1 Introduction: the business–government relationship

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Research on the political history and research on the business history of twentieth-century Europe frequently run in parallel, without making the important connections between them. A major example in business history has been the neglect, in Alfred D. Chandler's *Visible Hand* and *Scale and Scope* paradigms, of the role of government in corporate development.[1] In a great deal of historical work, accounts of corporate decision-making largely ignore the political process and, equally, in much political history it appears as if politicians shape economic and industrial policy in something of a vacuum. Of course, there is also a counter-tradition, a less abundant but growing literature that seeks to reveal the complex interactions between political institutions and economic institutions. Over the last forty years, indeed, in the academic lifetime of Alice Teichova, whom we honour in this volume, determined efforts have been made to explore the appropriate linkages, even if the results so far have been patchy and incomplete. As early as 1957, for example, Henry Ehrmann explored the role of organised business in France, focusing on the activities of employers' associations, and raising the question of the attitudes of business to the Vichy government.[2] In 1974 both Arthur Knight and Neville Abraham juxtaposed private enterprise and public intervention, with Knight referring to the experiences of the textile giant Courtaulds over the period 1962–70.[3] In the same year, Alice Teichova herself revealed the economic and business considerations underpinning the political 'settlement' at Munich in 1938.[4] More recently, Robert Boyce's *British Capitalism at the Crossroads* and Clemens Wurm's *Politics and Industrial Relations* have emphasised the complex, intricate interplay of the political and the business in the economic history of modern Europe.[5] There has also been a growing literature on the role of business at times of political crisis: for example, in relation to the hyperinflation of the 1920s – note in this context the work of Peter Lyth and Niall Ferguson[6] – and the rise of the fascist states in Europe – cf. the contributions in English of Henry Turner Jr., Harold James, Peter Hayes, Volker Berghahn and Richard Vinen, among others.[7] Moreover, while the writings of Marx and Hilferding may no longer possess the intellectual clout they did in the 1960s and 1970s, the connections they made between political economy and economic polity remain highly relevant for the history of twentieth-century Europe. The modern literature on 'corporatism' and 'governance', for example, raises issues of 'business' and 'state' in relation to competitive stability, industrial relations, social policy and the environment. The lessons to be drawn from this very brief literature review are that the business–politics interaction has been approached from a variety of positions, and analysed in a variety of ways. Thus there is research, exemplified by Teichova's *Munich* book, which shows how economic forces influenced and combined with political elements to influence political outcomes. Then there is work from a government perspective presenting businessmen as exogenous factors impacting on the political process. Finally, there is a body of literature which presents the reverse side of the canvas, with business institutions at the centre, and where the interventions and attempted interventions of political institutions are viewed as exogenous. In this volume the intention is to honour Alice Teichova by presenting new work on aspects covered in her distinguished and varied, multi-national and inter-disciplinary career. Many of the contributions were first presented at 'AT80', the Alice Teichova Appreciation Symposium organised by the Business History Unit and held at the London School of Economics on 21–23 September 2000. There can be no pretence at providing an exhaustive analysis of all the research issues for an entire continent. Rather the intention is to provide a coherent set of case studies, drawing on new research, much of it exploiting hitherto untapped materials.

Part I provides three very different ways of illuminating the government–business relationship, not only in contrasting locations, but also in countries which are often neglected in the broad sweep of writing on European history, namely Sweden, Austria and Ireland. In Håkan Lindgren's macro-economic review of Sweden's experience since industrialisation, the emergence of the 'Swedish model' of political economy in the 1930s is at centre stage. After a series of industrial conflicts between employers and workers, a 'middle way' emerged: a co-operative compact between business and labour–dominated governments which persisted into the 1970s, and in which 'power-sharing' and 'social engineering' replaced the 'blind man's buff' of the market. There were limits to this consensus, of course. There were lively debates in the 1950s and 1960s about the boundary between the public and private spheres, about macro-economic control mechanisms and centralised wage-bargaining. In the crisis-ridden climate of the 1970s the model began to break down. Structural weaknesses in Swedish industry, which were by no means unique, were aggravated by domestic economic policies. Sweden's experience has some resonance with other countries, not least the UK, but in this instance both the 'welfare economy' and the subsequent, painful retreat from it were distinctive. The 'Swedish model' reached its apogee with the 1975 scheme for 'collective wage-earner funds', a plan to transfer the ownership and control of firms to the unions, which threatened the very basis of capitalist organisation and encouraged a strong counter-reaction from the employers and the right.

Herbert Matis draws inspiration from Teichova's work on Central Europe, in which the economic background to the political decline of Central-Eastern European states during the inter-war period receives due emphasis. In her *Economic Background to Munich* she highlighted the importance of the growing rivalry between Western European (British, French, Dutch and Belgian) and German business and financial groups for control of the Czech economy. But Czechoslovakia was an exception, since in most of the successor states of the Habsburg Empire the infant democracies which followed the Treaty of Versailles were dismantled before the beginning of the Second World War. Matis shows that, in Austria, the history of the First Republic clearly demonstrates the important connections between economic decline and political destabilisation, on the one hand, and the loss of national independence, on the other. His review of the circumstances leading to the 'Anschluss' with Hitler's Germany in 1938 reveals that Austria, with its chronic economic problems, inferiority complex and inflexible macro-economic policies, became an easy target for the German Reich. Austria's politicians failed to cope with the challenge of inflation and unemployment, and their enthusiasm for strict monetary policies encouraged social unrest and political polarisation, which intensified after the emergence of a 'corporatist' government in 1933. The role of business leaders in this unhappy story is not a central concern of Matis's chapter. However, he does point out that from 1932 businessmen, frustrated with the government's failure to master the problems of the Great Depression, were drawn to National Socialism. This, it should be noted, applied to owners of both large and small businesses.

Philip Ollerenshaw's piece on the interplay between political aspirations and economic interests in Ireland in the 1920s is a further demonstration of the key issues of economic viability and political discord in the wake of the First World War. The battle between the overwhelmingly Catholic south and Protestant north-east, which culminated in the partition of the country in 1920 and the establishment of the Irish Free State in 1922, has been examined by others, of course. What is distinctive about Ollerenshaw's research is his focus on the impact on business enterprises of the intensifying struggle between the two sides. Ulster businessmen often found membership of the UK extremely advantageous and were prominent in the organisation and financing of militant unionism, which led ultimately to partition. Businessmen in the south tended to be more cautious and feared that partition would marginalise them in a largely agricultural economy. They supported dominion status for Ireland within the British Empire, but opposed partition. Ollerenshaw provides a concrete example of the way in which businesses were caught up in this major political upheaval. The boycott of Belfast and other northern businesses, supported by many in the new Dublin government, was a response to the expulsion of several thousand Catholics from their workplaces and homes in 1919 and early 1920. Aimed primarily at the distributing trade and the Belfast-based banks, the boycott had uneven results, although it gathered pace as political divisions widened and had long-term effects on north–south trade. Republicans produced black lists of firms with whom they were forbidden to deal, and white lists of firms with whom customers might trade. War and economic crisis played a significant role as a destabilising force and a solvent of ideas and attitudes in the three countries, and all demonstrate a 'business dilemma' during the inter-war years. In Ireland Ollerenshaw reveals the very real dilemmas for firms across the political and religious divide. In Austria, as Matis indicates, there was the impact of a more dramatic 'divide' – the collapse of the Habsburg Empire, compounded for business by the restrictive economic policies pursued by a 'corporatist' state and the attractions of fascism. For Sweden Lindgren's canvas is much broader, but he too shows the importance of external shocks – and in particular the post-war deflationary crisis of the early 1920s.

In Part II we address an area where governments and businessmen were often engaged in intense debate, namely banking and financial regulation. Ginette Kurgan's contribution on Belgian bankers charts the changing relationship between banks and political institutions in Belgium over the twentieth century. With so many prominent private bankers serving in parliament and even acting as ministers, and many parliamentarians serving on the boards of the joint-stock banks, the 'banking interest' was a strong one. The Société Générale may have removed its formalised links with politics after the First World War, but elsewhere the influence of leading bankers remained high, reaching a peak with the 'government of the bankers' of 1934–5.[8] The failure of this government's deflationary policies greatly damaged the reputation of bankers as macro-economic managers. Thereafter, banking reform became a major political preoccupation, and the standing of the major banks was further sullied by their relationship with the occupying Germans during the Second World War. The banking interest continued to exert an informal influence over government, for example in determining the regulatory environment, but mergers and internationalisation produced further solvents of the relationship. Here, as elsewhere, the two world wars produced decisive turning-points.

Philip Cottrell writes about another fascinating aspect of inter-war banking and politics – the challenge of monetary stabilisation in Central and Eastern Europe after the Treaty of Versailles. Here the approach is meticulous. From a detailed examination of the Bank of England's archives the author outlines the efforts of the Banque de France to play a greater part in orchestrating European stabilisation measures after the franc had been stabilised in December 1926. This aspiration naturally brought it into potential conflict with the Bank of England, and there were lively exchanges about Romania, notably between the respective governors, Montagu Norman and Emile Moreau. The rivalry between London and Paris, and Romania's economic and political instability, threatened central-bank co-operation, and the United States was drawn into the dispute via the Federal Reserve Bank and Benjamin Strong. The issue also threatened to divide Europe into two financial blocs. Matters were resolved in the course of 1928. The French led a stabilisation loan package for Romania, and the Fed was happy to be a passive participant in the arrangements. The loan was a close-run thing, however. A change of government in Romania was followed by a challenge to French involvement and, with British participation limited, only the intervention of the Swedish Match Company saved the day. Cottrell also indicates how important infrastructure projects – notably the revitalisation of the railway network – were prejudiced by these struggles between financial rivals.

Lucy Newton's chapter on 'Government, the banks and industry in inter-war Britain' assesses the economic and political views of the British banking community during this challenging period as they were revealed in the trade press, and in particular the *Bankers' Magazine*. The unsurprising impression given is that of a defensive, reactionary and right-wing industry. Its leaders and advocates reacted angrily to public criticisms of anti-competitive tendencies – concentration and cartelisation – and fiercely opposed socialism and increased state intervention in the economy. However, this was also a period of changing attitudes. Bankers began to concede that some conciliatory moves should be made in the direction of what today would be termed 'stakeholder and customer care'. And they proved sensitive to another common allegation: that, unlike their counterparts on the continent, they were failing to provide adequate support to British manufacturing industry. On this crucial issue of bank–industry relations, a subject successfully advanced on an international stage by Alice Teichova,[9] Newton examines both the contemporary justifications of bankers and the recent reassessments of revisionist historians. She concludes that the British clearing banks were far from timid in their support of domestic industry, and they played a full part in rationalising industries whose capacity far exceeded demand. The banks were not deficient suppliers of finance to industry; rather it was the industrialists themselves whose demand for financial support was weak. And if the rationalisation drive of the 1930s was insubstantial, then British governments must share the blame for the failure to provide a more positive response. Her findings confirm the results of recent case studies, such as Ackrill and Hannah's *Barclays Bank* and, in Scotland, Richard Saville's *Bank of Scotland*.[10]

Part III comprises four new essays on the complex, often elusive ramifications of business and politics under the Third Reich, and here fresh perspectives emerge, thanks largely to the materials in newly opened archives in both Eastern and Western Europe. Our contributors, Richard Overy, Dieter Ziegler, Harald Wixforth and Jörg Osterloh, Peter Berger and Peter Lyth, refer at times to the comparative neglect of this topic until recently. But such is the way interest in history lurches that a veritable outpouring of recent writing has replaced the earlier silence. There is now a fairly substantial literature on the significance of the new regime in shaping business strategies, and in particular in confining the role of Jewish entrepreneurs in the economy. The plight of the Jews, the mechanisms by which they were disenfranchised and disappropriated, and the role of business institutions and individuals in the pursuit of Nazi policies of expropriation and in Schindler-esque rescue missions, have all been re-evaluated.[11] Here, our contributions provide examples of the range of such historical interest. Overy examines the historiography of the relationship between German business and the National Socialist regime, and provides a much more balanced assessment. Three proponents are identified: those who see the relationship as a political device enabling crisis-torn German capitalism to survive; those who see Hitler's government imposing its totalitarian economics on an impotent business sector; and those who emphasise the continuity of policies before and after 1933. Overy dismisses the extremes evident in such positions. He points out that many big businessmen were far from enthusiastic about Hitler's party (though there was more support from the SMEs). He also refers to the evidence revealing the underlying continuity in economic impulses and personnel before and after the war. But ultimately Hitler's Germany is viewed, not as a New Economic Order, since many of its economic policies were reactive, but rather as a racially driven corporatist state, following historians such as Michael Burleigh.[12] The violent economic imperialism, mass expropriation and slave labour of the regime may have been part of a utopian vision for Europe, but they were manifestations

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of the essentially political motivations of this command economy: racist, corrupt, vicious and, thankfully, unsuccessful.

Ziegler *et al*. examine the policies of 'Aryanisation', not only in Germany (the 'Altreich'), but also in two areas often neglected by scholars: Austria and the 'Sudetenland' (the annexed portion of Czechoslovakia), following the 'Anschluss' and political settlement of 1938. In Germany the story was one of progressive disqualification and expropriation, beginning with the exclusion of Jews from the civil service and professions. German business was necessarily bound up in the process; the banks were among the first to dismiss employees, for example. And although Jewish enterprises with a strategic value in the economy were not affected for some time after 1933, and there was no wholesale assault on Jewish property before 1938, more indirect pressure was applied to Jewish-owned department stores and small businesses, where anti-semitism was often used as a competitive weapon in a difficult market. After 1938 the policy became much more aggressive, embracing state-orchestrated confiscation, a situation in which the banks and other businesses played a full part in effecting the sale of Jewish assets to Gentiles in a buyer's market. The newly acquired territories were caught up in these more extreme measures. In Vienna, for example, spontaneous rioting, looting and confiscations accompanied the 'Anschluss' in March 1938, and the Kristallnacht pogrom in November was felt as severely in Vienna as anywhere else. A more organised repression followed, and the close co-operation between German government officials and Austrian business through its trade associations ensured that the rate of Jewish economic exclusion was rapid. In the Sudetenland, 'Aryanisation' was equally swift, but the authorities were able to exert much more control over the process (and profit accordingly). The authors therefore conclude that exclusion was determined by: (1) whether the regime was firmly in control; and (2) whether or not a substantial part of the Gentile population expected to participate in the distribution of the 'booty'. This explains the tentative application of the policy in Germany proper in 1933–7, the disorderly expropriations in Vienna and Teplitz-Schönau in 1938, and the co-ordinated persecutions in the Sudetenland in 1939.

Berger's absorbing case study also deals with Austria, but in this instance focuses on the attempts of Frank van Gheel Gildemeester to orchestrate the successful emigration of Jews from Austria. The son of a Protestant clergyman, Gildemeester was a Dutch humanitarian who derived inspiration from the Quakers in the United States and worked for the American relief mission in Vienna in 1918. He returned to Vienna shortly before the 'Anschluss' in 1938. His agency, the

Gildemeester Auswanderungshilfsaktion für Juden, appears as a rather ambivalent institution. On the one hand, it appears to have collaborated fully with the Nazi regime and acted as an agent of 'cleansing' Austria of Jews. On the other hand, it enabled about 30,000 Jews to escape in 1938–9, and by requiring richer Jews to contribute to an emigration fund offered many poorer 'non-Aryans' an escape route they would not otherwise have had. Gildermeester himself remains a rather shadowy figure. He had helped imprisoned Nazi supporters in pre-Anschluss days, and is sometimes portrayed as a racketeer rather than a philanthropist. In Berger's account he appears as a utopian dreamer whose vision of the mass emigration of Jews to a homeland in Ethiopia was doomed to fail. The Gestapo closed the Gildermeesteraktion in January 1940, and the institutional apparatus was later deployed in executing the 'final solution'.

Peter Lyth's research on the German airline Deutsche Lufthansa is a very different piece. In an industry where the financial support of governments was critical in its formative period, Lufthansa received strong backing from successive German governments and grew to become Europe's dominant airline in the 1930s. Most of the major airlines in the inter-war years were exemplars of flag-carrying 'national champions' and 'techno-nationalism'. Unsurprisingly, then, the influence of the National Socialist government on the commercial and investment decision-making of the company after 1933 was profound. Hitler was an enthusiastic flyer, as was former pilot Göring, and their ambitions were seen in the fact that the company came close to establishing a European airline to rival Pan American. The company's large investments in South America represented a flexing of German economic and political muscle in a region held to be the preserve of the United States, while aircraft procurement was managed in such a way as to provide the Luftwaffe with a camouflaged R&D facility.

This work on business collaboration with, and/or opposition to, the National Socialist government in Germany forms a useful complement to research conducted by other associates of Alice Teichova, namely Gerald Feldman and Harold James. James's path-breaking work on Deutsche Bank, in the book written by Lothar Gall, Feldman and others, and Feldman's case study of Allianz has followed Hayes's work on IG Farben in examining the business history of Hitler's regime. James's analysis of the relationship between the bank and the dictatorship reveals a more complex web of motivation than mere profit-seeking, a theme taken up in more detail in his recent account of the bank's role in expropriating Jewish property. The bank suffered a serious erosion of its traditional banking activities, but offered little in the way of direct resistance to the regime.[13]

Feldman's lengthy case study of Allianz steers a measured course between co-operation and conflict, noting the technical and professional support given by this major insurance company to the regime, but also identifying areas of disagreement and opposition.[14] There is also Neil Forbes's *Doing Business with the Nazis*, which explores the relationship between business and Hitler's Germany from a British perspective. Continuity and pragmatism, rather than discontinuity and idealism, characterised Anglo-German economic and financial relations, which were exemplified by the personal friendship of Montagu Norman and the German Minister of Economic Affairs, Hjalmar Schacht. Finally, James and Tanner's edited volume on *Enterprise in the Period of Fascism in Europe*, broadens the debate, with its contributions from Amatori and Segreto on Italy and Cabrera and del Rey on Spain.[15] It also contains an indispensable review of the arguments about 'Industry under the Swastika' from Peter Hayes, which reiterates the thesis that the majority of German businessmen were ambivalent about, though complicit in, the regime's activities.[16] The contributions in this book, especially Lyth's on Lufthansa, anticipate further work to be done on the rebuilding of German capitalism after the war. Much has been written about the role of American intervention and Marshall Aid,[17] but the internal efforts at image cleansing and recovery deserve equal attention, as Holtfrerich's work on Deustche Bank and the recent book by Jonathan Wiesen on the period 1945–55 admirably demonstrate, if a little one-sidedly.[18]

Part IV concludes the volume by examining the relations between the business community and the state in Austria, Greece and Czechoslovakia. These chapters reveal elements where the business–politics relationship is critically important, e.g. in corporate governance and regulation, and emphasise the difficulties which firms have in seeking to maximise profits when political disequilibrium is paramount. Gertrude Enderle-Burcel examines the relationship between the industrial community and the Austrian state in the 1930s, and in particular the reactions of business leaders to changing economic policies in the wake of the Great Depression. Successive governments demonstrated a patent contradiction between theory and practice. Espousing the Hayekian credo of private enterprise and the autonomy of the market, they exercised a wide-ranging economic intervention, particularly with the 'corporatist' government of 1934–8. Always more intrusive in agriculture and trade, intervention was nevertheless also important in industry. However, economic policy-making was conducted without the active participation of business leaders and their institutions. Austrian industry offered only a fragmented, disunited lobby, with a heterogeneous collection of industry associations representing SMEs. Burcel explores the limited contacts this industrial interest made with political parties, governments, the civil service and individual politicians. She finds that there was a disjunction between the government's deflationary, tariff-building thrust and industry's demands for assistance in the form of export subsidies and organised cartels. The corporatist government's new economic institutions of 1934–8, and in particular those aimed at eliminating 'subversive' elements from the private sector, merely aggravated an already tense relationship. Attempts to introduce legislation to establish a regime of cartelisation were a failure. Thus the economic difficulties served to provide Austrian governments with an excuse to tackle problems in an increasingly dictatorial way. In the long run, industrialists who had steadily supported the establishment of Austrian fascism in 1934–8 failed to achieve any substantial improvement in their basic conditions and their general environment.

Margarita Dritsas's review of Greek business elites and their relationship with their governments indicates a growing intimacy over the twentieth century. In the late nineteenth century local entrepreneurs such as Theodore Retsinas sought political influence and participation. After the First World War the process gathered momentum, led by businessmen associated with the 'Zurich Circle', founded by former students of the Zurich Polytechnic. The influence of businessmen in government was clearly evident by the time of the second Venizelos government of 1928–32 and they were fully involved in the right-wing Metaxas government of 1936–7. The role of exiled 'diaspora' businessmen was necessarily less dominant, but there were exceptions (notably Prodromos Athanasiades) and after the Second World War this section of the Greek business elite became more closely involved in domestic politics, as Greece moved from being a 'developmental' to an 'entrepreneurial' state.

Finally, Christoph Boyer's illuminating case study of a subsidiary company of the German giant Siemens in Czechoslovakia provides a pertinent illustration of the way in which business strategies were influenced by political exigency, and in particular by the determination of the new Czechoslovak state (founded in 1918) to remove foreign capitalist influences in its industrial life, a special form of 'nationalisation'. Actions were taken to eliminate German-based companies in the economy and to replace foreign salaried staff with Czech nationals. Elektrotechna was founded in 1930 to supply the Czechoslovak market with low-voltage engineering products and, in particular, telephonic equipment. Siemens hoped to defuse nationalist sentiment by making the subsidiary 51 per cent Czech-owned, and by moving production progressively into Czechoslovakia. Some progress was made in this regard, but Hitler's assumption of power raised the temperature and, notwithstanding a reorganisation giving the Czechs greater control, Elektrotechna's viability