir Mark Sykes and French diplomat Francois Georges Picot in May 1916. The agreement created spheres of influence for the British and French empires following the likely demise of the Ottoman Empire after the war. An Arab state was to be created “under the suzerainty of an Arab chief” who turned out to be Hussein bin Ali, quoted above, although he was not informed of the agreement since this would have likely ended “his alliance with Great Britain.”¹⁶⁶ The new, vast state (covering the territory “from Aleppo to Rawandaz and from the Egyptian-Ottoman border to Kuwait”) was to also be carved into “spheres of influence” for each of the Western European empires so that both Britain and France would have “priority of right of enterprise and local loans.”¹⁶⁷ The secret agreement was publicly disclosed by the nascent Soviet Union in November 1917, just three weeks after the Balfour Declaration that promised the Zionist Movement its own nation-state in Palestine. The Arab Revolt began as a response to both agreements in September 1918. By 1919, the British were seeking to “undo the Sykes-Picot Agreement,” as they were increasingly concerned with French ambitions in Syria.¹⁶⁸

The British and French worked to alleviate the turmoil created by the Sykes-Picot Agreement and Balfour Declaration. They issued a joint declaration on 7 November 1918, agreeing to the “definite emancipation of the peoples so long oppressed by the Turks,” as well as

¹⁶⁵ Albert Hourani, *A History of the Arab Peoples* (Cambridge, Mass: Belknap Press of Harvard University Press, 1991), p. 321.

¹⁶⁶ Efraim Karsh and Inari Karsh, *Empires of the Sand: The Struggle for Mastery in the Middle East, 1789-1923* (Cambridge, Mass.; London: Harvard University Press, 2001), p. 228.

¹⁶⁷ *Ibid*, pp. 224-225.

¹⁶⁸ *Ibid*, p. 259.

the encouragement of the creation “of indigenous governments and administrations in Syria and Mesopotamia.” Moreover, they worked to further allay fears during the Versailles Peace Conference with the creation of the League mandate system. Both Britain and France sought to have the U.S. oversee a mandate in Palestine. However, because Wilson was unable to garner support for the League of Nations with Congress, let alone get Congress to agree to U.S. involvement in the mandate system, Britain and France were left to their own devices in deciding to allocate Middle Eastern territory to one another under the mandate system (Italy had withdrawn from the conference as it faced its own political problems by the early 1920s).

Picot, in his only appearance before the ICC, presented a speech during the Organizational Meeting on 28 June 1920. In his speech, he spoke of France’s war sacrifice and the necessity of the Allies, as well as Germany, to share the burden of the costs of war.¹⁶⁹ Interestingly, the man who had covertly assisted in the creation of the Sykes-Picot just four years prior, pointed out that “We [the French] are aware that the critical state of the exchange, natural as it is in a country where all the productive forces have been concentrated for more than four years in the creation of products destroyed by the war as soon as produced, cannot be adjusted by artificial means. It originates a disturbance in the economic balance. It is this balance that must be reestablished...through labor and production.”¹⁷⁰

Picot failed to mention the mandate system, although the mandate system was, realistically, an “artificial” contrivance of the League that permitted the near monopolization of Syrian and Iraqi exports (this will be laid out more clearly below). How could the French and British call for a natural restoration of the balance of economic exchange whilst establishing and

¹⁶⁹ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, pp. 41-42.

¹⁷⁰ *Ibid*, p. 43.

stubbornly clinging to new de facto colonies in the Middle East? As mentioned earlier, European jurisprudence on the international stage was considered orthodoxy. Middle Eastern nation-states were simply “not ready” for a level of governance on par with Anglo-Saxon political and economic administration. Moreover, the imperial model of administration was for centuries ingrained in the minds of British, French and U.S. officials and, therefore, ICC and League participants. The Great War only rattled the cage of the imperial model. It did not destroy it.

The official League Council created written stipulations for the administration of the mandates. The official mandate for “Syria and the Lebanon” consisted of twenty articles, enforced through Article twenty-two, Paragraph four of the League Covenant, mentioned above. The preamble of the mandate claimed that France was “charged with the duty of rendering administrative advice and assistance to the population.” Part of this mission, as stipulated in Article I, was to create “an organic law” for Syria, based upon the “rights, interests, and wishes of all the population inhabiting the said territory.”¹⁷¹ No specific timetable for the expiration of the mandate was provided. Instead, France was to “facilitate the progressive development of Syria and the Lebanon as independent states.”¹⁷²

The mandates were viewed rhetorically by Britain and France, and for that matter the League, as sincere attempts by the Great War victors to “assist” Middle Eastern “administrations freely chosen by the populations themselves.”¹⁷³ In reality, David Lloyd George and Georges Clemenceau viewed Wilson’s idea of polling public opinion for consent regarding the mandate system in the Middle East as “totally unacceptable.” Though they “played along” with Wilson’s idea, Lloyd George and Clemenceau “spared no effort to bring about” the “quick demise” of the

¹⁷¹ The Council of the League of Nations, “Mandate for Syria and the Lebanon,” *League of Nations--Official Journal*, Vol. 6 (July 24, 1922).

¹⁷² Ibid, Article I.

¹⁷³ Karsh and Karsh, *Empires of the Sand*, p. 262.

mandate system.¹⁷⁴ Not only did they view the Arab populous as incapable of self-government, but they also understood the economic benefit of the mandate system, as will be discussed below.

Mark Mazower depicts the mandate system as part of “a worldwide ‘awakening of race consciousness.’” He argues that the British Empire, for example, was concerned about “threats such as Pan-Africanism, Pan-Arabism, and Pan-Islam.”¹⁷⁵ Many white, European and American commentators likely shared Sir Mark Sykes opinion of Arabs, or, for that matter, non-whites more generally, as being “cowardly, vicious, rapacious, greedy animals.”¹⁷⁶ However, Mazower’s depiction of the European fear of “pan-Arabism” is short-sighted. As David Fromkin points out, prominent British leaders such as Lord Kitchner viewed the Arabs as easily manipulated if the British could simply control the caliphate. Their greatest fear regarding the Arabs was “a Moslem Holy War” should another power such as the Bolsheviks get control of the caliphate.¹⁷⁷ Thus, the British administration felt that Pan-Arabism was potentially controllable.

There is little doubt of the veracity of racism toward non-Europeans by the early twentieth century. And certainly, the Europeans felt that the Arabs were “not yet ready” for self-government due to their “inferior” racial status. Therefore, Mazower’s points regarding race are well taken. However, the French and British desire for a mandate system itself involved much more than race. Economic interests, as well as a fear of Bolshevism, and the desire to control and manipulate Middle Eastern markets played a fundamental role as well. France’s intentions were abundantly clear when they agreed to permit Emir Faisal, the third son of Hussein, to rule over

¹⁷⁴ Ibid.

¹⁷⁵ Mazower, *Governing the World*, p. 165.

¹⁷⁶ Fromkin, *A Peace to End All Peace*, p. 180.

¹⁷⁷ Ibid., p. 97.

Syria under the French mandate. Political scientists Efraim and Inari Karsh lucidly spell out the mandate terms:

Syria would become a *de facto* [sic] French mandate: France would recognize and uphold the independence and territorial integrity of Syria, within borders to be determined by the peace conference, in return for which France would gain economic, political, and diplomatic preeminence in the country including control over its foreign policy and the exclusive right to provide the advisers, instructors, and technical personnel required for the running of the state's civilian and military affairs.¹⁷⁸

Syria was, from the French perspective, to be annexed and administered like a colony.¹⁷⁹

Though Syria and Lebanon (included under the French Syrian mandate) were not rich in natural resources, France still benefitted economically and politically from its mandate over the territories. Under the mandate, Syria became a major supplier for French consumable goods, namely wool, olive oil, silk, silk textiles and various agricultural products. Wool, olive oil and silk, among other materials, appeared on the 1921 ICC list of “raw materials” that the ICC argued should not receive an “export tax,” since such taxes hinder “the rapid restoration of the world's commerce” and “are obstacles to peace and the progress of civilization.”¹⁸⁰ The ICC made clear that “colonies” under British control (including “the Indian Empire”) “are entitled to representation in the International Chamber of Commerce,” and therefore “the British Delegates place on record that they are not in a position to speak for the Colonies possessing the right of imposing taxes.”¹⁸¹ “The delegates of other Nations,” the ICC clarified, “make the same reservation.” The mandates, however, were not official colonies and were thus not mentioned.

¹⁷⁸ Karsh and Karsh, *Empires of the Sand*, p. 281.

¹⁷⁹ Mazower, *Governing the World*, p. 169.

¹⁸⁰ International Chamber of Commerce, *International Chamber of Commerce, First Congress London (June 27, to July 1, 1921), Brochure No. 5: Foreign Exchange*, pp. 13-14.

¹⁸¹ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 14.

Syria became an importer of French coal and manufactured goods under the French mandate.¹⁸² By the 1940s, Syria served as a major conduit for Iraqi oil flowing into France through the Mediterranean. Politically, France sought to protect Catholics in Lebanon as well as build schools in the name of political and religious proselytization. France bombed the center of Damascus in 1925 to put down a nationalist rebellion to French rule, even though the Mandatory [France] was only permitted to station its troops in Syria for Syria's "defence [sic]."¹⁸³ This "was hardly an advertisement for the standard of civilization" nor a billboard for free market capitalism.¹⁸⁴

The British relationship with Iraq was similar to the French relationship with Syria in terms of maintaining order in the name of British economic vitality. The 1920 Iraqi nationalist revolt was put down by British bombardment with Winston Churchill urging that "mustard gas" should be used against "uncivilized tribes" "in India and Mesopotamia."¹⁸⁵ The British assembled the Iraqi nation in 1921 "according to great power (mainly British) strategic calculations rather than with a view to creating a coherent, functional, self-sustaining state."¹⁸⁶ Britain placed Hashemite Amir Faisal, who had a few years prior lobbied the French for a kingship of Syria, upon the Iraqi throne even though Iraq's official mandate stipulated that "Iraqis alone shall be entrusted [with] government appointments."¹⁸⁷ In July 1921, the British manipulated a supposed Iraqi national referendum in which Faisal received an unheard of ninety-

¹⁸² M. B. and H. G. L., "Syria and Lebanon: The States of the Levant Under French Mandate," *Bulletin of International News* 17, no. 14 (July 13, 1940): 841–51.

¹⁸³ The Council of the League of Nations, "Mandate for Syria and the Lebanon," art. 2.

¹⁸⁴ Mazower, *Governing the World*, p. 170.

¹⁸⁵ *Ibid.*, p. 171.

¹⁸⁶ Liam D. Anderson, *The Future of Iraq: Dictatorship, Democracy, or Division?*, 1st ed. (New York, N.Y.: Palgrave Macmillan, 2004), p. 13.

¹⁸⁷ The League of Nations, "British Mandate for Iraq: Text of the Organic Law of Iraq-Letter from the British Government to the Secretary-General of the League," *League of Nations--Official Journal* C. 412. 1924. VI. (C. P. M. 166.) (November 1924): 1759–68, p. 1760.

six percent vote of approval.¹⁸⁸ Ironically, a man who had never previously visited Iraq was placed upon the throne while, fittingly, a military band played Britain's "God Save the King."¹⁸⁹

Birkenhead, during his 1921 ICC conference speech referenced above, urged that "the present economic situation of the world" had nothing "to be gained by the ostracism from these discussions of any nation—*any* nation." The "businessmen of the world," Birkenhead argued, had "a certain special duty imposed" upon them to approach the global economic situation "with our minds unaffected by the prejudices and the passions of the last few years."¹⁹⁰ The prejudices to which Birkenhead referred were those that led to the Great War, specifically nationalism.

He was unable to see, however, the prejudices of the Allied powers in regard to the peripheral players in the world economy. The mandates, which he did not mention, could not be willing economic participants on the global stage. His insistence upon not ostracizing any nation from ICC discussions was more likely in reference to Germany than non-European states, as the British were more concerned with reestablishing and reintroducing the German economy to world trade than the French, as we saw in the previous chapter. Iraq, however, was not part of the civilized political economic sphere. Birkenhead more accurately portrayed the goals and mental frameworks of the ICC, League and Allied powers in the heart of his speech, pointing out that the businessmen of the ICC had the opportunity to "speak on behalf of all the *great* countries in the world."¹⁹¹

Iraq was to pay half of the costs of the British mandate, granting a large amount of economic control over Iraq to Britain. Most important for the British, however, was the emerging

¹⁸⁸ Anderson, *The Future of Iraq*, p. 15.

¹⁸⁹ *Ibid.*

¹⁹⁰ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 30.

¹⁹¹ *Ibid.*, p. 32. Italics added by the author.

Iraqi oil industry. Britain moved to keep the oil-rich Mosul region, heavily populated by ethnic Kurds seeking an autonomous state, as part of Iraq. Despite domestic pressures in Britain to withdraw forces from Iraq, the discovery of more proven oil reserves in 1925 convinced British authorities to continue the mandate. Britain did not allow for Iraqi League membership or independence until 1932 and, even then, not until the Iraqi government agreed to oil concessions favorable to the Turkish Petroleum Company, a British MNC, and access to military bases in Iraq.¹⁹² We will delve into MNCs and oil interests in the next chapter.

The Allied core's economic global imperial mentality dominated the political economy of the 1920s. As we have seen in this and the previous chapter, the precepts of the ICC were built upon the Allied powers' illusions of globalization and free trade as well as Western European conceptions of civilization. Discussions concerning taxation, bills of exchange, export credits and the Ter Meulen scheme were in reference to exchanges between the core Allied powers and the perceived civilized world. Nation-states on the periphery were not included in the free trade discourse. The free exchange of goods, prescribed by ICC leaders as a panacea for global peace, rang hollow through the course of the political and military actions of Britain and France, as shown in the example of the League Mandate System.

The creation of the ICC and the League of Nations revolved around the empowerment of the core Allied powers vis-à-vis the "other." ICC leaders believed the world was transforming into an era of globalization, in which nationalist desires would be usurped by the logic of free trade. Western ideals of free trade, however, applied to interactions between "civilized" nation-states, while others, deemed unfit were not viewed as part of the free trading, white, civilized international sphere. The peripheral, uncivilized sphere was to be trained in the Allied discourse

¹⁹² Usha Natarajan, "Creating and Recreating Iraq: Legacies of the Mandate System in Contemporary Understandings of Third World Sovereignty," *Leiden Journal of International Law* 24 (2011): 799–822, p. 810.

of political economy to prepare it for entrance into the civilized global economy. These aforementioned themes remained for the duration of the 1920s. Now, we transition to a discussion of the gold standard, the Allied core's hallmark of economic civilization and fiduciary exchange, and the penetration of American multinational corporations into Latin America.

4 CHAPTER THREE: THE BANKERS

The ICC held its second biennial meeting in Rome, Italy in March of 1923. Participants lavished praise upon not only historic Rome, but also upon Italy's nascent dictator, Benito Mussolini. Mussolini entered the Fine Arts Building, where the conference was being held, "flanked by a platoon of Blackshirts." ICC President Etienne Clémentel applauded Mussolini and his government, stating: "No man could devote himself more wholly, with all the ardour [sic] of an enthusiastic and a generous heart, to the restoration of his country." Clémentel was proud of "the progress made each day" in Italy under the tutelage of El Duce.¹⁹³ Clémentel, calling himself "a brother Latin," labeled Italy "as one of the great forces of the present," and "one of the great reserves of the future."¹⁹⁴

Praise for the dictatorial regime of Mussolini by the ICC seems out of place at first glance. Why would the ICC, a staunch advocate of free trade and economic liberalization, extol the virtues of a fascist state? The answer to this question lies in the interests of the ICC as enunciated during the 1923 and 1925 conferences held, respectively, in Rome and Brussels. Like Mussolini's rigid political economic reorganization of Italy, the ICC looked to systematize commerce and labor on an international scale under the auspices, though not explicitly enunciated, of the Allied powers.

¹⁹³ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, Brochure No. 32 (International Chamber of Commerce, March 1923), University of Kansas Libraries, p. 14.

¹⁹⁴ *Ibid.*

The aforementioned conferences focused upon global economic organization in the aftermath of the Great War. Whilst rhetorically demanding free trade and laissez faire on a global scale, the 1923 and 1925 proceedings indicate that ICC participants believed the standardization of exchange, through the reestablishment of the gold standard and empowerment of British, French and U.S. banking systems, and the control of labor and migration were keys to the reinvigoration of trade and thus global order. The penetration by Allied multinational corporations (MNC) into Latin America and the Middle East was also a part of the process of standardization. We will investigate the latter topics, labor and migration, in the next chapter. In this chapter, we focus upon the ICC's ideas for the international systemization of business economic interaction and currency stabilization as well as government assistance to MNCs in their efforts to penetrate foreign markets as part of a global civilizing process.

The 1923 ICC gathering consisted of three major conference groups: Transportation, Industry and Trade, and Finance. Each group, as in 1921, concerned itself with the strengthening and maintenance of international trade. By 1923, however, the ICC also moved toward the creation of a system of universal commerce. The Transportation Group met on Monday and Tuesday, 19 -20 March, 1923. The committee was chaired by British steel magnate Sir Arthur Balfour. Balfour was an exceedingly wealthy steel manufacturer from Sheffield, Yorkshire. During the 1923 ICC conference, he represented the Association of British Chambers of Commerce. He had been Chairman of Arthur Balfour & Co Ltd., which he bequeathed to his son, Robert, who was also in attendance, representing the Sheffield Chamber of Commerce.

The Transportation Committee addressed numerous issues, including flag discrimination, air transportation, railway transportation and a host of other topics that were considered crucial for global commerce and trade standardization, during the Plenary Session held on Tuesday, 20

March. Representatives from the U.S., Italy and France gave their opinions on the ICC stance regarding flag discrimination (the favorable treatment of ships from particular countries), and freedom of the seas during the morning session. The ICC resolution declared “opposition to all flag discrimination by the nations,” and recommended “that any attempt to restrict the carriage of goods or passengers between different countries on vessels sailing under the flag of any nation should be strongly opposed.”¹⁹⁵ It was proposed that a committee would be convened that could “from time to time, crystallize and express the rules” that express the ICC flag discrimination policy.

U.S. ICC representative H. B. Smith, the commercial attaché to Warsaw, reinforced the Wilsonian call for “freedom of the seas.” Smith claimed, “As the sea is the great barrier between the nations of the world, so the fundamental question of international commerce is the freedom of the seas, and a resolution that declares unequivocally against restriction in the carriage of goods and passengers by sea expresses judgment upon what is the very foundation of international trade relationships.”¹⁹⁶ Smith, however, had to temper his support of the ICC flag discrimination resolution by pointing out that the U.S. policy toward immigration was “in a state of flux,” as Congress was on the precipice of passing the most restrictive immigration legislation in its history (the 1924 Immigration Act). We will return to the topic of the transnational movement of peoples in the next chapter.

The U.S. Merchant Marine Act, passed in 1920, would seem to have further tempered Smith’s enthusiasm for unfettered trade across the seas. This legislation “authorized the sale of government-owned vessels to private shipping companies at bargain prices.”¹⁹⁷ The Act created

¹⁹⁵ Ibid, p. 41.

¹⁹⁶ Ibid.

¹⁹⁷ William R. Keylor, *The Twentieth Century World and Beyond: An International History Since 1900, Fifth ed.* (New York: Oxford University Press, 2006), p. 86.

a shipping board of seven commissioners with broad powers. In a 1921 article from the *American Foreign Trade Relations Series*, the author conveys the rising economic nationalism of the U.S., arguing that “Men of the greatest ability, the widest experience, the most unyielding firmness and the most intense Americanism, men moved by the spirit and purpose of the act, must be put on this board.”¹⁹⁸ In essence, the author argued, the U.S. government could subsidize and insure overseas shipping carried out by American citizens.

Nationalist policies like the U.S. Merchant Marine Act, the types of regulation the ICC hoped to transcend, highlight a key conundrum for the ICC. The ICC was an international advisory and lobbyist organization, not a governmental institution capable of creating legislation and enforcing the law. Furthermore, the representatives of the U.S., Britain and France, representing the globe’s strongest nation-states, were not apt to criticize the policies of their fellow core members. Recall, as well, that ICC leaders did not actually live in the globalized world they imagined. Rather, theirs was an imperial, international world, dominated by the Allied powers following the war. Therefore, even nationalist policies like the Merchant Marine Act were not necessarily a hindrance to global trade, since such policies were administered by the core powers.

British ICC representative Sir Alan Anderson, Vice-President for the Chamber of Shipping for the United Kingdom and Director of the Bank of England, seconded the flag discrimination resolution, but pointed out the issue of port taxation and its hindrance to trade. “Freedom of the seas,” Anderson argued, “depends absolutely on freedom of the ports. It is an absurdity,” Anderson continued, “to call the ocean free if the ports are not free.” As was

¹⁹⁸ Wesley Jones, “The Merchant Marine Act of 1920,” *Proceedings of the Academy of Political Science in the City of New York* 9, no. 2, American Foreign Trade Relations (February 1921): 233-242, p. 234.

common parlance for ICC members, Anderson then linked trade with peace, stating that “the intercourse of nations” via trade creates “guarantees for the peace of the world.”¹⁹⁹

Anderson’s presence at the assembly, as well as his concerns, was a reflection of his long standing business pedigree as well as a microcosm of the Allied international plutocracy that linked business, government and banking. Anderson’s father was a shipping magnate during the late nineteenth century and creator of the Orient Steam Navigation Company. Anderson joined his father’s company in 1897. By 1911, Anderson engaged the British railway industry, and became director of the Midland Railway Company. During the war, he served the British government as a liaison between Britain and the U.S. for food distribution. After the war, he entered the world of finance, serving on the board of the Bank of England (a position he would hold until 1946), and serving as its Deputy Governor under Bank President Montague Norman from 1925-1926. He became Acting President of the ICC in 1927.

Leaders like Anderson, who had strong political, business and banking ties, dominated the ICC in its early years. These ties, as we will see later in this chapter with our discussion of multinational corporations, permitted the ICC to look the other way as American MNCs and banking organizations penetrated foreign markets with the assistance of their respective governments. Let us return to our discussion of the ICC’s international standardization efforts.

The Industry and Trade Group met on Monday 19 March, 1923. The gathering was chaired by Frenchman M. Paul Roger, who was also the president of the Paris Chamber of Commerce. The committee focused upon a fundamental aspect of the ICC: influencing and lobbying governments, especially in regard to tariffs, in efforts to facilitate world trade. M. J. Marcotty of Belgium argued “we are here for the purpose of making suggestions to

¹⁹⁹ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 42.

governments.” Marcotty made the statement in rebuttal to Roger, who had claimed “that the Congress should not enter into questions of subsidies, which were entirely a matter for governments and not a commercial question.”²⁰⁰ Marcotty argued that ICC recommendations “be published promptly” and also presented to “an international organization,” namely the League of Nations. Marcotty was suggesting that more powerful organizations such as the League should lobby the international economic endeavors of states. Furthermore, his insistence on not questioning government subsidies reflected the general ambivalence of the ICC in regard to the government’s role in manipulating trade, especially when government interference ameliorated the station of Western European and U.S. industries and core international commercial domination.

The committee, continuing the discussion for the systematization of trade, then addressed a set of “15 questions and resolutions,” which were to be presented to the Congress on Customs and Regulations to be sponsored by the League of Nations in Brussels in October of 1923. They called for the “publication in each country of a general index and explanatory notes in connection with customs tariffs.” Ideally, this would lay bare the tariffs of each state and perhaps, through international pressure, compel states to lower or eliminate duties. The group dealt with the remaining issues during their afternoon session. By far the most contentious issues revolved around production and labor. We will return to the topics of labor and production in the next chapter.

4.1 Brussels 1925

The Third Congress of the ICC, which met in Brussels in 1925, was under the tutelage of its new president, Willis H. Booth. It continued the trend of the 1923 conference, focusing upon

²⁰⁰ Ibid, p. 59.

the establishment of universal commerce rules. Furthermore, the congress looked into emerging technologies in air and land travel. The three major committees consisted of the Finance Group, the Industry and Trade Group, and the Transportation Group. Overall, the meeting focused upon “a general attack upon trade barriers.”²⁰¹ Reports created the year prior and presented before the conference emphasized “that the erection of customs barriers invariably leads to reprisals, thereby causing the rapid spread of protection” in the form of tariffs and customs regulations.²⁰²

The Finance Group, chaired by Alberto Pirelli of Italy, and son of Giovanni Pirelli, founder of the international tire producer Pirelli & Co., focused upon laws governing international cheques, double taxation, tax evasion, and international credits. Addressing the issue of international cheques, the committee sought to universalize the understanding of and use of the cheque. Ideally, then, the “cheque itself” would become “a medium of payment which replaces cash.”²⁰³ Thus, the committee had to deal with the actual interpretation of the term “cheque” amongst ICC member countries. Two resolutions were proposed, calling for a “Cheque Committee” to begin the process of universalizing cheques with the hope that this would also unify “the different national laws.” The second resolution proposed “the unification of laws governing Bills of Exchange,” which would be pursued with the creation of an international conference. This latter resolution, the committee agreed, would need “the assistance of the League of Nations.”²⁰⁴

The topic of “international cheques” became a heated topic. Mr. W. Westerman, chairman of the Rotterdam Bank of the Netherlands, proposed the use of “an international

²⁰¹ George Ridgeway, *Merchants of Peace* (Little, Brown and Company, 1959), p. 83.

²⁰² *Ibid*, p. 84.

²⁰³ International Chamber of Commerce, *International Chamber of Commerce: Third Congress (Brussels - June 21-27, 1925) Group Sessions, Brochure No. 43*, Brochure, Proceedings (Brussels, Belgium: International Chamber of Commerce, June 1925), University of Rochester Libraries, p. 7.

²⁰⁴ *Ibid*, p. 9.

cheque, which could be universally understood.”²⁰⁵ There was a limited global understanding of monetary units of exchange, especially between the Anglo-Saxon cheque model and the “Latin” model (“Latin” here refers to Latin America; he also referred to Eastern European states as the “continentals”). Ideally, Westerman argued, the League of Nations would assist in universalizing international cheques. This was ideal since the national committees in attendance represented “the interests of bankers, industrials and traders in their respective countries.”²⁰⁶

The British banker and financier Sir Felix Schuster disagreed with Westerman. Seeking a “universal cheque” was a futile endeavor in Schuster’s mind. Representing the British delegation, Schuster argued “it was no use going for a thing which could not possibly be attained.” In British legislation, Schuster argued, “a so-called ‘international cheque’ could not be distinguished” from bills of exchange. Instead, as we will see later in this chapter, Allied bankers focused upon altering the economic systems of Latin American countries to more accurately mimic Western banking and fiduciary systems.²⁰⁷

The Industry and Trade Group met Tuesday 23 June 1925. The committee concerned itself with international postal packages, customs discrimination and the granting of licenses, industrial property and bankruptcy. It continued the trend and goal of the conference to not only diminish trade barriers, but also facilitate trade through the universalization of commercial techniques and rules. The topic that garnered the most discussion was that of “industrial property.”

The 1925 congress, overall, worked to create a spirit of internationalization, within the constraints of their imagined globalization, in business and market transactions while respecting

²⁰⁵ Ibid, p. 8.

²⁰⁶ Ibid, p. 9.

²⁰⁷ Ibid.

the sovereignty of the Allied states. For example, they discussed in detail “industrial property,” namely the protection of intellectual property. The Chairman of the Industrial Property Committee, M. Albert Capitaine of Belgium, argued that industrial property included “the protection of trademarks, patents, and models, and protection against unfair competition.”²⁰⁸ The committee recommended the creation of a “comprehensive library” of patents that could provide “information concerning patents in every country.” International patent rules would include “eighteen months” of protection from foreign incorporation of the particular idea.

The committee put into ICC law that “any person desiring to take advantage of the priority of a previous application for a patent or utility model must make a declaration giving particulars as to the date of such application and the country in which it was made.” The ICC also moved to influence nation-state law in regard to patents, calling for an allowance for “foreigners” to be permitted patent rights. “Nationals are not allowed to enjoy rights refused to foreigners, and in particular are not permitted to antedate their rights under a patent to a date prior to that of the original deposit.”²⁰⁹ Hence, the ICC was attempting to facilitate global commerce by instilling trust in the international system.

We gauge from these efforts an attempt to bridge nation-state gaps on the international political economic stage. The ICC was part of a post-war (imperial) internationalization effort, along with the League, that placed the necessity of global trade above domestic, individual nation-state economic sovereignty. ICC members were convinced that international law was on the verge of influencing and perhaps usurping national law: “International customs are gradually being formed which are beginning to influence the laws of various states.”²¹⁰ Moreover, still

²⁰⁸ Ibid, p. 37.

²⁰⁹ Ibid, p. 48.

²¹⁰ Ibid, p. 49.

shocked by the war even as late as 1925, the ICC felt, as did the League, that the liberalization of trade would harbor global peace. Charles S. Haight, a Manhattan admiralty lawyer representing the U.S., captured this sentiment, stating:

Foreign offices and diplomats are essential, but the merchants and the bankers and the carriers who are engaged in the world's commerce, if organized, can become far more useful. And if the International Chamber [of Commerce] can succeed, even in part, in organizing the world's commercial interests, so that they *really work together for the common benefit* [sic], we shall have done more towards the establishment of peace than has ever been accomplished by any peace conference, since the world began.²¹¹

Many problems existed that would hinder such grandiose expectations. The ICC itself was an interstitial institution, stuck between the more powerful League of Nations, with a stronger international influence and, arguably, the even more powerful anarchy of independent nation-states with their own domestic economic agendas. For example, Haight's own country, the U.S., maintained high tariffs and political intransigence in regard to European affairs throughout the decade. Furthermore, as indicated in previous chapters, Anglo-Saxonist, social Darwinism remained rooted in both the League and the ICC, which was further exacerbated by the close relationship between the U.S. and Britain as opposed to other nation-states involved in each international organization. The standardization of trade was to serve the interests of the Allied powers, though the homogenization of trade relations was imagined by ICC members as a global, universally beneficial effort.

M. Roberto Pozzi of Italy, in a speech to the Industry and Trade Group, captured the sentiment of internationalism and the conflicts inherent in negotiating the ground between nation-state sovereignty and international law. In discussing the role of the *exequatur* in relation to international affairs, Pozzi pointed out the "delicate" character inherent in international law:

²¹¹ Ibid, p. 21.

Pessimists might imagine that international law is merely a universal striving towards an ideal of international justice, but that in the present state of various legislations, this ideal has no practical or real value. This universal wish to establish an efficient legal procedure by which penalties might be enforced irrespective of national barriers, is at the very basis of the science of law. Law alone can make it really possible to develop international relations by basing them on the mutual protection of legitimate interests which is one of, if not the only, means of ensuring peace. The International Chamber of Commerce considers it its duty, in the interest of business men in general, to endeavor to conciliate the principle of justice with that of national sovereignty.²¹²

Pozzi pointed out, in other words, the domino effect of international institutions such as the ICC. Once one or two states adopt procedures for international trade, other states feel compelled to adopt similar rules and procedures in order to participate in the global commercial arena. Commerce, Pozzi argued, can be standardized via international law under the jurisdiction of the ICC, an organization supposedly independent of nation-state rule. Additionally, Pozzi referred to the “science” of law. This is an important distinction. The ICC, created in the midst of the Progressive Era’s broader emphasis upon the perfection of humanity through scientific objectivity, believed that its rules were objective, absent of bias. We will analyze the ICC within the Progressive Era framework further in chapter four.

Pozzi, unsurprisingly, would serve as one of the first members of the Standing Committee of the ICC Court of Arbitration. Pozzi suggested that international laws, conceived by non-governmental organizations such as the ICC, were influencing nation-state laws rather than the other way around. Pozzi also suggested, then, that MNCs, following the Great War, were losing the nationalist tinge that contemporary business historians argue remained for the duration of the decade. Indeed, MNCs were losing their nationalist tinge. Nation-states, however, were not. We will return to nationalism and the MNC later in this chapter.

²¹² Ibid, p. 49.

The Transport Group was chaired by Sir Albert Balfour and convened on Monday 22 June 1925. The committee addressed sea, highway, railway and air transportation. Like the other committees, the Transport Group agreed that “the main thing was to obtain uniform regulation” for shipping merchandise.²¹³ A key point of contention arose regarding the York-Antwerp Rules, which were shipping regulations that had been in place since the 1890s, but amended over the course of the twentieth century. The ICC looked to alter the rules by making clear “that governments carrying on trade in their own ships must realize that they are exposed to the same risks as private individuals.” The U.S. refused to ratify this addendum since it may have conflicted with the U.S. “Harter Act,” which was U.S. legislation protecting U.S. citizens during the goods shipment process.

The members of the 1925 Transportation working group also discussed the “new transportation medium” of highway travel in relation to international trade. Roy D. Chapin of the U.S. presented a long speech on the topic of highway systems, their replacement of railway systems, and their economic importance. His speech acknowledged the growing significance of automobile travel while placing it in an international context:

A distinct social change has come over the American people. Their vision is no longer circumscribed by their immediate surroundings. So it will be everywhere as the motor vehicle comes into general use. A free flow of people within their own country is one of the best promoters of a truly national spirit. Similarly, an easy movement of people across international borders breaks down misunderstanding between countries. This national or international flow has a great economic influence since it increases trade and lessens the friction which often occurs where people do not know each other. I am safe in saying that with a wider use of motor travel by the peoples of the world and the friendly contacts that come about thereby, there are few things that can better promote international peace.²¹⁴

²¹³ Ibid, p. 64.

²¹⁴ Ibid, p. 69.

The excerpt above from Chapin's speech is a glimpse into the emerging realities of the 1920s regarding travel and modernization. Americans were able to more easily traverse borders, both intrastate and interstate, on their own accord. The demand for better roads and highways, Chapin argued, provided "a real opportunity in the study of this new expenditure for bankers, economists, public officials and others to help direct the spending of these sums to secure the greatest possible good to the people."²¹⁵ A taxation system for cars had not yet emerged. Chapin urged that the ICC work with nation-states to create such a system. Furthermore, he pointed out the problem of accidents created by this new technology. "These accidents," Chapin argued, "present an economic problem because, outside of our humanitarian interest, each human life has a distinct value which all countries must heed."²¹⁶ And, finally, Chapin reflected the ICC motto of "world peace through world trade," arguing that travel by vehicle would not only increase revenues for businessmen, but would also facilitate global peace.

Chapin founded the Hudson Motor Car Company in 1909 (with a capital infusion from Joseph Hudson of Detroit) along with Howard E. Coffin and served as president of the National Automobile Chamber of Commerce. The relationship of Chapin to the government was a microcosm of business-government relations during the 1920s: demands by big business for laissez faire policies, yet calling upon or relying upon government to help industries establish not only their foundation, as we will see in this chapter and the next, but also profit maximization.

Many ICC delegates such as Chapin, as we witnessed in the previous chapter, operated in a revolving door system, serving on and off again as corporate leaders and government officials. Chapin was a major advocate of government subsidized road construction for the duration of the

²¹⁵ Ibid.

²¹⁶ Ibid. Interestingly, there was a discussion during the 1921 London Conference about the feasibility of a tunnel beneath the English Channel.

decade. The U.S. passed its first federal highway act in 1921, providing government funding for the construction of roads across the country. Chapin met frequently with U.S. President Calvin Coolidge and later served as Herbert Hoover's Secretary of Commerce. Standardization and the facilitation of emerging profitable industries, then, also relied upon governmental assistance. Government-business relationships were neither at odds nor connected at the hip. Rather, they were symbiotic.

The 1920s government-business symbiotic nexus contradicts the arguments of eminent business historians Geoffrey Jones and Mira Wilkins who argue that MNCs became more "nationalistic" following the Great War. "Capitalism and business enterprises," Jones states, "acquired and retained sharper national identities" during the 1920s.²¹⁷ Jones and Wilkins imply the empowerment of government over business, which did indeed occur during the First World War. The ICC proceedings, however, show that MNCs did not display "sharp national identities." The ICC was the rhetorical catalyst of the movement to avoid the interlocking of government and business, especially in the aftermath of government nationalization of industry in Britain, France and the U.S. during the war. Nationalism was, at best, secondary to profit maximization. Granted, MNCs did rely upon government for market infiltration, as we will see in the last portion of this chapter. Once business operations were consolidated domestically or internationally, however, government became more of a nuisance than a partner. Businesses, economically, and governments, both economically and politically, benefitted from their cooperative association.

The ICC, following the war, viewed government, in regard to trade, as an international policing power of last resort. Preferably, the Court of Arbitration, founded by the ICC in 1923,

²¹⁷ Geoffrey Jones, "Globalization," *The Oxford Handbook of Business History* (Oxford; New York: Oxford University Press, 2009), p. 147.

would deal with trade disputes. The purpose of the court was to settle “in the quickest and cheapest way possible, disputes which arise between traders in different countries.”²¹⁸ Ideally, the organization would uphold “the universal axioms of morality” and “jurisprudence” in everyday business transactions, upholding the sanctity of contracts to make “commercial intercourse between nations easier and more certain.”²¹⁹ Clémentel believed the Court was part of “the quickening of a truly international conscience” upon the globe “in this great body corporate that the world is becoming.”²²⁰

The Congress formed in 1921 to discuss rules for the ICC Court of Arbitration recommended that arbitrators should be chosen and cases should be decided upon “without distinction of nationality.” Moreover, “the procedure in legal arbitration should be uniform in all countries.”²²¹ Acting as an independent arbitrator, the ICC was to find the “best means for repressing unfair competition.”²²² In other words, businessmen rather than governments were to act as arbitrators in trade disputes.

It is important to consider as well the sheer number of independent industrialists who attended ICC meetings from 1920 to 1925. The organizational meeting of 1920 was attended by thirty-three industrialists (the term “industrialist” refers to men who directly owned or represented their company as opposed to other delegates who represented local chambers of commerce, academia, or various trade associations). The 1921, 1923 and 1925 conferences each averaged 102 industrialists from the U.S., Britain and France alone. These corporate leaders

²¹⁸ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 21.

²¹⁹ *Ibid*, p. 19.

²²⁰ *Ibid*, p. 24.

²²¹ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, Brochure (London: International Chamber of Commerce, July 27, 1921), University of Denver Penrose Libraries, p. 16.

²²² *Ibid*, p. 17.

sought international representation and protection for their industries. They did not attend in order to show some affiliation or patriotic allegiance to their particular nation-state.

It is important to point out, however, that the Court of Arbitration was a vestige of Allied control. Although ICC sessions throughout the 1920s included representatives from non-Allied states including Argentina, Brazil, Hungary, “Indochina” (sent representative in 1923, although Southeast Asia remained under French colonial control), Japan, Mexico, Persia, Peru and Siam, Western Europe and the U.S. remained firmly entrenched in leadership positions. During the 1923 session in Rome, for instance, the chairmen of the various committees hailed predominantly from the U.S., Britain and France. Roberto Pozzi of the Italian delegation made the notion of Western cultural superiority clear in stating: “The cause of arbitration had made great progress in countries with Anglo-Saxon legislation.”²²³ The arbitration process was to be based upon the legislative traditions of the “great American organizations” and Western European law.²²⁴ Industrialists, bankers and other ICC participants advocated independence from governmental interference. The rules, however, were to be governed by traditional Western jurisprudence.

ICC members spoke of a new post-war internationalism that was permeating the global political economy. Clémentel, the out-going president of the ICC during its 1923 Rome congress, argued that the creation of the ICC Court of Arbitration was reflective of “the quickening of a truly international conscience.” The ICC participants were imagining globalization and international unity. The world, according to Clémentel, was becoming one, through “the creation

²²³ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 29.

²²⁴ *Ibid.*

of common thoughts and common purposes.” The ICC Court of Arbitration created “the means to avoid all that may create division” by creating “unity.”²²⁵

The world remained divided amongst European and American imperial powers for the duration of the 1920s. Britain continued its imperial ownership of India, Burma and large swaths of Africa. France, Belgium and Italy remained firmly entrenched in Africa as well. Furthermore, with the end of the First World War, the former Ottoman Empire, especially Iraq and the Levant, remained under British and French Mandates as discussed in the previous chapter. The U.S. continued to rule the Philippines, while Latin America remained on the political economic global periphery, dominated by the economic whims of the U.S. government and American corporations.

Air travel was another critical emerging technology of the 1920s. Two years prior to Charles Lindberg’s famous trans-Atlantic solo flight, the ICC discussed “international legislation” regarding air travel and the transportation of goods by aircraft during its 1925 conference. M. Pierre Etienne Flandin, who would later become Prime Minister of France (1934-1935), presented a resolution calling for the standardization of international laws regarding “air mail transport,” and “civil air law.” Air mail transport was a key focus of the resolution since it “would be one of the most powerful stimulants to international trade.”²²⁶ “The Air Postal Service,” Flandin urged, “must be truly international” in character. The Frenchman called for an international “political campaign,” led by the ICC, to convince “states” to provide financial support for air companies. “Various states might combine,” Flandin stated, “to finance

²²⁵ Ibid, p. 24.

²²⁶ International Chamber of Commerce, *International Chamber of Commerce: Third Congress (Brussels - June 21-27, 1925) Group Sessions, Brochure No. 43*, p. 81.

international companies which could form and work the lines from one end to the other.”

Governments should financially support “big air routes...in common.”²²⁷

The airmail discussion shows how the ICC viewed the role of government in regard to industry. Since its inception, the ICC called for “free trade,” absent of government regulations such as tariffs. Yet, we see the organization calling for government subsidization of the burgeoning industry in the name of MNC profit maximization. Once again, government should interfere when it is advantageous to the business world, in this case, to assist in the development of a new industry. Six other speakers followed Flandin, discussing the topic of air mail transport. None raised an objection to government subsidization.

Flandin argued that “Under present conditions, it is impossible to advocate the development of air transport unless air companies receive financial support from their respective states.”²²⁸ States, the committee argued, should fund their own lines. Once again, this highlighted a common thread to international business in the 1920s: if a so-called private industry could not stand on its own fiduciary feet, it had to be subsidized by the government until it could stand alone. Thus, although organizations such as the ICC called for “free trade,” they did not shy away from government intervention when they viewed it as advantageous to profit-making and a broader international reach.

The committee, in regard to “private air transport,” raised the issue of insurance for international transportation by airship. They called for “international legislation,” which would avoid the “serious danger of conflicting judgments in the civil courts” of independent states.²²⁹ The legislation was to help determine “the responsibility of the air carrier” regarding both

²²⁷ Ibid.

²²⁸ Ibid.

²²⁹ Ibid, p. 82.

passengers and goods. Indeed, this was in the name of international “free trade” and profit. However, it would require government assistance, compliance and culpability as well. Thus, British representative A. L. Silverwood Cope, in his speech before the committee, discussed the “desirability of greater governmental co-operation with a view to encouraging the full development of an international air-mail service, whose benefits to trade would be incalculable.”²³⁰

We see, in essence, a government-business nexus that was viewed with chagrin in ICC rhetoric, yet readily accepted when it helped Allied companies infiltrate Latin America and the Middle East. Even the fascist Mussolini regime, mentioned at the outset of this chapter, was acceptable since it “disciplined labor” and stabilized the Italian currency. In discussing issues in international commerce that concerned ICC delegates in 1923 and 1925, they remained steadfast in their commitment to internationalization and belief of globalization, yet deemed it necessary for government to act as a control in regard to patents, air mail, and trade insurance. The ICC leadership itself remained firmly in the grasp of the war victors as well, as many members participated in a revolving door of experiences in industry, government and finance.

4.2 Bankers

Banks played a fundamental role in the standardization of trade as the British, French and Americans sought to place central bankers back “in control of the international trade and payments system.”²³¹ U.S. banking interests had been freed up with the passage of the Edge Act in 1919. An amendment to the 1913 Federal Reserve Act, the Edge Act permitted private U.S.

²³⁰ Ibid, p. 84.

²³¹ Robert W. D. Boyce, *British Capitalism at the Crossroads, 1919-1932: A Study in Politics, Economics, and International Relations* (Cambridge [Cambridgeshire]; New York: Cambridge University Press, 1987), p. 3.

banks to “form syndicates to finance American trade abroad.”²³² The flow of private U.S. capital into Europe following the Great War was even higher than the flow of private U.S. capital immediately following WWII.²³³

U.S. investments in Latin America surpassed Britain’s by the 1920s. Investors and prominent U.S. businessmen such as ICC participant Willis H. Booth had recognized after the war the potential for U.S. investments abroad. In a 1919 essay entitled *Foreign Trade and the Interior Bank*, Booth argued that “the time has come for the interior bank [private U.S. banks] to realize that its business is the same as all others--that the biggest thing it has to sell is *service* [sic], and that at the present moment one of its greatest opportunities for service is to aid in the development of American foreign trade.”²³⁴ This would allow for the “American manufacturer and merchant” to “cultivate the foreign field,” and, with “a constant flow of overseas trade,” U.S. industries “can run full time all the time.”²³⁵

International banking remained high on the list of topics for discussion during the first three ICC sessions. On average, thirty-four bankers attended each of the ICC meetings in 1921, 1923 and 1925. Major firms and government banking institutions were represented including American Express, Mutual Life Insurance Company, Booth’s Guaranty Trust Company, National City Bank, the Bank of England, Banque de France and numerous others from various nation-states.

The U.S., Britain and France, as well as the ICC and the League of Nations, relied heavily upon international bankers, so-called international “money doctors” in the 1920s, to

²³² Leo Panitch and Sam Gindin, *The Making of Global Capitalism : The Political Economy of American Empire* (London; Brooklyn, NY: Verso, 2012), p. 49.

²³³ *Ibid.*

²³⁴ Willis Booth, *Foreign Trade and the Interior Bank* (Nabu Public Domain Reprints: Guaranty Trust Company of New York, 1920), p. 3.

²³⁵ *Ibid.*, p. 4.

improve the economic systems of the Allied powers as well as peripheral states in Latin America. The interim year of 1924, for example, prior to the ICC conference held in Brussels in June 1925, proved crucial for reinvigorating international trade. Remaining high on the list of issues hindering world trade was the foreign debt owed by Western European nations to the U.S. as well as the debt still owed by Germany to its Great War enemies. Increasingly, by 1924, the U.S. relied upon private bankers and investors to loan money to Latin America and Europe. J.P. Morgan, Jr. worked closely with Montagu Norman, head of the Bank of England, to restore Western Europe's economy.²³⁶ Moreover, the Bank of England held increasing sway over the Financial Committee of the League of Nations. The U.S., focused more upon its commercial interests in Latin America, sought to avoid official political entanglements with Western Europe while allowing the Western Europeans to concern themselves with bailing out Eastern Europe.²³⁷ Private bankers, with the encouragement of the U.S. government, were asked to help fix the Allied economies.

The most crucial private banking initiative fell to Charles G. Dawes, a wealthy American banker and ICC delegate who would later serve the U.S. as Vice President under Calvin Coolidge (1925-1929). Early in 1924, representatives from the U.S. (private citizens only) met with European representatives to find a way "to stabilize Germany's economy and reintegrate it into Western European capitalism."²³⁸ Dawes was joined by Owen D. Young, also a prominent ICC member and an American industrialist who had founded the Radio Corporation of America (RCA) as a subsidiary of General Electric in 1919, Edwin Kemmerer, who had helped rebuild nation-state economies in central Europe and South America, and American banker Henry M.

²³⁶ Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930*, American Encounters/global Interactions (Durham: Duke University Press, 2003), pp. 167-169.

²³⁷ Ibid, p. 168.

²³⁸ Ibid.

Robinson. The U.S. government, then, was working in a subsidiary, advisement role with private banking industries (Coolidge had actually chosen the bankers to create the plan) to bolster the global economy. As Akira Iriye argues, this was “an early example of U.S. corporatism” on a global scale.²³⁹

The Dawes Plan, funded by an injection of two hundred million dollars from the Morgan Bank, created a new, independent Reichsbank as well as a new currency system for the failing German economy. Moreover, it set up a new reparation payment schedule at a lower rate. Finally, the plan also set up a foreign financial advisor, the “Agent General,” to oversee “Germany’s budgetary process.” The U.S. funds “purchase[d] German industry’s cooperation with the Weimar regime, thus enabling new coalitions to form governments without socialist participation.”²⁴⁰ The Dawes Plan was, then, a bulwark against socialism despite its corporatist origins. The Agent General was a non-governmental associate of the Morgan Bank. By the end of 1924, “Germany had beaten back hyperinflation and began to grow.”²⁴¹

The ICC resoundingly accepted the Dawes Plan. “We regard the adoption of the Dawes Plan as the most constructive development during the period under review,” claimed an official organization brochure from June 1925.²⁴² In the ICC’s estimation, the international systemization of trade could not be accomplished with German debt and, hence, French debt, hanging over the head of the international system of commerce. The Dawes Plan relied upon a group of private American bankers, through the Morgan Guaranty Trust Company, to loan money to Germany

²³⁹ Bradford Perkins et al., *The Cambridge History of American Foreign Relations* (Cambridge [England]; New York, NY, USA: Cambridge University Press, 1995), p. 90.

²⁴⁰ Charles S Maier, History E-Book Project, and American Council of Learned Societies, *Recasting Bourgeois Europe Stabilization in France, Germany, and Italy in the Decade After World War I: With a New Preface* (Princeton, N.J: Princeton University Press, 1975), p. 481.

²⁴¹ Jeffrey A Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W.W. Norton, 2007), p. 137.

²⁴² International Chamber of Commerce, *Resolutions Passed at Third Congress*, Brochure no. 40 (Paris, France, June 1925), p. 3.

that would then be used to not only stimulate the German economy, but also be used by France to repay inter-ally debts to the U.S.

Private bankers, in the aftermath of the Great War, were the revered, chosen healers of the global economy. For example, during the ICC Organizational Meeting in 1920, Parisian Chamber of Commerce president M. George Pascalis praised U.S. banker Thomas W. Lamont, a prominent J.P. Morgan partner since 1911, as an “apostle” for his work in assisting France with its post-war debt and banking reorganization shortly after the war.

Nation-states also threw their trust behind bankers. The U.S. government, for example, formed a close bond with banking MNCs to facilitate their incursion into Latin America and the Middle East. Lamont, who was a U.S. representative at the ICC formative meeting in 1920, was an important cog, for example, in U.S. dollar diplomacy in Mexico a few years prior to his attendance at the ICC Organizational Meeting. Lamont’s international banking experience began when Woodrow Wilson decided to use dollar diplomacy in Mexico to “bring [Mexican president] Carranza to heel and quash Mexico’s revolutionary nationalism.” The State Department contacted J.P. Morgan to assemble an “international banking consortium” to loan money to the heavily indebted Mexican government. In return, the banks would supervise customs revenue as well as a new central Mexican bank. Moreover, they would “secure property guarantees for foreign enterprises in Mexico.”²⁴³

Wilson, seeking the nomination of the Democratic Party just five years prior as the Governor of New Jersey, lambasted the Republican Party and U.S. banking trust during a speech to an audience of New York bankers including Pierpont Morgan, arguing that “banking was

²⁴³ Rosenberg, *Financial Missionaries to the World*, p. 90.

founded on a moral basis and not on a financial basis.”²⁴⁴ Regardless, Thomas Lamont, who had been with J.P. Morgan and Company and held in high esteem by the Morgan family since 1910, was now placed in charge of the consortium that would seek to control Mexico’s economic well-being and reorient its economy to favor U.S. capital endeavors.²⁴⁵ U.S. banking MNCs, with encouragement from the U.S. government, would continue the trend of altering and supervising economic and banking systems across Latin America for the remainder of the 1920s.

French representative M. Georges Pascalis acknowledged the high regard given to bankers during the 1920 Organizational Meeting. “There are among your [U.S.] delegates many representatives of banks,” Pascalis stated. “We may congratulate ourselves on this from every point of view. The union of banking and commerce is as useful, necessary and indispensable as that of science and industry.”²⁴⁶ Pascalis’ decision to laud U.S. bankers was likely born of the numerous loans granted by U.S. banks to France and other European countries both during and after the war. U.S. international banking firms, by war’s end, became the world’s creditor. With the U.S. government reluctant to bind itself politically to European economic restoration, American bankers were trusted to lead the way.

The banking community was also characterized, like the ICC and League of Nations, by an air of social Darwinism and notions of Anglo-Saxon superiority. Edwin Kemmerer, another prominent “money doctor” who received his PhD at the age of twenty-eight from Cornell

²⁴⁴ Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York: Grove Press, 2010), p. 147.

²⁴⁵ Julio Moreno, *Yankee Don’t Go Home!: Mexican Nationalism, American Business Culture, and the Shaping of Modern Mexico, 1920-1950*, The Luther Hartwell Hodges Series on Business, Society, and the State (Chapel Hill: University of North Carolina Press, 2003), pp. 50-51.

²⁴⁶ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920* (ICC Headquarters, Paris), p. 168. Accessed 11 February 2013, <http://books.google.com/books?id=fVIRAQAAMAAJ&q=Proceedings+Organization+Meeting+1920&dq=Proceedings+Organization+Meeting+1920&hl=en&sa=X&ei=Y0AZUdaSB4PC9QSfloCwDg&ved=0CDAQ6AEwAA>.

University and who by 1912 was an economics professor at Princeton University, specialized in international finance and a dedication to the gold standard. He was assigned by the U.S. government in 1903 to put the recently acquired Philippines on the gold standard and in 1911 to help organize the Federal Reserve System. This was the beginning of a long relationship between the U.S. government and Kemmerer that would eventually see Kemmerer become the U.S. government's "money doctor" of the post WWI era in Latin America and Central Europe.

Kemmerer's mission to the Philippines provides an illustrative example of Allied political economic thought that reverberated through the practices of the ICC and the League. Kemmerer published an article in the *Annals of the American Academy of Political and Social Science* in July of 1907 that made his political economic philosophy abundantly clear. Kemmerer viewed his mission in the Philippines as needing to develop a culture of "thrift" amongst the Filipino people. "No one acquainted with the Filipino people need be told that they are deficient in frugality and thrift," Kemmerer wrote. This deficiency may have been due, in Kemmerer's estimation, to their "Malay stock which is proverbial throughout the Orient for thriftlessness [sic]."²⁴⁷ It would be no quick or easy task, according to Kemmerer, to "transform" the Filipino "into a frugal and thrifty Anglo-Saxon."²⁴⁸

Kemmerer was also, as were many of his contemporaries, a strong proponent of the gold standard. He, along with other "money doctors" such as Jeremiah Jenks, sought to "create a gold dollar bloc, centered in New York," to not only eviscerate the demised silver standard of non-Western states, but also to supplant Britain as the caldron of fiduciary international prestige.²⁴⁹ The U.S. sought to replace Western European powers in Latin America by taking on Latin

²⁴⁷ Edwin Kemmerer, "The Philippine Postal Savings Bank," *Annals of the American Academy of Political and Social Science*, American Colonial Policy and Administration, 30 (July 1907): 45–51, p. 45.

²⁴⁸ *Ibid*, p. 46.

²⁴⁹ Rosenberg, *Financial Missionaries to the World*, p. 24.

American debts and realigning their banking and fiduciary systems of exchange to mimic the U.S. system. U.S. economists and Allied political leaders alike viewed the U.S. as a benevolent imperial power whose encroachments would ameliorate rather than exacerbate the economic systems of Western Hemispheric states.

Kemmerer, for the duration of the 1920s, worked closely with Benjamin Strong, the chairman of the U.S. Federal Reserve and prominent ICC member, to restructure financial systems in Central Europe, especially Poland, and numerous nation-states in South America. Kemmerer, then, was an intermediary for the economic redevelopment of the international economy under the tutelage of the Allied powers. The businessmen of the ICC, whose understandings of political economy revolved around notions of Allied racial and political supremacy, leaned heavily upon the gold standard as a panacea for inflation and a systemization of international exchange, as we will see below.

Charles A. Conant, a journalist and avowed imperialist, believed that the U.S. had “reached a point where the nation’s economic development and abundant capital limited the profitability of new investments” as early as the 1890s.²⁵⁰ Falling in line with the prevailing heuristic of international political economy of the day, Conant argued that “the fundamental character of foreign trade is an exchange of commodities” based upon adherence to a gold standard.²⁵¹ He worked to integrate new U.S. imperial possessions, namely the Philippines, into the realm of U.S. dollar diplomacy. Ideally, his “capital investment imperialism” would work to buttress rising U.S. domestic wages “without diminishing the rates of return.” Investing in other regions, however, required that Western European nation-states and the U.S. alchemize the

²⁵⁰ Moreno, *Yankee Don't Go Home!*, p. 50.

²⁵¹ Charles Conant, “What Determines the Value of Money,” *The Quarterly Journal of Economics*, vol. 18, no. 4 (August 1904): 551–69, p. 556.

“monetary, banking, and tax systems that facilitated foreign exchange” in non-Western, typically non-gold standard, countries.²⁵² The beliefs of bankers and imperialists such as Lamont, Kemmerer and Conant were foundational to the economic approaches and ideologies of the League and the ICC.

U.S. financiers worked to restyle the economic systems of direct U.S. imperial assets in Latin America for the duration of the 1920s. This rather abrasive, dictatorial financial approach would not wane until the early 1930s and was in fact perpetuated by international organizations such as the ICC and League of Nations as well as MNCs, especially those emanating from the U.S. Men such as Kemmerer and Conant exemplified the imperial, social Darwinist ideologies of businessmen and bankers who looked to reorder the political economy of the globe through the ICC. We will analyze American MNC penetration of Latin America and the ICC’s role shortly. First, let us finish the discussion of ICC and Allied efforts of international standardization with a discussion of the gold standard.

4.3 The Gold Standard

The first ICC Committee on Foreign Exchange met in June 1921. The committee was convinced that a key hindrance to world trade was “the depreciation of exchange,” the “wide fluctuation in exchange,” and the “general lack of confidence in, and knowledge of,” this depreciation and fluctuation.²⁵³ Inflation of currency, as made plain in the ICC proceedings, was an evil international spirit haunting the world of finance and commerce. Of course, this should not be surprising considering that the ICC membership consisted, in essence, of the globe’s

²⁵² Moreno, *Yankee Don't Go Home!*, p. 51.

²⁵³ International Chamber of Commerce, *International Chamber of Commerce, First Congress London (June 27, to July 1, 1921)*, Brochure No. 5: *Foreign Exchange* (International Headquarters, Paris, France: International Chamber of Commerce, 1921), University of Washington, Suzzallo Library, p. 3.

creditors. The report of the Exchange Committee, prepared by M. Roger Picard, a Parisian college professor, displayed the most compelling solution to the specter of inflation: the gold standard.

The Foreign Exchange Committee of the ICC report argued that “the only way to improve present conditions is to increase production, to put an end to inflation of currency and to remove all restrictions on free exchange of commodities.”²⁵⁴ The War, the report concluded, had upset “the equilibrium of the exchanges.” Most countries were, the ICC report argued, experiencing “depreciation” in exchange values of their currencies mostly due to the uncertainty of the convertibility of bank notes to gold. Since 1914, the report pointed out, “the issuing of notes by the state or by banks has steadily increased.”²⁵⁵ In other words, inflation was the main culprit hindering the flow of international trade. This inflation also brought “into play psychological factors, such as fear, distrust and disillusionment,” the report claimed.²⁵⁶ A return to the gold standard was seen by Allied political, economic and business leaders as not only necessary to revive the economies of individual states and to rehabilitate international trade, but also necessary in that the gold standard was the mark of an economically sound, scientifically advanced civilization.

The report recommended deflation and limited government interference as prescriptions for enhancing international trade:

It is essential to reduce the paper currency and, above all things, not to increase it further. Deflation should be carefully proceeded with so as to avoid too sharp a fall in the prices and a sudden decrease of fiscal revenue; but this deflation is essential, in order to restore a sounder proportion between the circulation and the metallic reserves of the banks, which will mark the end of the abnormal crisis of the exchanges. And the sooner the several governments, the chief borrowers from

²⁵⁴ Ibid.

²⁵⁵ Ibid, p. 7.

²⁵⁶ Ibid, p. 8.

the banks, contrive to reduce their requirements, the sooner it will be effected [sic].²⁵⁷

The gold standard undergirded the economic thinking of businessmen, government officials, merchants and bankers alike well prior to and following the Great War. It consisted of what Barry Eichengreen and Peter Temin label as the “gold standard mentality (GSM).”²⁵⁸ The GSM had a quite long ingrained derivation. The international use of a gold standard was a British invention that began with Sir Isaac Newton’s decision, as master of the mint, to standardize English currency and use gold as a base for the measure of the British pound’s value at the dawn of the eighteenth century. Britain, however, “was virtually alone as a gold monometallic country” until the late nineteenth century.²⁵⁹ Countries such as Germany and, later, France, Belgium, the Netherlands and the U.S., adopted the gold standard, following the lead of Britain as the world’s strongest empire. The majority of industrialized countries were on the gold standard by 1879. The gold standard “served to reinforce Victorian virtues of economy and prudence in public policy.”²⁶⁰

The gold standard functioned as “a decentralized, multipolar system,” whose well-being did not stem from “stabilizing intervention by one dominant power.”²⁶¹ The gold standard actually revolved around trans-Atlantic “credibility and cooperation” with Britain, France, Germany, and later, especially after the war, the U.S., as the main officiators.²⁶² The GSM had taken such a strong hold by the *fin de siècle* that even “schoolchildren learned the gold standard rates of exchange between the pound and the mark, the franc and the dollar and other

²⁵⁷ Ibid, pp. 12-13.

²⁵⁸ Barry Eichengreen and Peter Temin, “The Gold Standard and the Great Depression,” *Contemporary European History*, Vol. 9, no. 2 (July 2000): 183–207.

²⁵⁹ Frieden, *Global Capitalism*, p. 6.

²⁶⁰ Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin Press, 2009), p. 20.

²⁶¹ Barry J. Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939*, NBER Series on Long-Term Factors in Economic Development (New York: Oxford University Press, 1992), p. 5.

²⁶² Ibid, p. 30.

currencies.”²⁶³ The banks of major gold standard countries stood ready to “let gold go when it was needed.” The “Bank of France stood ready to lend gold to the Bank of England or to purchase sterling bills when the British gold parity was endangered.” Similar relationships existed between Russia, Germany, the U.S. and smaller western GSM countries such as Belgium, Norway and Sweden.²⁶⁴ Indeed, the gold standard, for the world’s major bankers, merchants, investors and political elite, held a cultural value as it “was revered with an almost religious fervor.”²⁶⁵ By the 1910s, the GSM had become “the social manifestation of a natural order.”²⁶⁶

The central component for the standardization of the global economic system was, in the opinion of the Allied powers and the ICC, a rebirth of the gold standard system of exchange. The ICC Rome Finance Group Session took place on Wednesday 21 March 1923, chaired by U.S. representative Willis H. Booth. The representatives of numerous countries in the Finance Group discussed the financial situation of their particular nation-state. Austrian representative Dr. Eric Pistor, director of the Vienna Chamber of Commerce, for example, discussed Austria’s currency struggles and natural resource shortages. However, the group’s top concern by far was the reestablishment of global trade, which hinged upon a rejuvenation of the gold standard.

The Finance Group turned its attention toward international currency stabilization and systemization in order to bolster world commerce. The business leaders of the ICC, as well as political leaders from the Allied states, for the most part, remained steadfast to the reincarnation of the pre-war gold standard. Not only was it the system with which they were most familiar, but it was also the system in which they placed the most faith. The GSM, emanating especially from

²⁶³ Frieden, *Global Capitalism*, p. 7.

²⁶⁴ Eichengreen, *Golden Fetters*.

²⁶⁵ Ahamed, *Lords of Finance*, p. 20.

²⁶⁶ Allan H Meltzer, *A History of the Federal Reserve. Vol. 1, 1913-1951* (Chicago, Ill.; London: University of Chicago Press, 2004), p. 5.

Wall Street and the Bank of London, was seen as “the most respectable and soundest” method for maintaining global financial interaction and economic balance.²⁶⁷

British ICC representative Stanley Machin, the former president of the London Chamber of Commerce, initiated discussion on the restoration of international trade during the 1923 ICC Rome conference. First, he acknowledged the interconnectedness of the globe, stating: “In commerce as in other things, each nation is largely dependent upon another for its development.”²⁶⁸ Britain was experiencing this “dependency” first hand by 1920 as its exports were thirty percent less than in 1913.²⁶⁹ With the growth of import substitution industrialization in Canada, India and other regions along with increasing tariffs from the U.S. and the growth of manufacturing industries in Japan, Britain’s export industry was hit especially hard. In fact, prior to the war, Britain’s “manufacturing as a whole depended on overseas sales for forty five percent of its markets.”²⁷⁰ The businessmen of the ICC, however, were convinced they could reverse this economic trend. Essentially, they turned their backs to the organic process and impact of globalization, favoring instead a return to the pre-war, Allied controlled political economic order.

Machin stressed a return to the gold standard as a critical initiation point for getting the British and, in their estimation, the world economy, back on track. “We, in England—quite possibly other countries—would prefer to see the gold basis returned to,” Machin stated.²⁷¹ “We know there are many nations absolutely dependent upon help,” Machin continued. “Other nations are in a possibility to help, and I strongly believe that these nations will help provided

²⁶⁷ Steven Bryan, *The Gold Standard at the Turn of the Twentieth Century: Rising Powers, Global Money, and the Age of Empire*, Columbia Studies in International and Global History (New York: Columbia University Press, 2010), p. 179.

²⁶⁸ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 126.

²⁶⁹ C. H. Feinstein, *The European Economy Between the Wars* (Oxford; New York: Oxford University Press, 1997), p. 64.

²⁷⁰ *Ibid.*

²⁷¹ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 126.

that confidence is re-instated.” The “confidence” to be “re-instated” revolved around a reissuance of the gold standard. By returning to gold, Machin reasoned, “nations” could “place their own houses in order,” and “stop further inflation, balance their budgets and show that we [Britain] can give them credit without undue risk.”²⁷²

Inflation continued to escalate in Germany and Austria following the war. In 1914, the German gold mark was valued at four point two to the dollar. When the war came to an end in November 1918, the gold mark had inflated to fourteen to the dollar. By the summer of 1922, the ratio was four hundred and ninety three to the dollar and by January of 1923 it was nearly eighteen hundred to the dollar.²⁷³ The Austrian crown, by the summer of 1922 registered a ratio of eighty three thousand six hundred to the dollar. The contagion of inflation had spread to other parts of the former Ottoman and Habsburg Empires, as Bulgaria, Greece and Poland also suffered rampant inflation. Even France, hoping yet failing to reinvigorate its economy by occupying the German Ruhr Valley in 1923 to enforce reparation payments, suffered inflation of the franc (forty to the dollar in 1923) until finally stabilizing at twenty five and a half to the dollar by 1926.²⁷⁴ Rising prices led to major riots in Germany and Austria in 1921. The issue of inflation, and its hindrance to world trade, then, occupied the minds of ICC attendees in Rome in 1923. The reestablishment of the gold standard, in the estimation of ICC participants, was the panacea for inflation and global stability.

The gold standard, however, was the province of the Allied powers. An economy dedicated to the gold standard was deemed “civilized.” Thus, the gold standard was part of the Anglo-Saxon, social Darwinist mentality of superiority. Moreover, Allied exports found

²⁷² Ibid.

²⁷³ Rondo E. Cameron, *A Concise Economic History of the World: From Paleolithic Times to the Present* (New York: Oxford University Press, 1989), p. 351.

²⁷⁴ Ibid, p. 352.

difficulty in competing with non-gold standard producers such as Argentina, Brazil and China. Both the racial connotation of the gold standard and the fear of competing with non-gold standard countries were captured in a statement from Edward Majoribank, Winston Churchill's uncle and member of the British House of Lords, during the late nineteenth century: "The yellow man using the white metal holds at his mercy the white man using the yellow metal."²⁷⁵

Attempts to join the gold standard by other countries prior to the war often proved disastrous. For example, after recovering from the economic depression of the 1870s, the Argentine government was able to increase its exports as well as domestic employment. Like other countries, both Western European and non-Western European (or, core and periphery), Argentina looked to gain financial credibility with the British Empire, namely with its international merchant banks. Indeed, Argentina's economy began to flourish in the 1880s through an expansion of trade with Britain, which by 1889 provided forty one percent of Argentina's imports (compared with twenty eight percent in 1880). Argentina's commercial and investment image was predominantly enhanced by President Julio Roca's decision to place the country on the gold standard. The gold standard worked "to satisfy foreign investors, who demanded gold earnings to preclude losses on exchange."²⁷⁶

Argentina abandoned the gold standard in 1885 after a brief recession. However, new provincial banks were created after the passage of legislation in 1887 that could only "issue paper currency in exchange for an equal sum of gold deposited with the National Bank of Buenos Aires." The legislation sought to reduce the massive foreign debt the government and Argentine investors had accrued from the 1880s Argentine railway boom. However, the regional

²⁷⁵ Bryan, *The Gold Standard at the Turn of the Twentieth Century*, p. 40.

²⁷⁶ David Rock, *Argentina, 1516-1982: From Spanish Colonization to the Falklands War* (Berkeley: University of California Press, 1985), p. 157.

banks borrowed gold from foreign creditors to maintain gold stockpiles and, by 1890, the regional banks accounted for some thirty five percent of Argentina's foreign debt, which had increased from twenty three million gold pesos in 1885 to sixty million by 1890.²⁷⁷ Foreign investment plummeted by 1890, further decreasing gold supplies and reducing export earnings by twenty five percent. With unemployment, inflation and poverty soaring, the *Revolución del Parque* (Revolution of the Park) erupted.

The issue of the gold exchange became a contentious debate during the 1923 ICC session. The tension may have been due to the volatile history of the gold standard. Professor and economist Gustave Cassel of the University of Stockholm, representing Sweden, issued a strong rebuttal to Machin's speech, discussed above. Cassel pointed out the 1921 ICC meeting in which he argued that a return to the gold standard would not ameliorate the world economic depression. He reiterated his stance in 1923. "There is a prevalent belief that a return to the pre-war gold parity is necessary or desirable for its own sake. We [Sweden] are inclined to think that a return to the gold parity involves too heavy a strain upon production."²⁷⁸ He argued that currency stabilization must revolve around domestic decision-making in individual countries. Countries must balance their own budgets, and maintain peaceful "political conditions." Pinning currencies internationally to gold, Cassel argued, created deflation and impeded international trade.

Cassel was part of the emerging school of economic thought that wished to eliminate the gold standard as a measure of fiscal vitality. John Maynard Keynes's *A Tract on Monetary Reform*, published in late 1923, called for an end to the "barbarous relic" of the gold standard.²⁷⁹ During his oration to the Finance committee, Cassel foretold similar ideas: "The popular idea

²⁷⁷ Ibid, pp. 157-158.

²⁷⁸ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 129.

²⁷⁹ John Maynard Keynes, *A Tract on Monetary Reform* (New York: Barnes and Noble publishing, 2008), p. 172. Interestingly, Keynes was invited to ICC sessions during the 1930s.

that a currency, in order to possess a definite value, must be covered by some fund of gold or securities, is a mistake.” Cassel argued that “the real value behind the currency is the mass of commodities and services that can be bought for a unit of it.”²⁸⁰ “Even under present circumstances,” Cassel continued, “the accumulation of a gold fund is no necessary condition for a stabilization.”²⁸¹

Keynes, however, did differ from Cassel in that Cassel sought to use the “old gold parities” [pre-war] to restore the value of currencies in 1923. At that point, then, states could generate paper notes based on that parity, but “should be able to create a stable currency” on their own accord.²⁸² Moreover, nascent states such as Austria, Czechoslovakia and others in Eastern Europe could proceed with currency creation based upon the currencies of states that were on the gold standard prior to the war, such as the U.S. and Britain. Keynes, on the other hand, sought “no fixed link between sterling and gold at all.”²⁸³ Keynes argued that the value of gold itself fluctuated “in response to variations in demand and supply” and therefore was not a reliable basis for currency valuation. Keynes supported a paper monetary system, arguing that “Western governments were now mature enough to be trusted with the operation” of such a system.²⁸⁴ “Maturity,” however, was not the issue for the businessmen of the ICC. The issue at hand was one of power. Consider, for example, that the totality of gold available by the 1920s was enough to “fill a modest two-story town house,” the vast majority of which was held in British, American and French bank vaults.²⁸⁵ A gold standard system, dominated by the U.S., Britain and France, could be used to manipulate global currency exchanges.

²⁸⁰ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 131.

²⁸¹ *Ibid.*

²⁸² *Ibid.*, p. 132.

²⁸³ Vincent Barnett, *John Maynard Keynes*, Routledge Historical Biographies (London: Routledge, 2013), p. 151.

²⁸⁴ *Ibid.*, p. 152.

²⁸⁵ Ahamed, *Lords of Finance*, p. 13.

“A long discussion ensued” (this phrase is actually stated in the proceedings at the outset of the ICC gold standard discussion) following Cassel’s oration. Giuseppe Bianchini, the Director of the Italian Banking Association, adamantly disagreed with Cassel on his assertion that countries created after the war need not stabilize their currencies to the gold parity. Bianchini argued that “there is a psychological aspect to this question” of gold parity. “The ambition of nations,” Bianchini argued, their hope, perhaps their illusion to bring back their currency to pre-war value is a great incitement to them to make the necessary efforts to balance their budgets.”²⁸⁶ Gold, in Bianchini’s estimation, and in the opinion of most ICC businessmen and banking representatives, was the basis for international economic peace of mind and stability. Gold was a long-held consolidated economic mentality of the Allied nation-states.

British representative Walter Leaf of the London Banker’s Association echoed Bianchini’s words. Leaf agreed with Bianchini’s “psychological objection” on the matter of maintaining the gold standard to reinvigorate trade. However, Leaf took the argument one step further stating: “Professor Cassel’s speech reminds me of the words which were written over the door of Dante’s Inferno: ‘Cast hope aside, all ye who enter here.’”²⁸⁷ The opportunity for nascent countries to join the gold standard in order to balance their currencies, Leaf believed, would “inspire hope.”

The “gold standard orthodoxy” remained “the dominant guide to government action” throughout the Interwar period. It is important to point out, however, that economic theory, following the Great War, was “in flux.”²⁸⁸ Prominent economists such as Irving Fisher and John Maynard Keynes wrote adamantly about the short-comings of the gold standard while other

²⁸⁶ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 133.

²⁸⁷ *Ibid.*

²⁸⁸ Bryan, *The Gold Standard at the Turn of the Twentieth Century*, p. 179.

well-known economists such as Friedrich von Hayek and Joseph Schumpeter “remained advocates of the full orthodox trio of gold standard supremacy, prewar exchange rates, and deflation.”²⁸⁹ Indeed, the arguments of the latter remained dominant amongst core governments and the ICC until the crash of the stock market in 1929 and the onset of the Great Depression for the duration of the 1930s.

The ICC discussion of the GSM is illustrative on many levels. The ICC consisted, in the 1920s, of a cohort of businessmen and bankers who were locked in the pre-war political economic mentality of imperialism, social Darwinism, and the sanctity of Western European jurisprudence. These were the schemas with which they were most familiar. Over the course of at least the previous seventy plus years, Europeans eviscerated traditional economies in Latin America, Africa and Asia, turning them into “underdeveloped” economic systems.²⁹⁰ The use of a gold standard as a fiduciary technology further consolidated Allied economic domination. The gold standard became the economic as well as the linguistic medium for exchange among the international governments of “haves” and “have-nots.” It was both rhetoric and international political economic reality, enforced by the Allied business and political elites. Countries abiding by a gold standard created their own political, economic club that was able to dominate non-gold standard countries from Latin America to Africa and across the great expanse of Asia.

The years 1925 and 1926 marked a thawing of relations with Germany and a reversion to the pre-war economic system. On 6 November 1925, Germany was officially admitted to the ICC. A year later (10 September 1926), it was admitted to the League of Nations as a “council member.” A series of five separate treaties were signed in Locarno, Switzerland by Germany,

²⁸⁹ Ibid.

²⁹⁰ Daniel R. Headrick, *The Tentacles of Progress: Technology Transfer in the Age of Imperialism, 1850-1940* (New York: Oxford University Press, 1988), p. 4.

Britain, France, Belgium and Italy. The treaties guaranteed Germany's western borders, which had been a point of contention since the end of the war, especially with France's occupation of the Ruhr valley. Moreover, the treaties stipulated that all five countries agreed to "resolve future international disputes peacefully."²⁹¹

Economically, by 1926, "industrial production and real wages in most of the continental nations" had returned to prewar levels.²⁹² Inflation and currency depreciation "came to an end with stabilization."²⁹³ France, Belgium and Italy experienced a "rapid growth of exports" by 1926. That same year, Britain and a host of other European states rejoined the gold standard. For the previous five years, European states, especially Britain and France, sought devaluation of their currencies in an effort to increase exports to the U.S.²⁹⁴ Moreover, "currency undervaluation could be exploited either by gaining a competitive edge through lower prices expressed in dollars or other foreign currencies, or by accepting the international price and taking the benefit in higher domestic prices and increased profits."²⁹⁵ Political and economic stabilization in both Britain and France by 1926 increased business confidence and investment. Wages became a larger share of national income during the middle of the 1920s than they had been before the war. It appeared as though the return to the gold standard was a beneficial decision. However, "the profit and/or rent share of income was reduced."²⁹⁶ The return to the gold standard would serve to exacerbate this trend for the remainder of the decade.

Allied domination of the global political economy, we should indicate, was not part of some esoteric cabal or conspiracy. The industrialists, bankers and political leaders of the U.S.,

²⁹¹ John M. Merriman, *A History of Modern Europe: From the Renaissance to the Present*, 3rd ed (New York: W.W. Norton, 2010), P. 1033.

²⁹² Keylor, *The Gold Standard at the Turn of the Twentieth Century*, p. 96.

²⁹³ Feinstein, *The European Economy Between the Wars*, p. 69.

²⁹⁴ Panitch and Gindin, *The Making of Global Capitalism*, p. 49.

²⁹⁵ Feinstein, *The European Economy Between the Wars*, p. 68.

²⁹⁶ *Ibid*, p. 70.

Britain and France believed in the efficacy of their endeavors. We see in the ICC proceedings that these men believed that they lived in a globalized world that required standardization under the tutelage of the U.S., Britain, France and other Western European nation-states, which they believed were the most coherent, civilized and stable. This was their governing logic. Thus, codifying international trade under the auspices of traditionally “Anglo-Saxon legislation” or the convention of the gold standard required little contemplation; it was common sense. Criticisms of the gold standard, and critics of the gold standard such as Cassel or Keynes, went against the grain of generations of fiduciary policy and rationality. When ICC participants referred to “assisting the world,” their myopic world view permitted them to believe they were engaging the globe and assisting all nation-states. The spread of Allied MNCs played a fundamental role in the aforementioned engagement.

4.4 Multinational Corporations

Allied, mainly American, MNCs practiced foreign direct investment (FDI) rather than portfolio investment in Latin America and the Middle East. FDI is “investment abroad made for business purposes, with the investors intending to control or having the potential to control the foreign operations.”²⁹⁷ In other words, an individual or company in one country invests money directly into a company in another country through either buying the company or expanding the operations of the original company into another country. This differs from portfolio investment, which involves a private investor who is not necessarily interested in or involved in the daily operations or management of the company.

²⁹⁷ T.A.B. Corley, “The Free-Standing Company, in Theory and Practice,” in *The Free-Standing Company in the World Economy, 1830-1996* (Oxford; New York: Oxford University Press, 1998), Mira Wilkins and Harm Schröter, eds., pp. 130-131.

It is also important to point out the general mentality of the business world prior to investigating particular FDIs. The First World War provided an opportunity for Allied nation-state businessmen and government officials to collaborate in an effort to win the war. They considered this a “service,” which “became synonymous with the community effort of winning the war and continued as the single most important slogan of the business community in the postwar years down to the Great Depression.”²⁹⁸ American businessmen in particular exhibited a confidence in the “righteousness” of U.S. overseas investments and business ventures. Economic and political initiatives carried out by the U.S. or by companies emanating out of the US were automatically deemed as “civilizing” or “uplifting” and thus beneficial for all humanity.²⁹⁹ As we have seen, the ICC held similar views. We turn our attention to U.S. electricity and oil companies and their FDI in Latin America and the Middle East to see prescient examples of Allied social Darwinist imperialism, supported by the businessmen and bankers of the ICC.

4.4.1 Oil

Collaboration between oil companies and Allied governments was part of what historian Gregory Nowell labels the “world hydrocarbon cartel.” This cartel was a crucial pivot in the world transition from coal to oil as the main natural resource for operating the machines of the late second industrial revolution in the early twentieth century. Nowell contends that the cartel dictated policy to the state rather than the reciprocal. The cartel was part of what Nowell labels “transnational structuring,” which tells the story of the oil industry from a global perspective rather than a nation-state perspective. In France, for example, “it was not the state that controlled

²⁹⁸ Joan Hoff Wilson, *American Business & Foreign Policy, 1920-1933*, Beacon Paperback 468 (Boston: Beacon Press, 1973), p. 3.

²⁹⁹ *Ibid.*

the energy market, but the actors in the energy market that controlled the state.”³⁰⁰ The oil cartel was indifferent to the “core” or “periphery” status of world regions or to the realities of “strong state” and “weak state” geopolitics.³⁰¹

The ICC proceedings, however, show that Allied nation-states collaborated with major oil companies to penetrate potential oil markets. Hence, it was not necessarily the empowerment of one entity vis-à-vis the other. As stated earlier, the relationship between 1920s MNCs and Allied governments was symbiotic. Nation-state-petroleum company collaboration for the duration of the 1920s was due in large part to fears of a global oil shortage. “A fear of imminent depletion of oil resources—indeed, a virtual obsession—gripped the American oil industry and many in government at the end of the Great War” and well into the 1920s.³⁰² The fear was made tangible during the war and then remained an emotional reality well into the 1920s with the expansion of the automobile industry. The number of registered vehicles in the U.S. increased from 1.8 to 9.2 million between 1914 and 1920.³⁰³ The 1920s witnessed a tripling of annual automobile production in the U.S. alone, from 1.5 to 4.8 million.³⁰⁴ The shortage fear, then, by default, linked government and oil MNCs as both held a compelling interest to infiltrate foreign markets; governments in the name of security and MNCs in the name of profit in a climate perceived to be fiercely competitive.

The prominent ICC U.S. representative A.C. Bedford published an article in *Foreign Affairs* entitled “The World Oil Situation” in March 1923. Bedford discussed with chagrin the

³⁰⁰ Gregory P. Nowell, *Mercantile States and the World Oil Cartel, 1900-1939*, Cornell Studies in Political Economy (Ithaca, N.Y.: Cornell University Press, 1994), p. 2.

³⁰¹ *Ibid.*, p. 1.

³⁰² Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power*, Free Press trade pbk. ed. (New York: Free Press, 2008), p. 178.

³⁰³ *Ibid.*

³⁰⁴ Eric Foner, *Give Me Liberty!: An American History Volume 2, from 1865* (New York: W.W. Norton, 2011), p. 760.

nationalization of private oil industries by Mexico and the Soviet Union, the world's second and third largest petroleum producers at the time, respectively. Bedford indicated the critical importance of oil, made plain during the Great War, to warn of the dangers of global oil depletion and competition between nation-states over scarce oil supplies. This competition, he warned, could lead to another war.³⁰⁵

The key, Bedford argued, was to permit “the spirit of the pioneer, even the adventurer” to seek out oil reserves. The oil business, Bedford urged, should “not take on the character of a public utility.”³⁰⁶ “The [oil] industry has flourished,” Bedford maintained, “due to conditions of free competition.” Bedford argued that free competition, between oil companies rather than nation-states, must remain sacrosanct. Furthermore, the petroleum industry could be trusted because “the very nature of the industry precludes any artificial price-fixing effort.”³⁰⁷

It is not surprising that Bedford would stand up for the oil industry. He began working for Standard Oil in 1882. By 1907, he was the director of Standard Oil of New Jersey (known today as Exxon), the president by 1916 and by 1917 he was chairman of the board of directors. His son also joined the leadership hierarchy of the organization in the early 1900s. Bedford was also heavily involved in the ICC, serving as a U.S. representative during the 1920 Organizational Meeting and 1921 London Conference. By the time of the 1923 ICC Rome Conference, Bedford was the president of the U.S. committee and an acting vice-president of the ICC.

U.S. oil companies made substantial investments in South America as well as the Middle East with the assistance of the U.S. government. For example, in early 1925, the Anglo-Persian Oil Company (known as British Petroleum today) sought to enter into a political agreement with

³⁰⁵ A. C. Bedford, “The World Oil Situation,” *Foreign Affairs*, vol. 1, no. 3 (March 15, 1923): 96–107, p. 100-101.

³⁰⁶ *Ibid.*, p. 102.

³⁰⁷ *Ibid.*

the Argentine government for oil drilling rights. Bedford's Standard Oil of New Jersey, the largest U.S. oil producer, feared British monopolization of Argentine oil (the controlling interest of the Anglo-Persian Oil Company was owned by the British government). U.S. Secretary of State Charles Evans Hughes intervened, telling the U.S. embassy in Buenos Aires that "such action would 'cause considerable prejudice to American interests [so] you may therefore render appropriate assistance to Mr. Heath, Manager of the Standard Oil Company's subsidiary in Argentina, without of course taking part in negotiations.'"³⁰⁸

The ICC's stance regarding oil company and nation-state relations was made clear during the 1925 Brussels Conference. The ICC brochure "Progress in Economic Restoration," specifically discusses government subsidization of the oil industry, using Britain as an example:

Real subsidies to certain industries are disguised by government participation in certain undertakings in which it invests capital without claiming interest. The English petroleum industry benefits by support of this kind by government participation in the Anglo-Persian Oil Company. In spite of this protectionist tendency... England being a center of distribution for the whole world, the manufacturers who profit by this fact are specially [sic] anxious to be able to obtain supplies wherever they may find it most profitable to do so.³⁰⁹

The aforementioned ICC brochure focused upon European economic restoration, thus there was no mention of U.S. government-petroleum company collaboration. The ICC, however, could have similarly characterized the U.S. as it had Britain, especially since the U.S. was the globe's largest producer of oil at the time. Since both Britain and the U.S. were major "centers for distribution for the whole world," as we see in the above quote, government assistance for the oil industry could be disregarded. Hence, although organizations such as the ICC called for a free

³⁰⁸ Mira Wilkins, "Multinational Oil Companies in South America in the 1920s: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, and Peru," *The Business History Review*, 1974, 414–46, pp. 423–424.

³⁰⁹ International Chamber of Commerce, *Progress in Economic Restoration*, Brochure No. 38 (Brussels, Belgium: International Chamber of Commerce, June 21, 1925), p. 203.

market, laissez faire approach to world trade, this stipulation was only appropriate when it was convenient to and in the interests of a particular Allied nation-state.

The U.S. government was heavily involved in Latin American oil investments mostly because oil was such a strategic interest for the state as a whole. William L. Cooper, director of the Bureau of Foreign and Domestic Commerce with the Department of Commerce put it succinctly in 1930: “the development of petroleum refining abroad is of intimate concern to American industry, since exports of petroleum products rank second in value among all United States exports.”³¹⁰ Although the companies were privately owned, this was of no consequence to the U.S. government. It felt compelled to intervene in the name of empire maintenance. By 1929, Jersey Standard, a subsidiary of Standard Oil New Jersey, was the ultimate refiner in Latin America, surpassing Royal Dutch Shell, with refineries in Argentina, Peru, Colombia and Venezuela.³¹¹

The U.S. government worked closely with oil companies for investments in the Middle East as well. In 1921, Secretary of Commerce Herbert Hoover recommended “a syndicate of American companies be formed to operate in” the Middle East.³¹² The consortium of companies was put together by Jersey Standard president Walter Teagle. A wealthy oilman from Ohio, Teagle was a former associate of John D. Rockefeller. Teagle became the oil liaison for the U.S. government in securing what would come to be called the “Red Line Agreement,” discussed below.

The Americans called for an “open door” in regard to oil exploration in Mesopotamia during the early to mid-1920s. Theoretically, this meant all countries would have equal access to

³¹⁰ Wilkins, “Multinational Oil Companies in South America in the 1920s,” p. 424.

³¹¹ Ibid, p. 425.

³¹² Yergin, *The Prize*, p. 180.

oil rights in the region. In practice, once U.S. companies, collaborating with the U.S. government, were able to gain a foothold, “the door swung shut.”³¹³ Oil tycoon Calouste Gulbenkian, who participated in the Red Line Agreement negotiations, put it best, writing in his memoirs: “There could not be a more closed ‘Open Door’ policy than the one followed by all the oil groups to collar every possible concession from the Iraq Government in order to prevent other competitors to apply for the same.”³¹⁴

The 1925 ICC “Report of the Committee on Economic Restoration” addressed the topic of “Government and Business.” The committee agreed that governments should “encourage individual business initiative in contrast to uneconomic...public ownership and operation of industries.”³¹⁵ “In its regulatory functions,” the report continued, “government should not interfere with freedom of individual action so long as there is no infringement of the rights of others.” Government, the report added, should only “touch the processes of production and distribution after cautious investigation, taking care to preserve that free flow of commerce which is necessary to world progress and prosperity.”³¹⁶ As we saw in the previous chapter, however, the Middle East remained under League mandates. Thus, we can likely conclude that Allied business ventures in the Middle East, though not mentioned in the ICC proceedings, were tacitly approved.

The aforementioned report, a reflection of the ICC’s stance on business-government relations, also elucidates the themes of this chapter. In terms of oil MNCs, the British, French and American governments were not, per say, “interfering with the freedom of the individual.”

³¹³ Nowell, Gregory P. Nowell, *Mercantile States and the World Oil Cartel*, pp. 185-186.

³¹⁴ *Ibid.*, p. 186.

³¹⁵ International Chamber of Commerce, *Report of the Committee on Economic Restoration*, Brochure No. 39 (Brussels, Belgium: International Chamber of Commerce, June 21, 1925), p. 24.

³¹⁶ *Ibid.*, pp. 24-25.

Rather, the Allied governments were “encouraging individual business initiative.” Furthermore, because standardization of global trade, discussed above, applied only to the core players on the world stage, and since global oil supplies were “scarce,” government-oil MNC collaboration was logical. As we saw in chapter two’s discussion of the Mandate System, “the rights of others” were indeed infringed. The infringement, however, was subsidiary to the preservation of the “free flow of commerce” under the auspices of the Allied powers. The oil industry, collaborating with core governments, had, by default, and ironically, created a microcosm of Clémentel’s original IAS (see chapter one).

The July 1928 Red Line Agreement was signed by the partners of the Turkish Petroleum Company (known today as the Iraq National Petroleum Company). The partners were bound by a “self-denial clause,” which kept each of the partners from competing with the Turkish Petroleum Company. In other words, consortium partners could not outbid one another for oil rights within the former Ottoman Empire. It is said that Gulbenkian took a red pencil and drew a line around the northern border of Turkey through the Suez Canal and around the Arab peninsula along the eastern border of present-day Iraq (Kuwait was excluded as it was a British concession). In 1928, the Americans (Standard Oil operating under the name “Near East Development Company”), French and British (Royal Dutch Shell and Anglo-Persian, respectively) split the shares of the region into quarters (23.75%) with another five percent going to Gulbenkian. The cartel would act as a “faucet,” lowering or increasing oil supplies, increasingly in competition with Soviet and Venezuelan oil exports, to manipulate world oil prices.³¹⁷

³¹⁷ Nowell, *Mercantile States and the World Oil Cartel*, pp. 188-189. See also Yergin, *The Prize*, pp. 187-189.

The year 1928 witnessed a spike in oil production on a global scale. Soviet, American, Venezuelan, and other oil suppliers flooded the market with increasingly cheap oil. Fearing the dilemma of overproduction and hence lower prices, the major global oil moguls met once again in August 1928 at Achnacarry resort in Scotland. Henri Deterding of Anglo-Persian met with Teagle, under a mandate from the British government, to make arrangements for Anglo-Persian and Standard Oil to not compete against one another on the global market. The meeting was “to allay their [Standard Oil] jealousies and show that we [Anglo-Persian] are not out to quarrel.”³¹⁸ Moreover, this meeting was held just weeks after Anglo-Persian had made a similar agreement with Royal Dutch-Shell over oil concessions in Africa. The oil cartel, consisting of Jersey Standard, Anglo-Persian, Petrofina (French) and a few smaller companies, used the term “local arrangements” to determine how to “compete” with one another in what they termed “local markets.”³¹⁹ Bedford’s assertion five years prior that oil companies could be trusted to not “fix prices” did not come to fruition.

4.4.2 *Electricity*

An article from *The Economist* dated 16 February 1929 heralded: “The American invasion of the public utility field in South America continues.”³²⁰ Indeed, “foreign investment in electric utilities comprised the largest single component of U.S. foreign direct investment in the last half of the 1920s.”³²¹ As with oil, the U.S. government collaborated with utility corporations to assist in their infiltration of Latin America. State Department official Huntington Wilson

³¹⁸ Yergin, p. 246.

³¹⁹ Nowell, pp. 196-197.

³²⁰ *The Economist*, 16 Feb., 1929, p. 352. <http://www.tlmea.com/economist/results-view.asp?searchText=American%20&searchDate=&resperpage=10&respage=0&restotal=15&sort=aFDATE&resnumber=2&DocId=253875&Index=D%3a%5cdatabase%5cuserdata%5cEconxml1&HitCount=6&hits=3ff+11c5+11e7+11e9+11ea+11eb+&bhcp=1> Accessed: 19 Nov., 2013.

³²¹ William J. Hausman and John L. Neufeld, “The Rise and Fall of The American & Foreign Power Company: A Lesson from the Past?,” *The Electricity Journal* January/February 1997 (February 1997), p. 46.

stated at the start of the decade: “Any student of modern diplomacy knows that in these days of competition, capital, trade, agriculture, labor and statecraft all go hand in hand if a country is to profit.”³²² As Daniel Headrick and Pascal Griset point out, international utility companies “have almost always been hybrid creatures: private in appearance and by law, but intimately tied to their home governments.”³²³

Government ties with utility companies, in a similar vein to the oil industry, were a product of the Great War. Allied governments created government institutions to fund the spread of electricity in their respective countries during the war in the name of national security. For example, the British government, through the British Ministry of Munitions, provided £3.15 million for power stations and electricity transmission within the United Kingdom during WWI. The Ministry of Munitions even created a “Department of Electric Power Supply” in 1916 to coordinate “the role of electric power within the ministry,” as well as establish “priorities of supply” and encourage “munitions factories to electrify for more efficient fuel use.”³²⁴

The U.S. government provided forty one million dollars to American utility companies through the War Finance Corporation. Following the war, governments were reluctant to sever their ties with utility companies since electricity was quickly becoming a geopolitical strategic military interest. The war “demonstrated the ‘necessity of organization and rational utilization’ of all resources.”³²⁵

Electric MNCs were well represented at the 1923 and 1925 ICC conferences. L. A. Osborne, the president of the Westinghouse Electric International Company and Edward

³²² Foner, *Give Me Liberty!*, p. 833.

³²³ Daniel R. Headrick and Pascal Griset, “Submarine Telegraph Cables: Business and Politics, 1838-1939,” *The Business History Review* 75, no. 3 (Autum 2001): 543–78, p. 544.

³²⁴ William J. Hausman, *Global Electrification: Multinational Enterprise and International Finance in the History of Light and Power, 1878-2007*, Cambridge Studies in Global Enterprise (Cambridge; New York: Cambridge University Press, 2008), p. 129.

³²⁵ *Ibid.*

Kilburn, the company's vice-president, attended the Rome conference. The General Electric Company sent its U.S. representative from Paris, Edgar Carolan, to both conferences. Overall, the Brussels Conference had six delegates representing the electricity industry. None of these men, however, spoke during the conferences. Their burgeoning industry, however, was booming.

FDI in public utilities during the latter half of the 1920s surpassed oil by some 319 percent.³²⁶ Public utility investment, during the last half of the 1920s, made up almost 40 percent of the total increase in FDI during that time. The largest of the public utility investors was The American & Foreign Power Company (AFPC), a subsidiary of Electric Bond & Share, which was created by General Electric in 1905. By the end of the 1920s, AFPC “furnished 90 percent of Cuba’s electric power, 75 percent of Chile’s, 30 percent of Mexico’s, 15 percent of Brazil’s, and 13 percent of Argentina’s,” while also supplying power to parts of China and India as well.³²⁷

The U.S. federal government, in a fashion similar to the government relationship with the oil industry, approached General Electric’s subsidiary Electric Bond & Share in an effort to merge business and government interests. The U.S. government encouraged Electric Bond & Share to purchase electrical properties in Panama in 1917 to gain a stronger foothold in the Panama Canal region. Not only would this assist with U.S. war aims, but it would also help the U.S. gain another market for electric machinery built in the U.S. Thus, the U.S. government was collaborating with business in the name of maintaining employment within the U.S. The U.S. government saw this as an opportunity “to maintain a better understanding between the United

³²⁶ Hausman and Neufeld, “The Rise and Fall of The American & Foreign Power Company: A Lesson from the Past?”, p. 47. See Table 1.

³²⁷ Mira Wilkins, “Multinational Enterprise to 1930,” *Leviathans: Multinational Corporations and the New Global History* (Cambridge, UK ; New York: Cambridge, 2005), p. 60.

States and the Latin-American republics.”³²⁸ Indeed, the Western Hemisphere was to remain a satellite of the U.S. empire within the government-business nexus. Following the war, the U.S. government contacted Electric Bond & Share once again, this time to secure properties in Guatemala seized from Germany during the war.

Utility investments in the Western Hemisphere continued to soar throughout the 1920s. In 1920, Electric Bond & Share, in collaboration with International General Electric, constructed an electric railway and hydroelectric plant in Brazil. In 1922, Electric Bond & Share acquired properties in Havana, Cuba, creating the Cuban Electric Company. Cuba would contain the largest amount of holdings for Electric Bond & Share by the end of the decade.³²⁹ In 1924, the company created AFPC as a vehicle to spread its influence and business into more international markets. AFPC assets totaled one billion dollars (the equivalent of nearly \$14 billion in 2012 dollars) by 1930, with investments in Ecuador, Costa Rica, Chile, Argentina, Mexico, India and Brazil. In Argentina alone, AFPC supplied electricity to 156 towns, serving some 204,470 customers.³³⁰

Owen D. Young, the chairman of General Electric from 1922 to 1939 who would later devise the Young Plan in 1929 to address German reparation payments, was a member of the American ICC subcommittee that created the “Report of the Committee on Economic Restoration,” mentioned above. As his company essentially monopolized the electrical grids of nation-states across Latin America, his committee urged that “new or less advanced countries of the world should proceed more rapidly.” The report laid out the method by which to proceed:

³²⁸ Hausman and Neufeld, “The Rise and Fall of The American & Foreign Power Company: A Lesson from the Past?,” p. 49.

³²⁹ Ibid.

³³⁰ N. S. Lanciotti, “Foreign Investments in Electric Utilities: A Comparative Analysis of Belgian and American Companies in Argentina, 1890-1960,” *Business History Review* 82, no. 3 (2008), p. 511. See Table 1

There is need for freedom of opportunity therein for the capital and business enterprise of all nations and for more concert of action among the leaders of business, with a sympathetic encouragement of government, to secure to such countries the conditions which are required to attract capital and capable management. This should be emphasized by business organizations.³³¹

These were likely words of encouragement to corporate leaders such as Young. The ICC believed that Allied industries were the benevolent force that could uplift the peripheral, “less advanced” nation-states of the globe. The ICC’s ideas regarding standardization, then, did not apply simply to trade practices or finances. The businessmen of the Allied powers sought to standardize the periphery in the mold of Western imagined modernization.

Germany had invested heavily in utilities in Argentina prior to the war. The German government, however, became weary of overseas investment following the war. German bankers and businessmen came to the realization that “any investment of German capital outside Germany must, for political reasons, be handled with utmost caution, inasmuch as the Allies would be quick to point out that, if Germany can find foreign exchange for foreign investment, she should also be able to do so to meet her reparations bill.”³³² In 1920, Deutsche Bank sold its Argentine electric company *Überseeische Elektrizitäts-Gesellschaft* (DUEG) to a Spanish banking consortium. The Spanish consortium also acquired DUEG assets in Chile and “an electric tramway operation in Uruguay.”

The British company S. Pearson & Son, which already had heavy investments in Mexico, took over other German utility interests in Chile following the war. The company was owned by Weetman Pearson (later known as Lord Cowdray). Pearson had been heavily invested in the Mexican oil industry under Mexican dictator Porfirio Diaz. When Diaz was overthrown in 1911, Pearson sold his oil interests to Gulbenkian. Pearson was also involved in politics in Britain,

³³¹ International Chamber of Commerce, *Report of the Committee on Economic Restoration*, p. 23.

³³² Hausman, *Global Electrification*, p. 134.

-serving as a Liberal Member of Parliament after his election in 1895. During the war, David Lloyd George asked Pearson (by this time, Lord Cowdray) to serve as President of the Air Board, holding the position for six months.

Connections between S. Pearson & Son and the British government, however, did not end there. In 1921, the British Parliament passed the Trade Facilities Acts. The acts permitted the Treasury to guarantee the principle and interest on loans as long as the money was then used to purchase British goods. “These loan guarantees were often associated with British overseas investments in electric utilities.”³³³ Following the war, the British government continued the capital controls it had enacted during the war. Ideally, the government sought to encourage foreign direct investments that would enhance the purchase of British exports.

The ICC’s mission during 1923 and 1925 was one of standardization. The concept of standardization, however, took on numerous meanings. Allied industrialists and bankers, with their mindsets locked in the generational ideology of social Darwinism and Anglo-Saxon superiority, at a prosaic level, sought to standardize the terms and practices of world trade with new rules regarding international cheques and patents. On a more complex level, the ICC addressed new technologies, especially air travel, hoping to use government to standardize travel routes and oversight in the name of profit maximization. Though business collaboration with government was viewed with hesitation by the ICC, collaboration was welcomed, hypocritically, when it could be used to establish fledgling industries. International currency exchange was to be systematized under the patronage of a rejuvenated gold standard, controlled by the Allied powers under the tutelage of an international consortium of private bankers. Finally, Allied MNCs were crucial to the homogenization of global commerce, since they were the progenitors of core

³³³ Ibid, p. 141.

nation-state conceptions of modernization. To fulfill its mission of faux globalization, however, the ICC would need to address the fundamental issues of labor and migration. We now turn our attention to the ICC's endeavors to reign in the workers and migrants of the world.

5 CHAPTER FOUR: LABOR AND MIGRATION

Trade, reparations and recovery from the war played center stage in ICC deliberations during the organization's first years, and the means to mend these issues were debated and resolutions were passed to address the political economic situation of the globe shortly after the Great War. ICC delegates also fervently discussed the issues of labor and migration. The ICC was greatly concerned with unions and the trans-national movement of laborers, especially in the wake of the Russian Bolshevik Revolution and strict U.S. immigration policies. This chapter analyzes ICC discussions regarding international labor, migrant workers, social democracy and trade unionism from 1920 to 1925. Though there was some disagreement between the ICC and the U.S. in regard to U.S. immigration policies, the organization remained dismissive in regard to American manipulation of labor and markets in Latin America. ICC discussions regarding labor and migration, as well as the maintenance of a global free market, were wrapped in Allied interpretations of modernity and progress, which they linked with production. Therefore, the free market was, in reality, an international economic scheme controlled by the core powers represented in the ICC. The Great War victors, as harbingers of political economic augmentation on a global scale, viewed themselves as agents of modernity and human progress.

ICC participants focused upon production as a critical avenue for the restoration of global trade following the economic dislocations caused by the Great War. First Viscount of Birkenhead, Frederick Edwin Smith, introduced in chapter two, represented Britain and provided the opening address for the General Meeting held on 27 June 1921. Birkenhead was a

Conservative politician and lawyer who prided himself on his opposition to Irish home rule. One contemporary called him “the best all-around brain in Britain.”³³⁴ The “conditions of exchange” on the global market, he believed, hindered the main “possession” of the working class, which Birkenhead identified as “their labor.”³³⁵ Birkenhead confidently asserted:

I say there will be no prosperity, there will be no contentment, there will be no order and there will be no harmony in this life which we have to build up from the shipwreck of the war, until the maximum trade possible under existing conditions or the conditions that can be attained to, is created in the world—until, in other words, there is the maximum production in the world which the actual economic conditions render possible.³³⁶

Unfettered channels of trade, Birkenhead believed, created prosperity and contentment. Production, Birkenhead thought, rather than worker satisfaction, was central to the rehabilitation of the global economy. Recall our discussion of Birkenhead in chapter two, in which he argued that the businessman did not have the time or the need to practice philanthropy. Indeed, philanthropy was a “distraction,” according to Birkenhead. Furthermore, the man regarded as the “best all-around brain in Britain,” as we also saw in chapter two, was an arch social Darwinist and nationalist. Thus, his assertion that the mission of the ICC was to “maximize trade conditions,” was likely in reference to trade between and amongst the Allied powers. The current “conditions of exchange,” Birkenhead insisted, “paralyzed” the worker whose most “valuable commodity” was “the capacity of their labor.”³³⁷ Birkenhead reflected, in his speech, the stated motto of the ICC: “World peace through world trade.” The members of the ICC were thoroughly convinced that free trade, as they imagined it, was the ultimate guarantor of global stability. The

³³⁴ New York Times, “Earl of Birkenhead Dies at Age of 58,” *New York Times*, September 30, 1930, ProQuest Historical Newspapers.

³³⁵ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, Brochure (London: International Chamber of Commerce, July 27, 1921), University of Denver Penrose Libraries, p. 31.

³³⁶ *Ibid.*, p. 30.

³³⁷ *Ibid.*

maximization of production, along with open channels of trade, would, the ICC argued, automatically facilitate labor's demand for a decent standard of living.

Karl Marx argued in his *Manifesto of the Communist Party* some seventy years prior to the establishment of the ICC that “labourers [sic], who must sell themselves piece-meal, are a commodity, like every other article of commerce, and are consequently exposed to all the vicissitudes of competition, to all the fluctuations of the market.”³³⁸ Marx argued that “the past dominates the present in bourgeois society.”³³⁹ The bourgeoisie, in this case, the victors of the Great War represented in the ICC, saw no other way to develop the future political economy than by constructing it based upon past principles, augmented by the contemporary advantages of machine driven mass production. Past principles included the gold standard (discussed in the previous chapter), social Darwinism, and Western jurisprudence. The Allied powers' conception of modernity was linked intrinsically with production. Moreover, Marx argued that the drive for capital creation usurped the importance of the well-being of the worker. ICC notions of modernization, production and political economic global stabilization reveal to us the realities Marx discussed in 1848. Allied and thus ICC ideas, forged in the annals of imperial domination, were not just sacrosanct; they were international governing logic.

Birkenhead argued that the ICC must “apply” itself “scientifically with goodwill, harnessing to the purpose all the resources of civilization, and not merely working discordantly as separate countries.”³⁴⁰ Birkenhead's statement echoed the systematic, modernizing nature of the early twentieth century, as well as the spirit of internationalism (as defined in chapter one). It is important to view ICC discourse through the lens of scientific efficiency. Eminent historian

³³⁸ Robert C. Tucker, *The Marx-Engels Reader*, 2d ed (New York: Norton, 1978), p. 479.

³³⁹ *Ibid.*, p. 485.

³⁴⁰ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 33.

Immanuel Wallerstein argues that “Scientific culture became the fraternal code of the world’s accumulators of capital.” Scientific culture “served first of all to justify both their [the capitalist elites] own activities and the differential rewards from which they benefited. It legitimated the harsh elimination of barriers to the expansion of productive efficiencies.”³⁴¹ ICC businessmen put “great emphasis on the rationality of scientific activity.” However, “this was the mask of the irrationality of endless accumulation.”³⁴²

The ICC was created in the midst of the Progressive Era and the burgeoning industrial system of mass production. Progressive reformers sought to perfect the social, political and economic order. A vast consumer economy developed in the U.S., which became the world’s top consumer, as a cornucopia of goods flooded department stores while advertisements for goods connected consumption with the freedom to purchase a variety of merchandise. Business leaders, tapping into the consumer market, organized production through “scientific management,” a factory system developed by Frederick Taylor in the late 1880s and advanced by Henry Ford’s assembly line in 1913. Ideally, scientific management was created to simplify and speed up production, control costs and systematize the assembly process to increase profit. Laborers, operating under the scientific management scheme, were automatons. Worker bodies were to “perform more like machines, maximizing the efficiency of workers’ movements.”³⁴³ The scientific mechanization of production also drove a wedge between worker and owner, as we will see later.

³⁴¹ Immanuel Maurice Wallerstein, *Historical Capitalism: With Capitalist Civilization* (London; New York: Verso, 2011), p. 84.

³⁴² *Ibid.*, p. 85.

³⁴³ Elizabeth Pollard, Clifford Rosenberg, and Robert Tignor, *Worlds Together, Worlds Apart, Volume Two: From 1000 CE to the Present*, Concise Edition, vol. Two (New York: W.W. Norton & Co, 2015), p. 657.

Mass production required not only a dedicated labor force, but also mass consumption. For the duration of the 1920s, however, annual wages for full-time, non-agricultural sector employees in the U.S., the world's leading consumer of manufactured goods, remained stagnant. The average full-time, non-farm employee made \$1,532 per year in 1920. By 1928, the same worker made \$1,534. Compare this to the previous nine years, in which an employee in 1911 earned \$632 per year and \$1,293 per year by 1919.³⁴⁴ Meanwhile, the top ten percent of the U.S. population controlled forty-four percent of the nation's wealth by 1929.³⁴⁵

Prices for consumer goods, due in part to the advent of mass production, remained stable for the duration of the 1920s. The cost of a new automobile, for example, decreased by nearly one-third between 1920 and 1928.³⁴⁶ Food prices remained steady for the duration of the 1920s. These positives, however, were a façade. Residential rent, in the U.S., increased between 1920 and 1928 by nearly six percent. The majority of U.S. families, for the duration of the decade, had no savings. Moreover, due in part to the advent of scientific efficiency, the number of workers in the U.S. manufacturing sector declined by five percent.³⁴⁷ By 1929, despite the mass production of consumables, so adamantly supported by the businessmen of the ICC, seventy-five percent of U.S. households did not own a washing machine while another sixty percent did not own a radio.³⁴⁸

³⁴⁴ Stanley Lebergott, *Annual Earnings of Full-Time Employees, by Industry: 1900-1928*, Table Ba4335-4360, 1964, Historical Statistics of the United States Millennial Edition Online, accessed February 21, 2015.

³⁴⁵ Thomas Piketty and Emmanuel Saez, *Distribution of Income Among Taxpaying Units--Shares Received by the Top Percentiles: 1913-1998*, 2001, Historical Statistics of the United States Millennial Edition Online, accessed February 20, 2015.

³⁴⁶ Daniel Raff, Manuel Trajtenberg, and Robert Gordon, *Quality-Adjusted Price Indexes for New and Used Automobiles: 1906-1983*, 1990 1997, Historical Statistics of the United States Millennial Edition Online, accessed February 21, 2015.

³⁴⁷ Eric Foner, *Give Me Liberty! An American History Volume 2, from 1865* (New York: W.W. Norton, 2011), p. 822.

³⁴⁸ *Ibid*, p. 823.

The businessmen of the ICC, focused myopically upon production, did not consider consumption. How much could the average worker consume if his wages remained stagnant? They also did not consider the point at which production reaches an equilibrium with consumption. In other words, they did not consider how many goods needed to be produced to meet consumer demand. The ICC, which by the mid-1920s was the main economic advisory arm of the League of Nations, issued dozens of trade reports during the decade. The 1921 ICC brochure “Foreign Exchange” was the only ICC report between 1920 and 1925 that mentioned individual income. A table on page nineteen of the brochure gives the “estimated present national income per head” for the U.S., Australia, the U.K., Canada, France, Germany, Italy and Japan.³⁴⁹ The column to the right lists the “Estimated present governmental expenditure per head.”

The purpose of the statistical table, as described in the brochure, is telling. “In order to obtain an idea of the financial burden of each nation,” the report states, it is necessary “to compare the rate of state expenditure with that of the average income per head.”³⁵⁰ The goal of the report was to project the rate of economic recovery for each aforementioned nation-state following the war and the economic recession of 1920-21, by looking at the amount of money each state spent on each of its citizens. There are no statistics in regard to spending power or consumer demand. The ICC, however, as an international body, was concerned with the rehabilitation of international trade on a macro level. Of course, this is to be expected of an international organization. However, the ICC’s call for production as a solution to the rehabilitation of international trade required micro-level knowledge of individual demand,

³⁴⁹ International Chamber of Commerce, *International Chamber of Commerce, First Congress London (June 27, to July 1, 1921), Brochure No. 5: Foreign Exchange*, Brochure (International Headquarters, Paris, France: International Chamber of Commerce, n.d.), University of Washington, Suzzallo Library, accessed May 1, 2013, p. 19.

³⁵⁰ *Ibid.*, p. 18.

spending power, and economic disparities. The organization's mandate for production, without a micro-level economic analysis of individual income in individual countries, was a blind, futile command.

Representatives continued to hone in on the harsh conditions of the global economy following the war during the 1921 ICC conference. U.S. representative A. C. Bedford indicated to his European counterparts that the U.S. was not necessarily as well off economically as the Europeans may have thought. Speaking shortly after Birkenhead, Bedford argued that America, despite claims that it had "profited enormously from the war," was "suffering the most acute and widespread financial depression in half a century."

At least three million of our workmen are unemployed, many of our largest industries are shut down, our farmers have suffered disastrous losses, and our security markets have registered an extraordinary liquidation in values. The situation has been very grave in America. Let no one believe that conditions in America today are easy; let no one think that effort to extend material assistance to the world does not mean real sacrifice by America.³⁵¹

The "real sacrifice by America" was in reference to not only America's military efforts, but also America's loans to Britain and France during the war. For the remainder of the 1920s, the U.S. government remained adamant, to the chagrin of Britain and France, that they repay these funds. Bedford was also likely responding to critics who condemned manufacturers and businessmen who prospered from the material output of the war. Over a decade later, Western European and American armament makers were lambasted in the book *Merchants of Death*.³⁵² For businessmen such as Bedford and Birkenhead, however, production was not a portent of death. Production was the solution to international commercial malaise. Luckily, for the

³⁵¹ International Chamber of Commerce, *International Chamber of Commerce: First Congress (London: June 27-July 1)*, p. 47.

³⁵² H. C. Engelbrecht and F. C. Hanighen, *Merchants of Death: A Study of the International Armaments Industry* (New York, NY: Dodd, Mead & Company, 1934).

businessmen of the ICC, war would not need to be a precursor for production for the duration of the 1920s, thanks in large part to the burgeoning industries and consumables of the modern era. Thus, the “Merchants of Peace” needed only to reconstruct the global marketplace by installing Allied political economic regimes, including banking, commercial and production systems, in the non-Allied world. As we will see, however, the installation of the aforementioned systems also required Allied manipulation of labor.

Bedford’s reference to the “grave situation in America” at the start of the decade was sincere. By 1921, unemployment amongst the non-farming labor force in the U.S. was over sixteen percent with nearly five million unemployed.³⁵³ Unemployment in the U.S. more than doubled between 1920 and 1921. Not until 1923 did U.S. unemployment decrease below double digits. By 1926, however, U.S. overall unemployment was as low as three percent (four percent amongst the non-farm labor force), and reached its lowest point in 1929 at just below three percent (four percent of non-farm labor force). Average unemployment in the U.S. for the duration of the decade was a shade under five percent. The combined average of unemployment in Britain, France and Germany for the same time period was nearly double the U.S. rate at eight percent.³⁵⁴

The agricultural sector in the Allied nation-states began to suffer within two years after the war. Although yields remained high for farmers in Europe immediately after the war due to high output as part of the recovery process, by 1920 prices greatly diminished due to increased acreage and competition from foreign competitors.³⁵⁵ Moreover, without the huge demand for

³⁵³ Susan Carter, “Labor Force, Employment, and Unemployment: 1890–1990,” *Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition*, 2006, <http://dx.doi.org/10.1017/ISBN-9780511132971.Ba340-651>.

³⁵⁴ C. H. Feinstein, *The European Economy Between the Wars* (Oxford ; New York: Oxford University Press, 1997).

³⁵⁵ *Ibid*, p. 71.

foodstuffs provided by the war, there was less need for food production. Wheat acreage in Europe, the U.S., Canada, Australia and Argentina, for example, increased by fifty percent, causing an oversupply of the commodity and hence a precipitous decline in prices. Wheat consumption, for the duration of the decade, steadily decreased.³⁵⁶ By the late 1920s, European wheat exports accounted for only thirty nine percent of the global supply compared to fifty six percent before the war.³⁵⁷

Allied governments, as well as the ICC, were greatly concerned with the economic contraction of the post-war period. The French and German governments responded to falling prices and increased competition by increasing tariffs, further stifling international agricultural trade. The U.S. agricultural sector suffered similarly. Prices for food staples such as potatoes, sugar, flour, eggs and other commodities decreased by as much as fifty percent. The U.S. government responded to the decline with farm credits, amounting to five hundred and seventy five million dollars in 1920, six hundred million dollars in 1921 and nine hundred million dollars in 1922.³⁵⁸ Thus, free trade, advocated by Allied ICC participants, was not a reality in the agricultural sector. The economic contraction of the post-war period, however, heightened the importance, for the ICC, of economic growth, free trade and the control of labor markets.

The topics of labor and production created heated discussions during the 1923 ICC Rome Conference. Julius H. Barnes, the American representative for the Industry and Trade Committee, spoke about the importance of increasing production by “inducing those who work to work to their fullest capacity.”³⁵⁹ Barnes stated:

³⁵⁶ Ibid, p. 72.

³⁵⁷ Jeffrey A Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W.W. Norton, 2007), p. 168.

³⁵⁸ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, Brochure No. 32 (International Chamber of Commerce, March 1923), University of Kansas Libraries, p. 105. See speech by Willis H. Booth.

³⁵⁹ Ibid, p. 100.

America realizes with due humility that great natural resources were bestowed on it by nature. It recognizes the freedom of experiment afforded it by a state of social relation free of age-old traditions and prejudices which might otherwise hamper its ready adaptation. But while recognizing these conditions, which favor it beyond many other peoples, America also claims with due pride that it has developed most largely the service of enlarged production in its contribution to human progress and, therefore, to human happiness.³⁶⁰

For Barnes, like his fellow ICC businessmen, production was a key to “human happiness.” With more production, Barnes continued, would come more “possessions” and hence a rising “standard of living.” Conspicuous consumption became a hallmark of the 1920s, especially in the U.S., as consumers purchased new goods such as radios, vacuum cleaners, toasters and a plethora of other items, often on credit. French contemporary Andre Siegfried observed this trend in 1928 noting that America had developed a “new society” in which Americans considered their “standard of living” a “sacred acquisition, which they will defend at any price.”³⁶¹ Increasingly, individual fulfillment came in the form of consumption. For the businessmen of the ICC, then, more production was required to fulfill the consumptive tendencies of the American public. The term “production” appears in the 1920 and 1921 proceedings a combined total of two hundred and eighteen times. We will see later in this chapter, however, that ICC delegates imagined that production required government intervention to acquire the cheapest labor possible.

Barnes pointed out the relatively new industries that had come to fruition by the 1920s including “the automobile, the motion-picture, the electrical industry and the chemical industry.” These industries could be exploited for production and hence consumption. They would serve to “furnish the livelihood” of millions. Barnes argued:

The history of this great social development displays that enlarged production, and especially enlarged production per individual, itself creates and enlarges its

³⁶⁰ Ibid.

³⁶¹ Foner, *Give Me Liberty!*, p. 830.

own market, both by the economy of costs which follows such production and by the enlarging buying-power resulting from the earnings which increased competitive employment, accompanying increased production, affords the worker... No truth has been so clearly demonstrated as that this practical philosophy of enlarged production contributes directly through human service to enlarge the means of human happiness.³⁶²

Once again, Barnes linked production to human happiness. “Enlarged production” was an established “truth” and a “practical philosophy” that, according to Barnes, automatically created more consumers. As we saw above, however, annual wages for producers remained stagnant during the 1920s. Moreover, like his fellow businessmen, Barnes sought the most production possible from the fewest workers possible. These lines of thought help explain why Barnes then began to rail against labor unions:

The man who in his normal hours of work restricts and reduces the amount of effort and the amount of product which during those hours he can sustain; the organization of men which designate and limit a day’s work to the laying of 300 bricks when a fair workman could lay 1200; the organizations of men, which, by the power of concerted action, force observance of arbitrary rules requiring several men in the discharge of tasks, otherwise performed by single workers; the men or organizations of men who oppose in this short-sighted deadly social fallacy the introduction of scientific appliances which release men to other productive industries—these men and these organizations are the active enemies of human progress.³⁶³

The “organizations of men,” to which Barnes referred, were labor unions. Unionized labor, in Barnes’s assessment, was a hindrance to “human progress.” He believed, even more insidiously, that unions were enemies. Labor unions opposed the modern, scientific discourse of production propagated by management and ownership. Unions, in Barnes’s estimation, simply did not understand the progressive, modern, mechanized 1920s world. “Their attitude,” Barnes argued, “is a direct social injury to every man, woman and child.” They were resistant to progress that served the well-being of humanity. Unions were organizations of Luddites,

³⁶² International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 101.

³⁶³ *Ibid.*, p. 102.

resisting the natural and beneficial course of humanity. Barnes believed that unions made workers resist what was actually beneficial to their own cause. “This story of limitation of output,” Barnes stated, “is especially a blow at the opportunity of their fellows, for workers require more and more articles for common use, which are brought more and more, by the inevitable economics of intensified production, within their reach.”³⁶⁴

Barnes called for fewer workers performing greater individual output. Realistically, Barnes’s views toward labor were derived from the myopic standpoint of the business owner. His train of thought and business insight, reflective of the wider capitalist, business acumen, could not address unemployment and, moreover, the plight of the “fair workman.” The international businessman’s stance instead exposed an inherent contradiction between ownership and labor; labor seeks employment, fair wages and a safe work environment while ownership seeks production and profit from the fewest workers possible.

Barnes’s speech was met with much support from his fellow participants. M. Marco Cassin, chair of the committee, replied to Barnes’s speech: “After the notable speech we have just heard, I think we can vote the resolution.” Immediately below Cassin’s statement, the proceedings state: “The resolution was adopted unanimously without discussion.”³⁶⁵ The desire for fewer workers, however, was contrary to ICC calls for production, which was intrinsically linked to consumption. With fewer workers earning an income, consumption would decline. A decline in consumption would then necessitate a decrease in production. These maxims came to fruition during the final years of the 1920s.

³⁶⁴ Ibid, pp. 101-102.

³⁶⁵ Ibid, p. 102.

Julius H. Barnes, who was frequently described as a “rugged individualist,” had been the head of the U.S. Chamber of Commerce from 1921 to 1924.³⁶⁶ In 1924 he published a volume entitled *The Genius of American Business*. In it, he argued that “the gifts of nature should be converted to human use as rapidly as possible, not by drudgery of bent backs, but by the mastery of mind over the forces of nature and the service of invention, thus enlarging the product of every pair of worker’s hands.” Moreover, Barnes argued, government must “maintain fair play and equal opportunity for each individual to work out his own pace.”³⁶⁷ Ideally, then, Barnes wanted efficiency. It seems, though, that this approach would not avoid labor via the “drudgery of bent backs.” Barnes contended that the amelioration of technology would prevent the physical exploitation of the worker. Yet, if machines were to replace the back-breaking nature of human labor and permit fewer workers to create more products, what was to be said for those whom the machines displaced?

Barnes linked “labor problems” to education during a speech before the U.S. Chamber of Commerce and serving as its chairman in the spring of 1923. “If all schools and colleges should imitate the few pioneers who are now teaching the basic facts and principles of labor problems,” Barnes argued, “it would become vastly easier to understand business cycles, to retain prosperity [and] to prevent strikes.”³⁶⁸ By simply knowing the ups and downs of “business cycles,” labor strife could be avoided, Barnes believed. Barnes’s belief system was indicative of the separation between labor and ownership during the 1920s. Wealthy industrialists such as Barnes did not

³⁶⁶ New York Times, “Julius H. Barnes, Ex-U.S. Aide, Dies: Former Wheat Director, 86, Was...,” *New York Times*, April 18, 1959, sec. P. 23. ProQuest Historical Newspapers.

³⁶⁷ Silas Bent, “The Genius of American Business. By Julius H. Barnes. New York...,” *New York Times*, June 8, 1924, sec. Book Reviews; BR4. ProQuest Historical Newspapers.

³⁶⁸ Time Magazine, “Education: Labor Problems,” *Time Magazine*, September 10, 1923, <http://content.time.com/time/subscriber/article/0,33009,716667,00.html>.

have to concern themselves with daily subsistence like the common worker. Thus, production, rather than worker well-being, took precedence.

Production, mechanization and scientific management were part of the early twentieth century's discourse of modernity, mainly propagated by the political leaders and businessmen of the Allied core. The term "modernization implies a kind of necessary progression, an implicit assumption that modernity is to be preferred to tradition, rationalism to religion, industry to farming."³⁶⁹ Radio, film, automobiles, airplanes and other recent innovations worked to create an informed, global mass culture. The *fin-de-siècle* was marked by "the triad of rapid industrialization, sprawling urbanization, and massive immigration," especially in the U.S.³⁷⁰ The industrialization trend continued in the U.S. and Western Europe following the war. Furthermore, prior to the war, Henry Ford's assembly line introduced the concept and practice of mass production. The mechanization of production and the anesthetization of the laborer created an ever widening wedge between owner and worker.

Competing modernities, for example communism, emerged as well, which challenged Allied political systems. The Russian Revolution encouraged the empowerment of labor over owner. Thus, the ICC addressed this situation with much vigor during the 1920 Organizational Conference. Prominent French industrialist Eugene Schneider, discussed in chapter two, railed against communist sympathizers during a long speech before the Organizational Committee. Discussing communist agitation in France, Schneider referred to striking workers and communist leaning labor leaders as "hotheads" and "madmen" whose "revolutionary prank" failed in the

³⁶⁹ R. J. Overy, *The Inter-War Crisis 1919-1939*, Seminar Studies in History (London; New York: Longman, 1994), p. 24.

³⁷⁰ Lynn Dumenil, *The Modern Temper: American Culture and Society in the 1920s* (New York: Hill and Wang, 1995), p. 4.

face of the French worker's desire for free market capitalism and democracy.³⁷¹ The failure of the 1 May 1919 Bolshevik movement in France, Schneider claimed, "consigned Bolshevism to the limbo of superannuated scare-crows and proved that this Asiatic pest cannot thrive in our Gallic country."³⁷²

Bolshevism was not discussed again by the ICC through 1925; save for a Belgian representative in 1920 who said that bolshevism was not an issue in Belgium since "we do not believe in it."³⁷³ Perhaps the lack of discussion was due to the efforts of Allied governments to crush communist disturbances in their respective countries. By the end of the war, the West was rocked by worker strikes. Worker demonstrations gripped Germany in early 1919. The head of Germany's Supreme Army Command asked that the German chancellor "fight 'Bolshevism.'"³⁷⁴ Right wing paramilitary groups were formed to root out communist infiltrators. The Spartacists, far-left German revolutionaries, were "hunted down," culminating in the assassination of their two key leaders: Karl Liebknecht and Rosa Luxemburg. Germany faced striking workers in numerous economic sectors including mining, steel, electrical and water works for the duration of 1919.

The U.S. government cracked down hard on communism and labor unions both during and after the war. During the war, red or black flags, emblems of communism and anarchism, respectively, were banned in 33 states.³⁷⁵ Anti-war statement, support for the Russian Revolution

³⁷¹ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920* (ICC Headquarters, Paris), accessed February 11, 2013, <http://books.google.com/books?id=fVIRAQAAMAAJ&q=Proceedings+Organization+Meeting+1920&dq=Proceedings+Organization+Meeting+1920&hl=en&sa=X&ei=Y0AZUdaSB4PC9QSfloCwDg&ved=0CDAQ6AEwAA>, p. 96.

³⁷² Ibid.

³⁷³ Ibid, p. 123.

³⁷⁴ John M. Merriman, *A History of Modern Europe: From the Renaissance to the Present*, 3rd ed (New York: W.W. Norton, 2010), p. 958.

³⁷⁵ Foner, *Give Me Liberty!*, p.786.

and labor radicalism were viewed as “un-American.” Eugene V. Debs, a founder of the International Workers of the World (IWW), wrote of the Russian Revolution in the early winter of 1918 that it was “the soul of the new-born world. Verily, the last are now the first and the world’s most pitilessly plundered and shamelessly exiled have become the world’s revolutionary redeemers and supreme liberators. From the crown of my head to the soles of my feet I am a Bolshevik and proud of it. The Day of the People has arrived!”³⁷⁶ Later that year, Debs was imprisoned for what was termed an “anti-war speech” under the U.S. Espionage Act, although the actual speech referred to the war only once.³⁷⁷ Government sequestration of labor and potential Bolshevik activities inherently served the interests of business ownership.

The U.S. witnessed its greatest labor upheaval in 1919, with strikes of over four million workers. Popular opinion blamed the labor unrest on Bolshevism. The 14 June 1919 *Literary Digest* estimated that there were at least five million communists in America.³⁷⁸ Massive strikes gripped Seattle, Boston, Chicago and numerous other U.S. cities. Most of the strikes were disbanded by agents of the U.S. federal or state governments. Massachusetts governor Calvin Coolidge, a prominent speaker at various U.S. Chamber of Commerce meetings prior to ascending to the U.S. presidency in 1923, called out the National Guard to quell the Boston policemen strike, firing them all. The strike was officially ended by a court injunction from Attorney General A. Mitchell Palmer. What came to be called “The Great Steel Strike,” which was organized by Samuel Gompers, was disbanded by 1920 after steel magnates turned to the media, brandishing the strikers as associates of “the IWW, communism, and disloyalty.” Indeed,

³⁷⁶ Nick Salvatore, *Eugene V. Debs: Citizen and Socialist* (Urbana: University of Illinois Press, 1982), pp. 290-291.

³⁷⁷ *Ibid.*, p. 293.

³⁷⁸ Robert Murray, “Communism and the Great Steel Strike of 1919,” *The Mississippi Valley Historical Review* 38, no. 3 (December 1951): 445–66, p. 446.

“no strike, no act of violence, no deviation from the norm failed to bring charges that the probable cause was domestic Bolshevik activity.”³⁷⁹

During the 1920 ICC Organizational Conference, Willis H. Booth, representing the American delegation, indicated the separation between the “public” and labor. Referring to the 1919-1920 series of strikes in the U.S., Booth stated: “Our labor problem is serious and of late there has been appreciation that the public is the most interested party and strikes are not as a rule successful.” Booth, like his ICC business colleagues and, for that matter, their governments, separated the public from the laboring class. The public was the rational, the labor class the irrational, instilled with an insidious, seditious mutation of bolshevism.

British Prime Minister David Lloyd George wrote to French Prime Minister Georges Clemenceau in March of 1919: “The whole of Europe is filled with the spirit of revolution... The whole existing order in its political, social and economic aspects is questioned by the mass of the population from one end of Europe to the other.”³⁸⁰ Industrial strikes occurred in Britain in 1919 in Glasgow. Police went on strike in London. In 1920, a “triple alliance” was formed amongst the mining, transport and railway unions. From January to June of 1919, Britain experienced 747 labor disputes involving nearly one and one half million laborers.³⁸¹ France experienced similar labor issues, as its railway system was shuttered by a strike in February 1920. Over the course of 1920, over “1.3 million [French] workers participated in strikes.”³⁸² These labor movements gave the ICC the impression that unionism was strong and growing. The ICC, which brought

³⁷⁹ Ibid.

³⁸⁰ Chris Harman, *A People's History of the World* (London ; New York: Verso, 2008), p. 434.

³⁸¹ United States Bureau of Labor Statistics, “Strikes and Lockouts,” *Monthly Labor Review* 11, no. 5 (November 1920): 216–17, p. 216.

³⁸² Jeremy D. Popkin, *A History of Modern France* (Englewood Cliffs, N.J: Prentice Hall, 1994), p. 242.

together businessmen on an international scale, was deemed progressive. The international organization of laborers was, from the ICC and Allied standpoint, dangerous and seditious.

5.1 The ICC and Migratory Labor

Employers benefit from a surplus of labor since striking workers can be easily replaced. This helps explain the ICC's support of migratory labor. The Monday 19 March 1923 Transportation Group, chaired by Sir Arthur Balfour of Great Britain, initiated discussion by addressing the issue of "flag discrimination." Flag discrimination is defined as the granting "of preferential treatment to ships under the national flag." This includes preference granted "in respect of port and railway facilities," "shipping and port dues," and "the imports and exports of the country," which includes passengers.³⁸³ "Passengers," who were, potentially, immigrants, became the crux of the discussion.

The Italian delegation, under the chairmanship of Giuseppe Biancardi, argued that the committee should replace the terms "emigrants" and "immigrants" with the term "passengers" in all proposed ICC resolutions. Biancardi's chief concern revolved around Italian shipping to the U.S. since American immigration restrictions applied to Italian passengers. Sir Alan Anderson, representing the British delegation, recommended a "rider" be placed on resolutions to address the concerns of the Italian delegation.

The French delegation, however, disagreed. It argued that the terms "immigrants" and "emigrants" should remain in all resolutions because "international traffic by sea should be free from restrictions whether it related to passengers, emigrants or cargoes."³⁸⁴ Use of the term "passengers," the French delegation argued, would "imply that they [the French] were

³⁸³ Charles Tennyson, "Flag Discrimination," *Journal of the British Institute of International Affairs*, vol. 3, no. 5 (September 1924): 213–46.

³⁸⁴ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 36.

sympathetic towards making such restrictions.” The French argued that “such a policy would be disastrous to international commerce,” and “would certainly lead to retaliation on the part of France.” The committee voted to maintain the usages of the terms “immigrants” and “emigrants,” though Italy was to attach a “reservation” regarding commerce with the U.S. for future resolutions.

It is important to mention this brief altercation during the 1923 ICC session because it alludes to the larger issue of immigration that existed following the war, especially in regard to the U.S. The Senate was considering further immigrant restrictions by late 1922-1923. This was pointed out by ICC Belgian representative Alfred de Brouckere. He argued that “the importance of the” flag discrimination and freedom of the seas resolution, mentioned above, “lay in the difficulties attendant upon the emigrant traffic from Europe to America, which had brought disappointment to many, who, after years of misery, had made up their minds to turn their backs upon regions devastated by the war and find for themselves a new home in the country of their choice.”³⁸⁵ De Brouckere was surprised that the U.S., “which has been an outlet of Europe,” would consider harsh immigration restrictions. He argued that the “3% Restriction Act,” which was passed by the U.S. Congress in 1921, limiting immigration to the U.S. to three percent of each nationality already in the U.S., was too draconian. “Until the [U.S.] restrictions finally disappear, to the great satisfaction of the overpopulated countries of Europe who have always looked upon the United States as the Promised Land [sic],” unemployment would continue and prosperity would diminish.³⁸⁶

The U.S. Immigration Act of 1924, also known as the Johnson-Reed Act, was the most restrictive immigration policy in U.S. history. For the first time, U.S. ports of entry required

³⁸⁵ Ibid, p. 45.

³⁸⁶ Ibid.

passports and visas to document the national identity of immigrants. The U.S. law, however, was part of a broader global trend of immigration restriction by Anglo-Saxon nation-states following the Great War. Nativism, namely in the U.S., as well as Social Darwinism, which had directed Western racial logic since the late nineteenth century, combined with the 1919 Red Scare to create a conflagration of hysteria toward immigrants entering the West. Furthermore, the First World War created a sea of refugees forced to find new homes, especially with the redrawing of borders during the Treaty of Versailles and the fading of empires in Europe and Asia.³⁸⁷ Most especially for the U.S., however, “industrial capitalism had matured to the point where economic growth could come more from technical advances in mass production than from enlarging the workforce.”³⁸⁸

It is important to point out that the 1924 Immigration Act did not limit immigration from the Western Hemisphere into the U.S. This was mostly because of the labor needs of large agribusinesses in the Southern U.S. The “new factories in the field,” created during the early twentieth century in the U.S., required “a large, mobile and seasonal labor force.”³⁸⁹ Furthermore, as U.S. corporations moved into the Western Hemisphere, corporations in places such as Haiti, the Dominican Republic, Cuba and elsewhere were able to rely upon a vast array of seasonal migratory laborers. A relatively low cost labor force, absent of unionization and worker rights, reproduced itself annually. This situation suited the labor and production desires of the industries represented in the ICC.

During the 1920s, production was increasingly moved from regions where labor was relatively expensive, such as in the U.S. or Western Europe, to regions where labor and

³⁸⁷ Mae Ngai, “Nationalism, Immigration Control, and the Ethnoracial Remapping of America in the 1920s,” *OAH Magazine of History; Reinterpreting the 1920s*, vol. 21, no. 3 (July 2007): 11–15.

³⁸⁸ *Ibid.*, p. 12.

³⁸⁹ Ngai, *ibid.*, p. 13.

production was relatively cheaper, such as Latin America. Globalization in the 1920s fits closely with Aviva Chomsky's characterization of the phenomena, rather than the ICC's: "globalization has less to do with countries, cultural contact, and speed and more to do with capital's search for cheap labor."³⁹⁰ Inherently, capital seeks to concentrate wealth at the top while labor seeks to distribute wealth below. This "tug of war," as Chomsky accurately describes it, was taking place on a global scale by the dawn of the twentieth century. Despite calls by the capitalist class, especially ICC participants, to restrain government involvement in business and capital accretion, business relied upon government not only to quell labor unrest, but to open pathways for "capital flight" (the movement of production to regions providing cheap labor) to Latin America. Furthermore, business leaders hoped for fewer immigration restrictions to provide for cheaper labor in the U.S. and Western Europe. At this juncture, let us briefly turn our attention to the ICC's stance on capital flight in Latin America.

As alluded to in previous chapters, for the ICC and "U.S. officials and business leaders, the purpose of stabilization loans" during the 1920s, especially in Latin America, were used to "spread a globally integrated gold standard that would then provide a basis for rising levels of trade and investment everywhere."³⁹¹ Moreover, the U.S. insisted that its own officials be placed in charge of banking and economic operations in the countries receiving loans. In Peru, for example, William Wilson Cumberland, a student of Edwin Kemmerer (see chapter three), was placed in charge of Peru's banking reforms with the title of "administrator of customs." He later served in a similar position in Haiti.³⁹² Similar systems, administered by U.S. banking officials,

³⁹⁰ Aviva Chomsky, *Linked Labor Histories: New England, Colombia, and the Making of a Global Working Class* (Durham [N.C.]: Duke University Press, 2008), p. 4.

³⁹¹ Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930*, American Encounters/global Interactions (Durham: Duke University Press, 2003), p. 152.

³⁹² *Ibid.*, p. 157.

were also established in Ecuador, Columbia, Chile, Cuba, Bolivia, and the Dominican Republic. Moreover, the U.S. took direct military control of countries such as Haiti and Nicaragua. As we have seen in previous chapters, U.S. policies in the Caribbean and Central and South America exhibited a racial, capitalist discourse for the duration of the 1920s, permitting the influx of U.S. corporate and political control.

The placement of U.S. bankers in Latin America was a commonsense operation for ICC businessmen. As we saw in the previous chapter, the gold standard, a British creation, and Western jurisprudence were viewed as solutions for global political economic problems. The Allied powers viewed themselves as the beacon of modernity. The ICC did not directly discuss U.S. economically-driven incursions into Latin America during the 1923 or 1925 sessions. There were however, “representatives” of various Latin American countries, as listed in the ICC proceedings, at the 1923 Rome conference, including Argentina (one), Brazil (one), Mexico (two), and Peru (one). Four of the five representatives, however, were attaches, ambassadors or consuls representing various Italian cities in the respective Latin American country. Only one member, Prieto Souza, an engineer from Mexico, directly represented a Latin American nation-state. He did not give a formal speech during the session.

The 1925 conference in Brussels had only six Latin American representatives, who hailed from Argentina, Brazil, Haiti, Mexico and Peru, respectively. Once again, most were diplomats. As opposed to the previous conference, all six representatives actually hailed from their respective country. Dantès Bellegarde, Haiti’s first ICC representative, would later become a harsh critic of the U.S. military occupation of Haiti, speaking before the League of Nations in 1930. There are no recorded statements from Bellegarde in the 1925 ICC proceedings.

We see the oblique acceptance of the infusion of U.S. bankers into Latin America, and a disregard for the laboring class, in the speech given by Fred I. Kent, a renowned U.S. banker and prominent ICC member for the duration of the decade, during the 1920 ICC Organizational Session. Kent first addressed American war profiteering critics, arguing that American bankers had, “since the armistice,” officially loaned “\$500,000,000, and unknown millions which run into very large figures,” to Europeans “for the purpose of investment in Europe.”³⁹³ Furthermore, Kent argued, “the American Relief Association” provided untold millions in food and supplies during the war. Kent then itemized monetary allocations made by U.S. government departments to European governments.

The problem for Europe, Kent argued, was not American war profiteering, but, rather, labor unrest. “If labor had returned to work promptly” following the war, Kent argued, “much greater progress could have been made toward financial and economic reconstruction.”³⁹⁴ Instead, Europe was impregnated with “professional agitators” who prevented the restoration of “all means of production” and “channels of trade.” Kent argued that “No one can estimate the tremendous difference that would exist at present in the cost of living...if all the millions of hours of labor which have been lost through strikes and sabotage could be restored.”³⁹⁵ Kent acknowledged that “America has felt the force of this situation” as well. Striking U.S. workers, Kent proclaimed, made “prices in America higher than anywhere else.” High prices would have been avoided, he believed, “if orderly production had continued.” Instead, “due to strikes, goods have been piling up in warehouses.”

³⁹³ International Chamber of Commerce, *Organization Meeting of the International Chamber of Commerce: Proceedings Organization Meeting, June 23-30, 1920*, p. 141.

³⁹⁴ *Ibid.*, p. 142.

³⁹⁵ *Ibid.*

The radical labor movement itself, however, began to wane during the early to mid-1920s. In the U.S., the practice of “welfare capitalism,” in which employers offered private pensions and even medical insurance, placated many demands of unions. For the duration of the decade, unions in the U.S. lost over two million members.³⁹⁶ The U.S. Supreme Court visualized unions as an infringement upon the rights of workers. Furthermore, the rapid rise of the stock market in the heart of the decade and the rampant employment provided by the automotive industry seemed to negate the necessity of unionization. Unionization in the U.S. stabilized during the decade with an average of nearly four million members per year.

The ICC’s 1925 “Progress in Economic Restoration” report continued to view labor as a hindrance to economic development and profit despite the waning of the labor movement by the mid-1920s. The report indicated that “the pressure to make concessions to social legislation (reduce working hours, more holidays, more staff, etc.) resulting in increased salary expenditures,” increased government debt in numerous European nation-states, hampering global commerce.³⁹⁷ The solution to this issue, as well as rampant inflation in Europe, the report concluded, was “to produce more...and restore credit by scrupulously respecting” international trade agreements.³⁹⁸

Once again, we see that the rehabilitation of productive capacity, rather than the physical and financial health of the worker, was infeasible for the ICC. “The great increase in the cost of production as covered in wages,” Kent lamented in 1920, “is not available for investment.” This mindset helps us understand more clearly U.S. government and business interests in Latin America. Kent himself, for example, had worked closely with Norman H. Davis, U.S. president

³⁹⁶ Foner, *Give Me Liberty!*, p. 825.

³⁹⁷ International Chamber of Commerce, *Progress in Economic Restoration*, Brochure No. 38 (Brussels, Belgium: International Chamber of Commerce, June 21, 1925), p. 176.

³⁹⁸ *Ibid.*, p. 179.

of the Trust Company of Cuba since at least 1918.³⁹⁹ Unsurprisingly, Kent would become a major critic of Franklin Roosevelt's New Deal by the 1930s. Both U.S. government and business, working in tandem, relied upon U.S. political control of Latin America to facilitate profit for investors as well as manufacturers. Identifying workers as "agitators," "hotheads," and "Bolsheviks" played into corporate, and thus ICC, demands for production.

5.2 The U.S., the ICC, and Latin America

The U.S. government reinvigorated businesses in the Caribbean, maintaining a "plantation society," based on sugar production, in Puerto Rico, Cuba, and the Dominican Republic under U.S. imperial domination during the first half of the twentieth century. Contrary to dependency theory, which argues that "the persistence of plantations in the region is the cause of economic underdevelopment," U.S. economic imperialism in the Caribbean "radically transformed economic relations" in the region.⁴⁰⁰ "A new form of underdevelopment, based on the spread of wage labor and the introduction of the most modern forms of economic organization plagued the islands," causing economic underdevelopment.⁴⁰¹ Corporate-owned sugar plantations, run by local elites and worked upon by regional journeymen planters, became the norm following the 1898 Spanish-American War. Large mills were owned "by United States corporations and businessmen."⁴⁰² While the wealthy remained as "independent contract farmers," "the descendants of slaves became a permanent agricultural proletariat."⁴⁰³ The new

³⁹⁹ New York Times, "Seers to Stabilize Spanish Exchange," *New York Times*, July 6, 1918, ProQuest Historical Newspapers, p. 13.

⁴⁰⁰ César J. Ayala, *American Sugar Kingdom: The Plantation Economy of the Spanish Caribbean, 1898-1934* (Chapel Hill: University of North Carolina Press, 1999), p. 2.

⁴⁰¹ *Ibid.*

⁴⁰² *Ibid.*, p. 204.

⁴⁰³ *Ibid.*, p. 3.

industrial economic organization created a vast amount of migration between the islands of the Caribbean.

As railroads spread across Cuba, U.S. sugar companies cleared vast tracts of land for sugar cultivation. By 1925, American investments in Cuba amounted to over one billion dollars, with more than half invested in the sugar industry.⁴⁰⁴ The United Fruit Company, which acquired vast domains in eastern Cuba, encouraged a flow of seasonal immigrants from Jamaica and Haiti. In 1919 over thirty thousand Jamaicans and Haitians arrived in Cuba to work in the sugar mills. They were paid “a minimum of \$2.70 per day” with skilled laborers accruing even more.⁴⁰⁵ Wages plummeted, however, with the crash in the sugar market in the autumn of 1920 and remained much lower for the remainder of the 1920s. Lands were divided into subdivisions by U.S. sugar companies to avoid unionization by workers.⁴⁰⁶

U.S. officials sought to transform the Cuban mentality through the manipulation of curriculum in the Cuban school system during the U.S. occupation of the island nation following the Spanish-American War. General Leonard Wood explained to President William McKinley that “We are dealing with a race that has steadily been going down for a hundred years, and into which we have to infuse new life, new principles, and new methods of doing things.”⁴⁰⁷ U.S. implementation of trademark laws and legislation in Cuba to protect intellectual property, foreign concepts to the Cuban culture and economy, went hand in hand with the “reeducation” of the populous. The Cuban classroom was to be “transformed into an agent for the transfusion of cultural values” of capitalist accumulation and wage labor for a capitalist mentality.⁴⁰⁸ Textbooks

⁴⁰⁴ Thomas F. O’Brien, *The Revolutionary Mission: American Enterprise in Latin America, 1900-1945*. (Cambridge: Cambridge University Press, 1999), p. 35.

⁴⁰⁵ Ayala, *American Sugar Kingdom*, p. 168.

⁴⁰⁶ *Ibid*, p. 171.

⁴⁰⁷ O’Brien, *The Revolutionary Mission*, p. 206.

⁴⁰⁸ *Ibid*, p. 208.

were translated “directly from American versions” while over thirteen hundred Cuban teachers were sent to Harvard to gain “a firsthand experience with American culture.” By 1914, U.S. investments in Cuba amounted to two hundred and fifteen million dollars, up from fifty million dollars in 1896.⁴⁰⁹

The ICC conferences in 1920 and 1921 paid little attention to Latin America, specifically Cuba, or its labor issues, though two Cuban delegates, General Carlos Garcia Valez and Rodriguez Alcanaga, attended the London Conference in 1921. Valez was a frequent Cuban representative at pan-American trade conferences dealing with trademark and customs rights in the 1910s. It is perhaps telling, however, that Cuba was not represented during the 1923 and 1925 conferences. Consider as well a reference made to Cuba during the 1925 ICC Brussels Conference in which Ernst B. Filsinger, Export Manager of Lawrence & Co. of New York, lamented: “A long series of strikes, or port congestion such as occurred in Cuba in 1920, result in heavy losses to the commercial world.”⁴¹⁰ The issue, then, was not the plight of the laborer, but, rather, trade and profit. We can speculate that this may be a main reason for Cuba’s lack of participation in the mid-decade ICC meetings.

Government corruption became endemic as U.S. corporations became more entrenched across the island. Some “fifteen percent of all taxes collected disappeared before they reached the treasury.” Corrupt indigenous officials remained empowered within the bureaucracy as long as they towed the U.S. corporate line. A U.S. “reform” effort in 1921 was subsidized by a fifty million dollar loan from J.P. Morgan. The loan ended up strengthening the corrupt officials already in power. Indeed, “the rapid growth of U.S. corporate interests fueled the spread of

⁴⁰⁹ Ibid.

⁴¹⁰ International Chamber of Commerce, *International Chamber of Commerce, Third Congress, Brussels - June 21-27, 1925, Group Sessions* (International Chamber of Commerce, June 21, 1925), University of Kansas Libraries, p. 28.

government corruption” at the expense of the average Cuban citizen.⁴¹¹ Cuba’s economy and finances remained under the control of U.S. corporations such as the United Fruit Company, the Bethlehem Steel Corporation, National City Bank, the General Electric Company, and others for the duration of the nineteen twenties. As we have seen in previous chapters, many of these companies were frequently represented at ICC conferences.

Major worker strikes occurred throughout Cuba in 1919 and 1920 that called for higher wages, unionization rights and better working conditions. However, strikes often failed due to the massive influx of foreign workers on a recurring basis. Moreover, Cuban workers and immigrant labor were often circumvented from decision-making processes by more highly regarded U.S. engineers who maintained a paternalistic attitude toward immigrant and indigenous laborers.⁴¹² Worker strikes continued for the duration of the decade as “anarchosindicalism” and communist ruminations appealed more and more to the working class. By 1925, the nascent Cuban Communist Party railed against “American Imperialism” and “foreign capital” control.⁴¹³

In the Dominican Republic, under military occupation of the U.S. from 1916 to 1924, “corporations were able to manipulate the uncertainty of land titles to obtain land at the expense of the peasantry.”⁴¹⁴ Meanwhile, the U.S. military was accused of numerous human rights abuses by the McCormick Committee in 1921.⁴¹⁵ The corporate land grabs and U.S. military brutality led to a bloody peasant rebellion that gripped the eastern Dominican Republic from 1917 to 1922. With the revolution quelled by both U.S. forces and Dominican Republic elites, the

⁴¹¹ O’Brien, *The Revolutionary Mission*, p.209.

⁴¹² Ibid, pp. 209-211.

⁴¹³ Ibid, pp. 212-213.

⁴¹⁴ Ayala, *The Sugar Kingdom*, p. 175.

⁴¹⁵ Lars Schoultz, *Beneath the United States: A History of U.S. Policy Toward Latin America* (Cambridge, Mass: Harvard University Press, 1998), p. 259.

peasant masses were forced to turn to wage labor rather than subsistence farming. A supposedly free election in 1924 placed U.S. supported strongman General Horacio Vasquez in charge of the country.

We can gauge the ICC's opinion on the matter by its lack of attention to Latin America, although the ICC, from 1920 to 1925, did not directly discuss American endeavors in the region. Consider, for example, the 1925 ICC "Report of the Committee on Economic Restoration." The report confidently asserted that "trade is now resuming a more normal character and course." The report added that "as stability is established in less advanced countries, the rate of progress should increase."⁴¹⁶ Thus, U.S. government, military, banking and industrial activities in Latin America were, by default, valid in the eyes of the ICC, since these actions created what the Allied powers regarded as "stability" for "less advanced countries." The "normal" course of trade was an international trade regime that favored the economic systems of the U.S. and Western European nation-states, since these countries portrayed the most rational political economic systems.

Haiti, like Cuba, witnessed similar U.S. military and economic policies. U.S. racial bias played a fundamental role in its "civilizing mission." The "American disdain for 'savages'" often "degenerated into torture, systematic destruction of villages, and military tactics tantamount to genocide."⁴¹⁷ However, U.S. political economic policies and desires also played a key role in its decision to occupy the country. The Haitian constitution, written by U.S. policy-makers and "rammed through by an illegal, [U.S.] marine-supervised plebiscite," included a provision for

⁴¹⁶ International Chamber of Commerce, *Report of the Committee on Economic Restoration* (Brussels, Belgium: International Chamber of Commerce, June 21, 1925), No. 39, p. 7.

⁴¹⁷ Hans Schmidt, *The United States Occupation of Haiti, 1915-1934* (New Brunswick, N.J: Rutgers University Press, 1995), p. 7.

“the legalization of alien landownership.”⁴¹⁸ U.S. marines policed a “massive forced-labor corvee” to build roads while “plantation agriculture was financed by private American investments.”⁴¹⁹ Corporations such as the United Fruit Company refused to invest in Haiti unless the U.S. government maintained its direct military involvement in order to prevent revolutions.⁴²⁰ Finally, Haiti was used by U.S. banking firms, especially National City Bank, to not only absorb Haitian debts, but to also prevent further incursions by European powers.

U.S. economic, political and military interventions in the Caribbean, Central America and South America for the duration of the early twentieth century were not limited to Cuba, Haiti and the Dominican Republic. However, the three aforementioned countries were the only ones that involved direct military governance by the U.S. However, numerous other instances of U.S. political and economic incursions, which greatly impacted the working populous of Caribbean, Central and South American nations, abound. U.S. fiduciary and corporate incursions into Mexico, for example, were documented in previous chapters. The American charge in Honduras wrote, in 1933, “The United [Fruit Company] controls the Honduran Government to an unprecedented and incredible extent.”⁴²¹ An independent banana grower commented in 1920:

For some time now, most of the inhabitants of this north coast of Honduras have been feeling asfixiated [sic]; this asfixiation [sic] has been caused by the extortion of the United Fruit Company, a ruthless banana company that day after day absorbs the energies of these young people who are striving for greater progress and well being.⁴²²

The 1925 ICC report on “Progress in Economic Restoration” found that “government financial policy” tends to “restrict... industrial activity, commercial prosperity and the well-being

⁴¹⁸ Ibid, p. 11.

⁴¹⁹ Ibid.

⁴²⁰ Ibid, p. 53.

⁴²¹ O’Brien, *The Revolutionary Mission*, p. 48.

⁴²² Ibid, p. 47.

of the working classes.”⁴²³ Yet, the report mentioned nothing in regard to U.S. governmental, military and corporate governance of Latin America, or, for that matter, British and French control of various Middle Eastern countries (see chapter one). Instead, the report focused only upon the progress in economic restoration of European countries since the “object” of the report was “to make a survey of financial conditions in several *important* countries.”⁴²⁴ The nations selected by the report, it states, “were carefully selected with a view to making the survey as representative as possible” of “the whole world.”⁴²⁵ Moreover, we have explored previously the ICC’s aversion to labor unions. The aforementioned report, however, adds government as a hindrance to labor as well.

The interpretation of the report above is speculative, since we are analyzing what was not stated in the report. Latin American countries were perhaps not included because most were not on the gold standard. They may also have been eschewed because most did not participate directly in the Great War. The report mentions, for example, the lasting economic strains of the war upon European nation-states. Based upon the previous discussions in this thesis of the social Darwinist mentality of the ICC, however, it is difficult to disregard the report’s usage of the phrase “several important countries.” Moreover, if the point of the report was to only investigate gold standard nation-states, but also claim to represent the global economy, this only further displays the ICC’s myopic economic lens and reliance upon its own pre-conceived notions of political economic, Allied policy-making superiority.

Cuba experienced a mass migration of Haitians from 1915 to 1927 with well over two hundred thousand coming ashore, mostly to work on sugarcane plantations.⁴²⁶ The influx of

⁴²³ International Chamber of Commerce, *Progress in Economic Restoration*, pp. 5-6.

⁴²⁴ *Ibid.*, p. 6. Italics are the author’s.

⁴²⁵ *Ibid.*

⁴²⁶ Ayala, *The Sugar Kingdom*, p. 172. Refer to table 6.1.

migrants correlated with Cuba's increasing visibility on the world sugar market, increasing from ten percent in the 1890s to over twenty percent during the 1920s.⁴²⁷ Between 1916 and 1929, Cuban sugar production increased from over three million metric tons to well over five million metric tons, respectively.⁴²⁸ Simultaneously, the number of sugar mills decreased from two thousand in 1860 to only one hundred and fifty eight by 1930 as industrialization, modernization and industrial efficiency, mostly through American finance, took hold of the island.⁴²⁹ Immigration numbers reflected this decline, as Cuba only received only nineteen thousand five hundred Haitian immigrants from 1927 to 1929.⁴³⁰

The U.S. Tariff Commission, in 1930, found that U.S. investment in Cuba increased from fifty million dollars in 1898⁴³¹ to over six hundred and sixty million by 1930.⁴³² As the tentacles of U.S. corporations spread across the island, one Cuban commentator noted at the turn of the century: "All becomes mass, shapeless, collective and anonymous: the company, the sugar and the syndicate; mass of capitalists, mass of products, mass of workers."⁴³³ Latifundia spread across Cuba, and for that matter, the majority of the Caribbean, driven by U.S. capital investment. Over one third of Cuba's one hundred and fifty eight sugar mills were American owned. Collectively, five major U.S. corporations controlled over one point five million acres for sugarcane cultivation.⁴³⁴ Furthermore, corporations sought vertical consolidation of the industry.

⁴²⁷ John H Coatsworth, Alan M Taylor, and David Rockefeller Center for Latin American Studies, *Latin America and the World Economy Since 1800*; Alan Dye, "Why Did Cuban Cane Growers Lose Autonomy?, 1889-1929, (Cambridge, Mass.: Harvard University Press: David Rockefeller Center for Latin American Studies, 1998), p. 323.

⁴²⁸ Ibid, p. 326. Refer to Table 11.1.

⁴²⁹ Eric Eustace Williams, *From Columbus to Castro: The History of the Caribbean, 1492-1969*, 1st Vintage Books ed (New York: Vintage Books, 1984), p. 433.

⁴³⁰ Ayala, *The Sugar Kingdom*, p. 172. Refer to table 6.1.

⁴³¹ Franklin W. Knight, *The Caribbean: The Genesis of a Fragmented Nationalism*, 2nd ed (New York: Oxford University Press, 1990), p. 235.

⁴³² Williams, *From Columbus to Castro*, p. 434.

⁴³³ Ibid, p. 428.

⁴³⁴ Ibid, p. 429.

The Brookings Institution in Washington, D.C., argued in 1930 that “The highest cane and sugar yields per acre, the best qualities of cane, and the maximum recovery of sugar per ton of cane, are found in countries where all operations from plowing the field to bagging the sugar are under one management.”⁴³⁵

Fred I. Kent, the prominent American financier and Vice-President of the Bankers Trust Company discussed earlier, began a long speech demanding “more business in government and less government in business, speaking to the Finance Committee on Friday 23 March 1923.”⁴³⁶ “The present suffering in the world,” Kent continued, “is due to the interruption of business, which carries within it the production, transportation and distribution of all man’s requirements. Individually every man who produces, directly or indirectly, is a business man, but those who guide and control, because they have worked in to positions of trust, should use their experience and ability to solve the great problems of the day.”⁴³⁷

Businessmen and the actions of businessmen were to be trusted to right the globe’s economic ship in Kent’s estimation. Simply because they were businessmen, especially “those who guide and control,” they are to be “trusted” to not only ameliorate global economic conditions, but to also act as leaders in government. Furthermore, though Kent labels “producers” as “businessmen,” he clearly delineates the average worker from the more sophisticated and trustworthy entrepreneur. As we have seen, the average laborer, from the standpoint of the businessman and thus the ICC, could not be trusted.

Kent had long spoken out against politicians and their perceived meddling in international business affairs. In a 1923 *New York Times* piece, Kent was indicated as one of the

⁴³⁵ Ibid.

⁴³⁶ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, p. 138.

⁴³⁷ Ibid, p. 144.

prominent international businessmen who believed “leadership in international affairs must be taken from politicians and soldiers and placed in the care of financial experts and economists.”⁴³⁸

Dr. G. Vissering, who was President of the Netherlands Bank of Amsterdam, was also cited in the article, arguing that “due to the obstinacy of many countries in ridding themselves of politicians as leaders and substituting businessmen, there has been a steady depreciation in the value of foreign currencies. Politicians and soldiers,” Vissering argued, “should no longer rule the world; they should yield their places to economists and business people of every-day life.”⁴³⁹

The businessmen of the ICC viewed themselves as a class above the rest. They believed that by abiding to the interests of business, and hence production, this would somehow trickle down to the working and poorer classes. Yet, in numerous examples indicated throughout this thesis, they often relied upon government assistance and “politicians,” when corporate interests could not easily be ascertained.

ICC delegates believed they spoke for the interests of people in every country. Sir Felix Schuster, a prominent British banker and financier who lauded Kent’s speech, spoke after Kent on 23 March 1923. The ICC, Schuster claimed, “speaks not for one class; but for all classes. It speaks especially for that class which has suffered most, for the working people of the world who have suffered and are suffering more than others from the effects of the war. It is for these men especially that we desire to promote trade and industry and commerce.”⁴⁴⁰ Yet, in the same conference, as mentioned above, members agreed upon the dangers of “the organizations of men.” They argued for more output per individual worker, which would actually negate

⁴³⁸ New York Times, “Want Economists to Lead Nation: Oust Politicians and Soldiers From...,” *New York Times*, May 6, 1923, ProQuest Historical Newspapers.

⁴³⁹ Ibid.

⁴⁴⁰ International Chamber of Commerce, *Proceedings of the Second Congress (Rome--March 18-24, 1923)*, pp. 146-147.

employment for numerous laborers. The ICC's ambitions for economic reinvigoration not only conflicted with labor unions, but with laborers themselves. For the ICC, production in the name of capital accumulation, at any cost, was sacrosanct.

Typically, we think of labor as fixed to a geographical locale while capital is, by its very nature, mobile. Corporations move to regions of the globe in which production can be accomplished at the lowest possible cost. And indeed, this was true, to an extent, in the Caribbean. Cuba, the Dominican Republic, and other Caribbean, Central American and South American countries became economically strategic locations not only for sugar production, but also banana production, railroad construction, electricity production, banking and investment and more. However, these predominantly U.S. corporations relied upon the movement of peoples in the Caribbean seeking work as well as the U.S. government and military establishment. ICC participants received exactly the type of production and worker efficiency they had so adamantly advocated for during the first half of the 1920s, regardless of the personal costs to migrant and indigenous laborers.

6 CONCLUSION

This dissertation has focused upon the International Chamber of Commerce from its inception in 1919 to the 1925 Brussels Conference. I have limited the focus to this particular set of years for a few key reasons. The year 1919 offered an opportunity for international organizations to develop, in the ashes of the Great War, a fresh approach to international relations. It was a chance for the Allied powers to realize past errors that caused the Great War and the economic depression of 1920-1921. Instead, the ICC, as well as the League of Nations, remained steadfast in its commitment to prewar maxims including the maintenance of the social Darwinist imperial order, the gold standard, and the subjugation of the labor class. Allied state

intervention in the economic systems of the Middle East and Latin America, with tacit support from the ICC, remained cloaked in the rhetoric of free trade. ICC members were intertwined in politics, international banking and international business. Essentially, the ICC and the League were created in the mold of the long established political economic core mentalities of the American, British and French empires. The first three ICC sessions, then, show us that the die was cast for Allied, core trans-national political economic domination for the remainder of the 1920s.

The proceedings of the 1920 Organizational Conference and the subsequent three biennial ICC meetings show that the businessmen of the ICC remained resolute in their preconceived notions of racial and ethnic superiority, which translated into a continuation of the dominance of Western oriented industry and banking. These attitudes, then, formed the foundation of the ICC epistemology. ICC policy-making and resolutions were exacted through the lens of Western European and American jurisprudence, which was viewed as the only means by which the global economy, as they perceived it, could be repaired following the Great War and the severe recession of 1920-1921. Understandings of industrialization and modernization emanated solely from the staid traditions of the Allied core's political economic dominance.

Chapter one indicated that the ICC, and the League, was a culmination of nineteenth century Western European ideals of free trade and internationalization. ICC and League officials imagined themselves in a globalized world. In truth, the globe remained under the international political economic imperial tutelage of the Great War victors. The ICC and the League, by default, worked to maintain the imperial international order. Because the businessmen of the ICC believed they were part of a globalized order, they believed that they spoke for "every class." A close reading of the proceedings from 1919-1925, however, tells a different story. ICC

businessmen, with major political and banking ties, born in the midst of the late nineteenth century during which time the social Darwinist mindset was consolidated, helped to reinvigorate the pre-war political economic system. Although the Allied powers hoped to overcome the nationalist zeal that contributed to the cause of the Great War, they actually perpetuated a Trans-Atlantic, internationalist plutocracy. International organizations, like the ICC and the League, helped to convince corporate, political and economic leaders that they lived in a globalized world.

In the second chapter, we investigated the League Mandate System in the Middle East. Despite the ICC's supposed disdain of government interference, which it viewed as a hindrance to free trade, the organization remained silent in regard to British, French and American political, military and multinational corporate domination of the region. The ICC's numerous discussions in regard to bills of exchange, export credits and the maintenance of "global" free trade actually referred to interactions between the Allied powers. This, in turn, made the ICC's core motto, "peace through trade," ring hollow. The "merchants of peace" were actually agents of Allied international political hegemony.

The third chapter analyzed the ICC's conception of the reorganization of the global economic system in the wake of the Great War. Highly revered Allied bankers, who were key ICC members and participants, reinforced the pre-war gold parity as inviolable and the hallmark of a "civilized" economy. Bankers, with ICC support, molded the banking systems of peripheral nation-states to fit the Allied conception of a rational economic structure. Moreover, with Allied government assistance, MNCs, many of which were represented in the ICC, infiltrated and controlled various economic sectors, especially electricity and oil, in Latin America and the Middle East. The government-business relationship of the 1920s was symbiotic and intertwined

as numerous businessmen participated in a revolving door in which they interchangeably worked in political, banking and business circles. This was exemplified by the insistence of ICC delegates to receive government support from their respective governments to facilitate the development of the burgeoning automobile and airline industries.

Finally, chapter four considered the ICC's relationship with labor. Through the ICC proceedings, we saw the businessman's interpretation of modernity, which was then enforced through the medium of the Allied powers. Production, the ICC believed, was the panacea for any malaise in global trade. Businessmen spoke out against unionization, as worker rights took a back seat to output. Modernities that challenged the core, capitalist system, such as socialism and communism, which businessmen tied to organized labor, were viewed as dangerous and detrimental to production. Moreover, although the ICC did not approve of U.S. immigration restrictions, it said nothing in regard to U.S. political and military manipulation of migratory labor in the Caribbean and Central America since U.S. government interference in these regions maintained lower levels of worker pay and higher levels of production.

6.1 The Spirit of Locarno

The Allied political economic system showed signs of recovery by mid-decade. The value of the German mark finally stabilized after the astronomical hyperinflation that saw it reach four point two trillion to the dollar in late 1923.⁴⁴¹ Gustav Stresemann, the German chancellor, introduced a new currency, the Rentenmark, in November 1923, tying it to gold bonds. This instilled a renewed faith in German currency. The 1924 Dawes Plan, resoundingly supported by the ICC, discussed earlier, provided further stability by reducing Germany's

⁴⁴¹ Jeffrey A Frieden, *Global Capitalism : Its Fall and Rise in the Twentieth Century* (New York: W.W. Norton, 2007), p. 135.

reparation payments and reorganizing its national bank. Germany was reintroduced to the international community with its admission to the ICC in 1926 and the League of Nations in 1927. Perhaps unsurprisingly, Germany's first national chairman to the ICC was a prominent banker, Franz von Mendelssohn, who would later be elected president of the organization in 1931.

The Allied powers, and numerous other nation-states, by 1925, returned to the gold standard. Britain pegged its exchange rate to pre-war gold values, which greatly contributed to its unemployment rates of over ten percent for the entire decade.⁴⁴² Regardless, production for the last half of the 1920s, relative to pre-war 1913 levels, grew by one-fifth. The gold standard and production, two maxims held in high regard by the ICC, seemed to return the world economy to prosperity.

The fall of 1925 seemed promising on a diplomatic level as well. Britain, France, Germany, Italy and Belgium met in Locarno to settle controversial European border issues that had remained since Versailles. Germany, represented by Stresemann, accepted its western border with France and Belgium while also agreeing upon a permanent demilitarization of the Rhineland. Britain and Italy agreed to repel any invasions across the agreed upon western borders. Stresemann, as well as the other signatories of the Locarno Pact, however, refused to acknowledge Germany's eastern border with Poland. Nobel Peace Prizes were awarded to Stresemann and the French and British delegates, Aristide Briande and Austen Chamberlain, respectively. "In the glow of improved relations with the West, few people cared to notice that Germany's eastern frontiers, and Germany's eastern policy, had been left open to revision."⁴⁴³

⁴⁴² Ibid, p. 139.

⁴⁴³ Norman Davies, *Europe: A History* (Oxford ; New York: Oxford University Press, 1996), p. 942.

The “revisions” would later be made through conciliatory agreements with Adolf Hitler in the 1930s and war by the 1940s.

The illusion of peace was captured by prominent U.S. banker and ICC representative Thomas Lamont, who addressed the ICC in May 1927. He concluded that “men of sobriety and judgment, experienced and schooled in the world of politics, declare that Locarno means the permanent appeasement of Europe [and] a new era...there will never again be any great cataclysm on the continent of Europe...within the lifetime of our youth war will have become as outworn as witchcraft, slavery and dueling.”⁴⁴⁴ Lamont, like his ICC colleagues, was convinced that the diplomatic peace of Locarno, and the supposed economic peace that would come with Germany’s admission to the ICC and the League, which was assumed to open European channels of trade, would prevent war.

Numerous fault lines remained, however, within the Allied relationship and in the political economic international community. The U.S. remained adamant that Britain and France repay loans granted them during the war. In Lamont’s report, mentioned above, he fastidiously described the loan amounts granted by the U.S. and its bankers to European, Latin American and Asian nation-states. Lamont described, for instance, U.S. loans to Nicaragua, whose government and economy were dominated by the U.S. as we saw in chapter four. Boastfully, Lamont proclaimed “it is only fair to say that American banking guidance of Nicaragua’s financial affairs caused business there to grow and prosper. American commercial interests as now exist in Nicaragua are the result of these American bankers having put the country on a gold basis...and having rehabilitated the national railroads...and the industrial needs of the country.”⁴⁴⁵ In regard

⁴⁴⁴ Thomas Lamont, *America’s Foreign Investments: Remarks of Thomas W. Lamont of J. P. Morgan & Co.*, May 2, 1927, Northwestern University, Deering Library, p. 18.

⁴⁴⁵ *Ibid.*, p. 4.

to Europe, Lamont pointed out that “European currencies, stabilized [by gold],” would soon be strong enough to permit “capital” to “return home” and thus “diminish the demand upon America for foreign loans.”⁴⁴⁶ The belief in the superiority and infallibility of pre-war Allied social, political and economic systems remained.

Alternative models to the Allied political economic system, however, emerged throughout the 1920s. Italy fell victim to Mussolini’s fascist state by 1923. Though ICC businessmen praised his regime during the 1923 Rome Conference because of its control of labor, the imperial characteristics of fascism could not, over the long term, meld with the Allied international capitalist model. Politically, the Locarno agreement alienated the nascent state of Poland by not setting Germany’s eastern border. From an economic standpoint, despite Kemmerer’s efforts to rectify the Polish banking system, corrupt officials serving in Wladyslaw Grabski’s government contributed to an economic crisis that gripped the country by the end of 1925 leading officials to nationalize the banking system. Empowered by the corruption of the previous regime, fascists came to power in 1926 under Jozef Pilsudski.

The Allied gold standard mentality played a central role in the global economic meltdown after 1929. Recall our chapter three discussion of the gold standard mentality, advocated vociferously by the ICC and its cohort of bankers following the war, which turned the “stability of currency into a popular myth,” causing an overwhelming fear of inflation.⁴⁴⁷ By the end of the 1920s, central and southern European nation-states such as Poland, Romania, Yugoslavia, Czechoslovakia, Bulgaria, and Italy, many of whom had borrowed heavily from British and American banking systems, which controlled most of the globe’s gold supply, were

⁴⁴⁶ Ibid, p. 15.

⁴⁴⁷ C. H. Feinstein, *The European Economy Between the Wars* (Oxford ; New York: Oxford University Press, 1997), p. 100.

obliged to nationalize their banking systems “when the inflow of foreign capital ceased.”⁴⁴⁸ The Allied financial system, reliant upon the gold standard, left banking systems that were reliant upon money from abroad, half of Germany’s bank deposits, for example, belonged to foreign investors, vulnerable to investors pulling their money out of the system.⁴⁴⁹ The Allied international political economic system, reliant upon not only the gold standard but also the leadership of U.S., British and French politicians, bankers and businessmen, collapsed upon itself once the Allied powers turned inward to protect their domestic interests while investors, shocked by the market crash, cashed in their foreign bonds. The fascist contagion, which seemed more stable than the Allied gold-backed system, spread globally by the late 1920s and early 1930s, gripping the aforementioned nation-states as well as Germany, Spain, Japan and various Latin American countries.

It is important to recall that ICC participants were a product of their era. ICC businessmen were born and raised in the late nineteenth century, when ideals of social Darwinist, Anglo-Saxon superiority reigned supreme. The Great War rattled the European imperial system, but did not destroy it. Government nationalization of industries and abandonment of the gold standard during the war defied long established economic mindsets that preached the liberalist, free market order. The disruptions caused by the Great War had no historical comparison. Thus, the only way to repair the world, for the men of the ICC, was to regenerate the previous political economic order.

There were, however, some key differences to the rejuvenated imperial order. The League and ICC, despite their original exclusivity, offered an opportunity, over the duration of the 1920s and 1930s, for non-Allied nation-states to participate in international organizations.

⁴⁴⁸ Ibid.

⁴⁴⁹ Frieden, *Global Capitalism*, p. 183.

For example, though ICC leadership positions were filled by Western European and American leaders for the duration of the 1920s, the organization offered seats to delegates from countries such as Cuba, Peru, Mexico, Latvia, Lithuania, Japan and others out of a basic desire of individual businessmen to meet with other businessmen. In this sense, then, the ICC cut through the artificial barrier of borders in an effort to create individual business connections and markets. It is important to bear in mind that although the aforementioned non-Western countries did not hold leadership positions and therefore did not partake in official deliberations, they likely held unofficial, impromptu discussions with various businessmen of various nationalities. Despite the ICC's strong, parochial commitment to Allied jurisprudence and imperialism, the desire for profit, on an individual level, created potential ties that would expand regardless of nation-state aspirations.

The ICC was part of the post-war process of transferring the nationalist project to a systematized, international project rooted in organizations such as the ICC and the League. Prior to the Great War, the imperial order, in an economic sense, was an international, post-mercantile, proto-capitalist competition between rival, sovereign powers. I use the term proto-capitalist here because of the lack of a truly global free market, as discussed in this dissertation, during the nineteenth century imperial era. The British, French, Germans, Italians, Belgians and others competed to control vast swathes of territory, which led, in part, to the Great War. Following the Great War, there was a realization amongst the core powers of a need for systemization and organization on an international scale to avoid the nationalist, political economic competition that contributed to the causes of the Great War. The ICC's core belief that trade generated peace fit the Allied internationalization project. Within the international framework, however, the core powers, the U.S., Britain and France, sought to maintain their core status. Thus, the sovereign

British, French and American nation-states coalesced around Allied nation-state mentalities rather than the actual empowerment of international organizations.

Control, as it had been prior, was an inherent facet of the post-war international system. The system, however, developed new characteristics. It consisted of the League and the ICC, with the League as an international diplomatic public platform and lever. The ICC was the international platform for economic discussion, which received a great deal of economic leverage, as in the power to manipulate economic policy, through the medium of the League. Within the halls of ICC meetings, businessmen, bankers and politicians were able to share ideas and propose legislation that could facilitate international trade. The League and ICC provided an international platform for discussion on a scheduled, recurring basis as opposed to the prior era, which relied upon ad hoc nation-state summits. From the standpoint of the ICC, biennial meetings guaranteed that men of business would discuss and share ideas.

The imperial project, however, remained. The League and the ICC were controlled by representatives of the Allied powers. The international economic system they wished to create revolved around a rejuvenation of the gold standard. This required, from the Allied standpoint, the manipulation of peripheral banking and economic systems to fit the Allied fiduciary model, as we saw in chapter three. The post-war system also required the sequestration of labor in the name of production. Hence, the heated ICC discussions regarding flag discrimination and the free movement of migrants as well as the ICC disdain for labor unions. The existence of the League and the ICC contributed to the illusion of a globalized system. It was, in reality, core international control under the guise of free market globalization.

The political economy of the 1920s, and the roles played by the ICC and the League in its functioning, is not far removed from the neoliberal economic model that dominates today's

global economy, according to some economists, political scientists and historians. Marxist geographer David Harvey contends that neoliberalism emerged in the late 1970s and early 1980s under the tutelage of Ronald Reagan, Margaret Thatcher and Deng Xiaoping. Neoliberalism “proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.”⁴⁵⁰ The neoliberal model assumes that the privatization of industry in conjunction with a decreased tax burden on the wealthy will permit the wealthy to create more job opportunities in the private sector. This model actually creates a system of “accumulation by dispossession,” as public ownership of land and wealth is transferred to private capitalists. The capitalists then use what has become their property for profit maximization.

Neoliberal policies work to redistribute wealth to the world’s top ten percent while leaving millions unemployed and in poverty. Non-elected institutions such as the U.S. Federal Reserve, upholding the dollar as the international standard currency, work to serve the interests of the wealthy. Moreover, calls for market liberalization by the U.S. or global institutions such as the World Trade Organization (WTO) and the International Monetary Fund (IMF), collectively referred to as the Washington Consensus, often have major negative repercussions for the poor, neoliberalism contends, since the U.S., the majority stock holder of the IMF, continues to subsidize its own agricultural sector. Neoliberalism is itself a sort of international subsidization system for the wealthy, undercutting the poor and middle classes.

My goal is not to debate whether or not a neoliberal system exists. Rather, I contend that the neoliberalist argument has deeper historical similarities to the projects embraced by the ICC in the 1920s. Consider, for example, the ICC’s focus upon the creation of an international patent

⁴⁵⁰ David Harvey, *A Brief History of Neoliberalism* (Oxford; New York: Oxford University Press, 2007), p. 2.

system and library for documentation and record maintenance to protect intellectual property. This was, arguably, a predecessor of the 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPPS), administered by the World Trade Organization (WTO). Harvey contends that this agreement granted over-reaching powers to the WTO to define intellectual property rights. The WTO's definition of "genetic materials" and "seed plasmas" permits monopolistic enterprises, namely pharmaceutical companies, to extract natural resources from public domains, using cheap labor. The companies privatize said resources, gain intellectual ownership rights and then charge rents for use. This system, which Harvey deridingly refers to as "biopiracy," benefits "a few large pharmaceutical companies" at the expense of the public domain.⁴⁵¹

Neoliberalism's argument that organizations such as the IMF and WTO, dominated by the Washington Consensus, spread economic liberty, echoes the ICC's message that free trade harbors global peace. The IMF's incursion into the Southeast Asian economic crisis of 1997-1998, which led to severe economic consequences for the region, sounds similar to the Allied banking missions of the 1920s in central Europe and Latin America. The Thai Baht collapsed in 1997, sending a once prosperous region of the planet into a precipitous economic decline. The IMF offered to assist Thailand and other affected states including Malaysia, Cambodia, Taiwan and others. However, the IMF insisted upon the privatization of Southeast Asian industries and laissez-faire government practices. This was problematic for countries such as Thailand, whose economic success during the 1990's had been achieved in large part due to government facilitation of economic interactions and employment. The quick privatization of industries in the region, specifically in Thailand, led to capital flight as investors immediately began speculating

⁴⁵¹ Ibid, p. 160.

on Southeast Asian currencies, buying and selling at a rapid pace, draining the region of hard currency. Because Thailand and other countries in the region had under-developed banking and stock exchange institutions, they were ill-prepared for the onslaught of market traders.

Inevitably, the economies crashed as unemployment soared.⁴⁵²

The ICC was a product of its era. The businessmen who began the organization in 1919 believed that they could restore the world to peace and prosperity following the chaos of the Great War. The ICC proceedings provide an intimate view of the businessman's and the banker's understanding of not only the 1920s political economy, but also the Great Depression. Nationalism, considered a root cause of the Great War, remained a potent force following the war, but in a new form—it had transitioned into a form of Allied interstate nationalism, perpetuated through organizations such as the ICC and the League of Nations. Allied social Darwinist myopia determined who could and who could not participate in the core system. This contributed to nation-states turning to alternative systems such as fascism once the Allied system collapsed by the dawn of the 1930s.

6.2 Epilogue

We know, of course, that within five years of Lamont's 1927 report, mentioned above, which discussed the stability brought to Latin American economies and European currencies by Allied bankers, the world was immersed in the worst economic depression in human history. The ICC's reaction to the Depression, however, offers a perspective that historians are yet to address. We will see that the organization remained dedicated to its core philosophies of free trade as a harbinger of peace and the maintenance of the Allied political economic order. Because of the organization's adherence to its core philosophies, including the superiority of Allied

⁴⁵² Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W.W. Norton, 2003).

jurisprudence, production as a panacea, the control of labor and adherence to the gold standard, the organization struggled to come to terms with the crisis of international capitalism that came about after the 1929 Stock Market Crash and the ensuing Great Depression.

The 1927 and 1929 meetings, in Stockholm and Amsterdam, respectively, lay outside the purview of this study. However, let us briefly summarize them below in an effort to show the continuation of the ICC's political economic outlook for the remainder of the 1920s. The ICC's allegiance to production, the gold standard, and its imagined version of free trade, each of which was bolstered by the organization's embedded sense of Anglo-Saxon superiority, left the organization blinded to the systemic problems that would contribute to the Great Depression.

6.2.1 Stockholm

Trade barriers were the paramount issue of the 1927 Stockholm conference. The agenda provided to the American delegation two months before the late July 1927 conference, included a rather telling phrase: "A departure will be made from the usual practice to the extent that, with the exception of the Trade Barriers group, the other sections will not have a regular chairman and officers."⁴⁵³ The "usual practice" for the ICC involved the assignment of chairmen and officers for each committee in order to facilitate deliberation. The other committees, the aforementioned statement seems to indicate, were not as critical. Moreover, Etienne Clémentel, the highly respected first president of the ICC who stepped down after the 1923 Rome conference, returned to chair the Trade Barriers Committee, showing us once again the importance of the committee.

Prior to the Stockholm conference, the League of Nations sponsored an economic and financial conference in Geneva in 1926, as a prelude to the League's larger World Economic

⁴⁵³ International Chamber of Commerce, *Fourth General Meeting of the International Chamber of Commerce: Information for the American Delegation*, Agenda, (June 1, 1927), p. 9.

Conference to be held in Geneva on 4 May 1927. The ICC, as the chief economic advisement body to the League, issued the “Report of the Trade Barriers Committee.” Prominent British banker and former 1925 ICC chairman Walter Leaf stated: “The capacity for production exists, and is generally much larger than in prewar times; but the products are stagnating because they are refused...by foreign tariffs and trade barriers.”⁴⁵⁴ Leaf argued that tariffs, or, as he labeled them, “artificial restrictions on human efficacy,” created “unemployment, stagnation of industry,” and a lowering of “the whole standard of living.”⁴⁵⁵ In 1921 the British Parliament passed the Safeguarding of Industries Act. The U.S. issued the Fordney-McCumber Tariff in 1922. These tariffs, however, “taxed only a small number of commodities,” which affected no “more than 2 to 3 per cent of imports.”⁴⁵⁶

Most telling was Leaf’s statement regarding production. The “refusal” of products, in Leaf’s estimation, was the fundamental issue for the world economy. This is problematic for two reasons. First, Leaf’s assertions regarding commerce and standards of living referred only to trade and living conditions between and amongst the Allied powers. The myopic ICC world view, established at its birth, remained. Perhaps more troubling, however, was Leaf’s, and for that matter, the ICC’s, adherence to production as a panacea for global economic health. Production, naturally, requires demand. The purchase of new cars and “household consumer goods,” in the U.S., was stagnant by the latter half of the 1920s.⁴⁵⁷ As European industries

⁴⁵⁴ ICC, “Report of the Trade Barriers Committee of the International Chamber of Commerce,” *At Head of Title: C.E.I.5. League of Nations. Economic and Financial Section. International Economic Conference, Geneva, May 4th, 1927. Documentation. Publications of the League of Nations. II. Economic and Financial. 1926. II. 62. Étienne Clementel, Chairman. Published Also as International Chamber of Commerce. Brochure No. 44, and Later as C.E.I.5 (1) with Title: ... Final Report of the Trade Barriers Committee [New Enlarged Edition Which Cancels and Replaces C.E.I.5], May 4, 1927, p. 33.*

⁴⁵⁵ *Ibid.*

⁴⁵⁶ James Foreman-Peck, *A History of the World Economy: International Economic Relations Since 1850* (Totowa, N.J.: Barnes & Noble, 1983), pp. 193-194.

⁴⁵⁷ Eric Foner, *Give Me Liberty!. an American History Volume 2, from 1865* (New York: W.W. Norton, 2011), p. 849.

recovered from the Great War, European demand for American products decreased. Moreover, as industries, in both the manufacturing and agricultural sectors, continued to produce (or, overproduce), wages for the average worker remained stationary. Wealth, in the U.S., remained concentrated in the hands of the top ten percent of the population.

Owen Young, the head of the American delegation, conveyed a similar message during the 1927 Stockholm conference, arguing that “the most significant pronouncement of the congress was its declaration that the object to be sought was the largest and most economical production and distribution of goods and services to all peoples—that trade was not an end in itself but only a means to enable people to produce more and buy more, and thereby raise their standards of living.”⁴⁵⁸ Young, who would be recognized as *Time Magazine*’s “man of the year” for engineering the Young Plan to reduce Germany’s reparations burden in late 1929, identified production as beneficial for business and the worker. The late 1920s, however, were marked by a period of “overproduction in primary products.”⁴⁵⁹ Furthermore, as was typical of ICC businessmen for the duration of the 1920s, Young argued that “all peoples” would reap the benefits of production.

The wealthy British steel magnate and frequent British ICC representative Arthur Balfour, discussed in chapter three, published an article discussing the ICC and its recent endeavors in November 1927 for the *Annals of the American Academy of Political and Social Science*. The ICC, Balfour insisted, “has no connection with any government.”⁴⁶⁰ As we have seen, this was a half-truth. The ICC did not, of course, have legislative or executive powers on an

⁴⁵⁸ George Ridgeway, *Merchants of Peace* (Little, Brown and Company, 1959), p. 101.

⁴⁵⁹ Charles Poor Kindleberger, *The World in Depression, 1929-1939*, Rev. and enl. ed., *History of the World Economy in the Twentieth Century*, v. 4 (Berkeley: University of California Press, 1986), p. 290.

⁴⁶⁰ Arthur Balfour, “Europe in 1927: An Economic Survey,” *Annals of the American Academy of Political Science* 134, no. Europe in 1927: An Economic Survey (November 1927): 124–31, p. 125.

international level. Realistically, this can be said of most international organizations, whose parts, consisting of nation-states, are more powerful than the whole, the international organization, in the global anarchy of nation-state interests. The ICC, however, was infused with businessmen with intricate political connections as we have seen in previous chapters.

Balfour also, in an effort to show the ICC's inclusiveness, discussed the increased participation of nation-states. The first ICC gathering, Balfour stated, consisted of only Belgium, France, Britain, Italy and the U.S. He indicated that by 1927 there were twenty-four National Committees, including "Indo-China and the Kingdom of the Serbs, Croats and Slovenes." Indo-China, however, remained under the colonial control of France. Furthermore, only National Committees were permitted to speak during ICC proceedings. Though Latin American nation-states such as Argentina, Brazil, Cuba, Guatemala and Haiti had "organization member" status, they were not granted debate or speaking privileges. U.S. and MNC political economic domination of these regions, detailed in chapters three and four, speaks in large part, I have argued, to the exclusion of these nation-states from "National Committee" status.

Currency and trade barriers were also addressed by Balfour. He reemphasized the importance of the gold standard, arguing "the stabilization of currencies on a gold basis should be the ultimate goal."⁴⁶¹ In regard to trade, Balfour argued that the ICC, "international in its character and outlook, has always realized that the needs as well as the national economic opinion of individual countries must be considered if success in the international field is to be attained." Nation-states, Balfour stressed, needed to be permitted to develop their "own powers of production," since "relations of one country towards other foreign countries" is dependent upon a country's "own material prosperity." However, Balfour warned, "there has been a

⁴⁶¹ Ibid, p. 127.

[dangerous] post-war desire on the part of almost every nation to become self-supporting, and this has induced several countries to seek to develop industries for which they are not economically or geographically suited.”⁴⁶²

Based on the analysis presented in the previous chapters, we can hypothesize that Balfour’s use of the term “international” refers to the trans-Atlantic American and Western European relationship, rather than “every nation.” Nation-states in Latin America and the Middle East were not permitted to develop their “own material prosperity,” as we read in chapters two and three. Moreover, Balfour’s reference to “economically and geographically” unsuited nation-states likely alluded to Latin America. Their efforts to become “self-supporting,” or a process economists call import substitution industrialization, spread across Latin America by the 1930s as many nation-states in that region sought to stabilize their import-export imbalances caused, in large part, by European and American political economic imperial endeavors, and the eventual crash thereof, which were, as we have seen, tacitly supported by the ICC.

Finally, Balfour reiterated the ICC motto “trade creates peace,” arguing that “the maintenance of world peace depends largely upon the principles on which the economic policies of nations are formed and executed.”⁴⁶³ The ICC, Balfour boasted, would continue to play a central role in the elimination of “the economic difficulties which cause friction and misunderstanding.”⁴⁶⁴ The elimination of “friction and misunderstanding,” or, in other words, trade barriers and unfair competition, would, in Balfour’s estimation, prevent another global conflict. Additionally, the ICC was, according to Balfour, “directed towards the increase of

⁴⁶² Ibid.

⁴⁶³ Ibid, p. 130.

⁴⁶⁴ Ibid.

material wealth,” which would, by default, improve “the conditions of the workers of the world” and inherently “maintain or improve the standard of living” for all.⁴⁶⁵

For the duration of the 1920s, however, the ICC did not work to alleviate “friction and misunderstanding” in Latin American and Middle Eastern nation-states. As the previous pages have laid bare, the ICC implicitly supported British, American and French political, economic and military domination of these regions. MNCs, whose agents represented ICC national delegations and participated in ICC committees, worked with their respective governments to manipulate labor and politics in the aforementioned regions, validating their activities in the discourse of Western superiority. “The workers of the world” were, at best, secondary to production and profit. These political and economic realities made the ICC motto ring hollow. Perhaps it was actually peace that was the augury of trade.

6.2.2 *Amsterdam*

The ICC’s Fifth General Congress met in Amsterdam from 8-13 July 1929, just three months before the “crash” of the American stock market. Once again, trade barriers served as the major point of contention. The Economic Committee, which assembled in the summer of 1928, prepared an economic report for the 1929 General Congress. The committee’s report called for nation-states “to put an end to a series of abnormal practices which developed particularly after the war and constitute a serious obstacle to international trade.”⁴⁶⁶ This was in response to ruminations in the American Congress in the summer of 1928 to increase farm subsidies as well as 1928 presidential candidate Herbert Hoover’s calls for agricultural tariff legislation. By May of 1929, the U.S. Congress debated an increase in tariffs that would become the 1930 Smoot-

⁴⁶⁵ Ibid, pp. 130-131.

⁴⁶⁶ Ridgeway, *Merchants of Peace*, p. 109.

Hawley Tariff, increasing taxes on both agricultural and industrial imports. During the ICC Amsterdam conference on 8 July 1929, the ICC president Georges Theunis, in his opening address, “made a friendly gesture toward the American delegates,” stating “we cannot deal here with particular states” in regard to their tariff policies.⁴⁶⁷ ICC participants were convinced that tariffs were the ultimate hindrance to global trade.

For the first time since its inception, the ICC, during its 1929 conference, addressed the topic of real wages. The 1929 list of “Resolutions” stated: “Modern industry, by large capital ventures in machine and power equipment, directly increases the productivity of the worker. The value of that productivity, both by natural economic competition and by far-seeing management, is widely shared through increased real wages and reasonable hours of labor.”⁴⁶⁸ However, this was not a demand for an increase in real wages. Rather, it was an acknowledgement of an increase in real wages. Conversely, statistics from the era show a different reality. Between 1925 and 1929, per capita income and production decreased, most especially in the U.S., but also in Britain, France, and Germany.⁴⁶⁹ The businessmen of the ICC, as had been their practice, assumed that modernity and thus production were harbingers of worker contentment and higher standards of living.

In October of 1929, however, disaster struck with the “Crash” of the New York Stock Market Exchange. On Tuesday 29 October, over 16,410,000 shares were bought and sold, which would remain a record for nearly forty years.⁴⁷⁰ The worst economic depression in recorded

⁴⁶⁷ New York Times, “Not Mentioning But Meaning,” *New York Times*, July 9, 1929, ProQuest Historical Newspapers.

⁴⁶⁸ ICC, “Fifth General Congress, International Chamber of Commerce; Resolutions, The Netherlands, July 8-13, 1929.,” [*Washington, D.C., American Section, International Chamber of Commerce, 1929*]., no. 5th general congress, International chamber of commerce, resolutions (July 8, 1929), p. 52.

⁴⁶⁹ Rondo E. Cameron, *A Concise Economic History of the World: From Paleolithic Times to the Present* (New York: Oxford University Press, 1989), p. 357.

⁴⁷⁰ Kennedy, *ibid.*, p. 38.

human history followed, lasting for the duration of the 1930s. However, few Americans were affected by the Crash itself as only an estimated two and a half percent of Americans actually owned shares in 1929.⁴⁷¹ The Crash did not invariably cause what would become the Great Depression. Indeed, it was the reactions of bankers, merchants and governments that contributed to the downward spiral. The 1931 ICC conference, held in Washington, D.C., provides a glimpse into the organization's interpretation of events.

6.2.3 *Washington, D.C.*

Herbert Hoover gave the opening address before the 1931 ICC Conference in Washington, D.C. on 4 May 1931. "This depression," Hoover stated, "is no doubt contributed to by many very important, immediate, economic causes to which each of you will give different weight, but I believe you will all agree with me that the destruction of life and property, the great tax burdens, and the social and political instability which resulted from the Great War have had large responsibility in its origins."⁴⁷² After referring once again to the Great War as the root cause of the economic problems of 1931, Hoover lent the remainder of his speech to a call for arms limitations. "The world expenditure on all arms," Hoover lamented, "is now nearly five billions of dollars yearly, an increase of about 70 percent over that previous to the Great War." Militarization, Hoover argued, created fear and "all forms of instability, whether they be social, political, or economic."

It is likely that Hoover consigned the heart of his oration to armament control rather than challenging the businessmen of the ICC to address the causes of the Depression, which Hoover

⁴⁷¹ David Cannadine, *Mellon: An American Life*, 1st ed (New York: A.A. Knopf, 2006), p. 391.

⁴⁷² Herbert Hoover, "Address to the International Chamber of Commerce" (presented at the Washington Conference, Washington, D.C. USA, May 4, 1931), The American Presidency Project <http://www.presidency.ucsb.edu/ws/?pid=22641>.

relegated to the Great War, because many international businessmen, including some from America, viewed the U.S. as a root cause of the global economic disorder. Hoover, after all, was an advocate of the Smoot-Hawley tariff, despised by European businessmen and the ICC. Granted, numerous countries were militarizing at an alarming rate. However, it seems that Hoover, a businessman with close ties to American bankers and fellow businessmen, would ask the bankers and businessmen of the ICC to work on specific economic issues that caused the Depression.

The American media exposed another potential reason for Hoover's lack of insight and direction. An editorial in *The Nation* reported that the ICC delegates "found themselves blocked at almost every turn by the influence of the United States government," which "warned" them "to go easy on the question of tariffs, on debts and reparations, and on the gold problem."⁴⁷³ It was reported that "the entire conference was emasculated," and resolutions were "weak" and essentially meaningless. The U.S., the editorial proclaimed, continued "to refuse to face obvious facts; we are trying to ignore our partial responsibility for the crisis and are still cherishing the delusion that we can recover...while the rest of the world...drifts toward violent social change."⁴⁷⁴

The public, it seemed, had lost faith in the businessmen of the ICC. An editorial by Homer Hudson in *The New Republic* sardonically referred to the delegates in attendance at the Washington Conference as "the laissez-faires." Hudson, with an oblique attack upon the participants' manhood, observed "an ineluctable creative impotence" amongst the businessmen that "seemed to paralyze the proceedings," making their resolutions "empty and sterile."⁴⁷⁵

⁴⁷³ "The United States Blocks the Way," *The Nation*, May 20, 1931, JSTOR.

⁴⁷⁴ *Ibid.*

⁴⁷⁵ Homer Hudson, "America Sits on the Lid," *The New Republic*, May 27, 1931, EBSCO.

Hudson especially lambasted the American delegation, stating that their “picayune personalities” and blocking tactics hindered “forceful men, like Pirelli of Italy and Balfour of England.”

Regardless of American intransigence, Hudson argued, “it was perhaps impossible to expect very much from a mass of bewildered businessmen from abroad whose governments are sitting on volcanoes and preparing for war to escape internal explosions.”⁴⁷⁶ Granted, *The Nation* and *The New Republic* were leftist publications. Thus, they did not speak for the public as a whole. It is difficult, however, to ignore or deny the authors’ untrustworthy and weary tone toward the ICC businessmen and their free market beliefs.

On 5 May 1931, a day after Hoover’s uninspiring opening speech, the ICC summoned prominent banker Melvin A. Traylor, President of the First National Bank of Chicago and the First Union Trust and Savings Bank, to clarify, from a banking perspective, the causes of the global economic downturn. His address, entitled “The Human Element in Crises,” claimed that financial officials “spoke of the possibility of a collapse of the boom, privately, not publicly,” as early as 1928.⁴⁷⁷ “We [financiers] must accept a large measure of responsibility for what took place in those years and the subsequent results,” Traylor claimed. However, Traylor spread blame further, arguing that responsibility “is not confined to financial leaders but rests equally upon leaders in every line of activity including industry, commerce, agriculture, and government.”⁴⁷⁸

Though Traylor recalled the negative economic effects of the Great War, the more immediate cause in his estimation involved the issue of gold. As Traylor pointed out, some economists and financiers in 1930 and 1931 argued that “the maldistribution [sic] of gold

⁴⁷⁶ Ibid.

⁴⁷⁷ Melvin Traylor, *The Human Element in Crisis*, Address (International Chamber of Commerce Meeting, Washington, D. C.: International Chamber of Commerce, May 5, 1931), World Cat, p. 3.

⁴⁷⁸ Ibid, p. 4.

supplies was the cause of declining price levels.” In response to critics who related “gold to recent price declines,” Traylor argued: “It seems to me that some of the critics are unfair to gold, as apparently they would have it sustain a price structure in the making of which gold had little or no part.” The real problem, in Traylor’s estimation, was not the gold standard itself, but rather the use of “fiat credit” not based or “erected upon a gold basis” and a “nearly complete abandonment of the gold base.”⁴⁷⁹ An abandonment of gold, Traylor argued, would lead to “a revival of the old campaign for bimetallism or fiat issues of other types,” which would only work to hinder economic recovery or worsen global economic conditions.

Traylor then turned his focus to the “human side of the problem.” He showed the myopic Allied focus that characterized the ICC as well as global financial dealings throughout the 1920s, stating: “I am assuming that human conduct has differed little in most countries of the world.”⁴⁸⁰ Global markets, however, were dominated by the Allied powers. Indeed, other countries in regions such as Latin America, most of Africa and Asia were under the financial sway and political economic manipulation of American and Western European credit and financial interests. Regardless, “the human side of the problem,” in Traylor’s estimation, emanated in part from a plethora of economic sectors including “leadership in industry, finance, agriculture, and government.”⁴⁸¹

From the standpoint of business leadership, Traylor argued: “Business leadership, had it read the barometer [during the 1920s just prior to the Crash] properly, should have noted the storm that was gathering and trimmed sail accordingly.” The “ambition for place, power, and profit,” he continued, “blinded leadership to the obvious dangers ahead and prevented the

⁴⁷⁹ Ibid, p. 6.

⁴⁸⁰ Ibid, p. 7.

⁴⁸¹ Ibid, p. 8.

preparation of a safe harbor against the hour of storm.”⁴⁸² Actual consumption of manufactured goods, for example automobiles and radios, was in decline after 1926. However, Traylor argued, “business leadership” continued to expand “its plant and equipment without considering the source of its temporary market.” U.S. automakers, for example, were producing “8,000,000 trucks and cars per annum, while recent estimates of the possible American market place it in the neighborhood of half that sum.” Furthermore, Traylor continued, financiers had “larger and larger demands” placed upon them to finance needless expansion of industry.⁴⁸³ During this process, Traylor claimed, “American financial leadership” and “government officials” remained silent. Finally, an ICC participant acknowledged the problem of over-production.

Traylor called for more government regulation and involvement. “The record of American financial leadership and of responsible government officials was a regrettable one of too much silence,” Traylor lamented.⁴⁸⁴ He urged that the Federal Reserve Board must work to “regulate to a reasonable extent the flow of credit,” otherwise “business stability is impossible.” Moreover, “floor trading” on the Stock Exchange, which amounts to “the characteristics of plain crap shooting,” must be abolished.⁴⁸⁵ He called for “the adoption of rules” to be used by the government, including surveillance of the Stock Exchange that would work to govern amounts traded on a daily basis. “The welfare of 120 million people,” he argued, “should not be sacrificed to the vested interests of any group, however large or small.”⁴⁸⁶ However, Traylor did not directly concern himself with the plight of labor. He argued against “the pernicious and seductive influence of so-called Federal aid for public improvements.”⁴⁸⁷ When governments seek a “cure”

⁴⁸² Ibid, p. 9.

⁴⁸³ Ibid, pp. 9-10.

⁴⁸⁴ Ibid, p. 11.

⁴⁸⁵ Ibid, p. 14.

⁴⁸⁶ Ibid, p. 15.

⁴⁸⁷ Ibid, p. 17.

for “economic ills,” Traylor warned, “State socialism with failure immeasurably worse has been the result.” Ironically, Traylor concluded: “Government cooperation is imperative, but leadership must come from business.”⁴⁸⁸

The renowned eighteenth century Conservative British politician Edmund Burke once stated: “Free trade is not based on utility, but on justice.” The businessmen and bankers of the ICC wished to incorporate justice into the practice of global trade in the 1920s. Free trade, they were certain, was a guarantor of world peace. However, their brand of “justice” came of age during the Western European and American imperial era. Their concept of a fair and objective international economic system was developed in a social Darwinist milieu that greatly contributed to a misconception of a globalized world, where *laissez faire*, free trade, and production were supposed harbingers of peace and stability. This mistaken assessment was inherited from decades of Western European and American ideological development and convention. The myopic Allied political economic system, constructed upon a faulty foundation, collapsed under the weight of the Great Depression and the rise of fascism. Despite the efforts of the business leaders and bankers of the ICC, Europe, and the rest of the world, fell into another world war by 1939. Indeed, as so often occurs throughout history, catastrophe was a prerequisite of change.

⁴⁸⁸ Ibid, p. 23.

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