

## INTRODUCTION

### The Origins of American Hegemony in Europe\*

#### 1. AMERICAN ECONOMIC POWER AFTER THE FIRST WORLD WAR

Let us focus on the great turning point in global power relations that the First World War accelerated. The American GNP was \$33 billion in 1914, \$45 billion in 1916, and \$61 billion in 1918, and reached \$72 billion in 1920. In other words, the national product had doubled from the effect of wartime production. The Industrial Revolution, as is known, had reached the United States later than it had the most industrialized countries of Europe. And yet the process of growth, which the war gave a decisive push, was of such proportions that when the crash occurred in 1929, the United States national product was greater than those of Great Britain, Germany, France, Canada, Japan, and seventeen other states put together. Equally important was the degree to which the American commercial and financial relationship with the rest of the world had changed. American gold reserves at the start of the war, in August 1914, were worth \$1.887 billion; at the moment of the signing of the armistice in November 1918 they were \$3.079 billion; and at the end of 1925 they had reached a total of \$4.547 billion. This, according to the calculations of the American finance authorities, equaled almost exactly half of all global gold reserves, estimated to total \$9,407,61,000.<sup>1</sup> This extraordinary growth in gold reserves is only one indication of the progress of commerce during the war. In the

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<sup>1</sup> See for example J. B. Duroselle, *From Wilson to Roosevelt: Foreign Policy of the United States, 1913–1945*, New York and Evanston, IL: 1963, p. 133.

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course of the war – calculating from the second half of 1914 until the end of 1919 – the United States exported products worth a total of 31.9 billion lire (Lit). This means that the annual average of exports during the war was more than double the amount in 1913, already fairly elevated compared to previous years. Imports in the same period reached Lit 15.2 billion, for a Lit 16.7 billion favorable difference in the balance of trade. These figures are all the more remarkable given that a considerable portion of the imports was made up of agricultural products or raw materials from American-owned plantations or mines in Latin America and Canada. But the data that most directly illustrate the change in the financial position of the United States are those regarding investments and loans. Indeed, the war had transformed the United States from a traditionally debtor nation into a creditor. On July 1, 1914, the privately held foreign debt, not counting loans, touched \$3.688 billion, whereas on December 31, 1919, the balance was \$2.971 billion in credit. If to these figures, which are only privately held credits, investments, and property, we add the government loans offered by the United States in the course of the war, the credit balance toward the rest of the world had become \$12.562 billion.<sup>2</sup> Among the principle debtors were the great powers from before the war. Great Britain owed the American Treasury \$4.3 billion, France \$3.4 billion, and Italy \$1.6 billion.<sup>3</sup>

These figures precisely demonstrate the different role that the United States had assumed after the First World War. And yet it is not enough to note only the quantitative dimension of the phenomenon. At the same time, the American productive sector had undergone an important transformation, both cause and consequence of its extraordinary growth. Traditional progressive historiography in America highlights the way that the demands of the wartime economy had made Washington the center of the American economy for the first time. With the creation of the War Industries Board, the War Finance Corporation, and the many institutions aimed at planning war production and distribution, the American economy is supposed to have overcome the old free market models and to have begun to test the reform opportunities offered by a more planned economy. In this model the government is no longer a passive witness to the market interests shown by private actors. Arthur Schlesinger Jr. argues that the war had forced Wilson to abandon his plans

<sup>2</sup> See C. Lewis, with the collaboration of K. T. Schlotterbeck, *America's Stake in International Investments*, Washington, D.C., 1938, pp. 450 passim.

<sup>3</sup> Duroselle, *From Wilson*, p. 133.

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for a “new freedom,” the slogan with which he had rationally and consistently reaffirmed a full-fledged free enterprise model of government as having the function only to suppress, using antitrust laws, those forms of production that broke the rules of the market. If the financier Bernard Baruch was able to state that the war had demonstrated how the economy could be aimed at responding to national goals rather than those determined by whoever had purchasing power, we can see that those years represent a first trial of the statist reform of the 1930s.<sup>4</sup> Although this type of analysis is certainly not unfounded, it lacks a fundamental element: the attitude of large-scale industry regarding its presumed loss of authority. It is no accident that a large share of the men who had rushed to Washington to direct the new centralized economy for the symbolic salary of a dollar a month came from the executive boards of the great financial houses of Wall Street and of major American industries. The creation of coordinating agencies, if not of a true planned economy, turned out to be a transitory phenomenon swept away by the Republican return of the 1920s, only to bloom again during the New Deal. What instead had permanent consequences was the process of rationalization and further concentration in sectors of production that were in some way reflected by those planning agencies. The great majority of the men who served in these agencies returned to directing their own industries having encouraged their further development and, above all – this being the prime element of novelty – having discovered that the state could become a formidable force for the consolidation and expansion of private economic power. The promoters of state economic intervention proclaimed a victory that the Sherman Antitrust Act did not apply to its directives. But was it really a victory of state dirigisme inflicted on the Calvinistic liberalism of Wilson? Or did private interests, having taken control of the economic levers of the state, get rid of this law, which, as compatible ideologically as it was with a capitalist market system, might have caused consternation if some irresponsible politician tried to brandish it? The concentration of production during wartime afterwards allowed a whole class of bosses, unscrupulous yet all told rather provincial, to reach a new level of awareness not only of the service the state could render, but also of the new role that the American economy was called to play on the world stage, of the opportunities that resulted from this role, and of the new demands for business and labor organization that accompanied it. These were the years that saw the birth of the government economic agencies and a whole series of new

<sup>4</sup> See A. M. Schlesinger Jr., *The Crisis of the Old Order*, Boston: 1957, pp. 37–41.

employers' organizations that tried to coordinate capitalist power but also to win new forms of its articulation, intervention, and pressure on the organs of government.

## 2. CLASS CONFLICT IN THE UNITED STATES

Possibly the most important result of this discovery of the federal government as a subject of economic policy on the part of American employers was the integrating and subordinating role that it could play with regard to the workers' movement. Even in the moments when, with the Coolidge administration, the federal government was once again forcefully proclaimed to be totally passive, this role would not be abandoned. It would then reemerge with maximum force during the Second World War. This is a central issue inasmuch as the defeat of the American working class was one of the indispensable conditions for the later expansion of American capital abroad; and it heavily mortgaged the possibilities for struggle in Europe in the 1920s. It was precisely the state of war that allowed the government to promote a period of interclass collaboration and of repression, in cases where that collaboration failed. This formula may seem obvious, but it must not be forgotten, since it had powerful effects on the later events of the American class relationship and indeed on the entire structure of working-class organization. The war thus provided the usual interest of the executive in demanding military discipline at production workplaces, along with the ulterior moral blackmail that working in the factory was a privilege compared to having to fight in the trenches. Every form of conflict or insubordination was denounced as giving aid to the enemy. Adding to this repressive mechanism, common to all wartime, was the bourgeois panic resulting from the Bolshevik revolution. This fear reached its height in March 1919, when the Third International was founded and, at the same time, insurrection in Bavaria and Hungary seemed to threaten the expansion of revolution to other countries. The war had provided the Justice Department with the occasion and the excuse for a frontal attack on the only American unions that were actually anti-capitalist. Both the Socialist Party and the Industrial Workers of the World – which on the eve of the First World War were sizable organizations – were decimated. By the end of the war, the Socialist Party had gone from five thousand to three thousand locals in the entire United States. Eugene Debs, leader of the Wobblies (as the revolutionary unionists of the IWW were called), was in prison with many of his comrades, convicted of sabotaging the war effort. There were two main weapons in the fight

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against these organizations: beyond direct repression: the dismantling of the war industry and reversion to peacetime production offered ample occasion to destroy the painstaking work of union organization in the past years.<sup>5</sup>

The great centers of industrial power had, then, in these cases also been able to make use of the executive's services to directly intervene in social conflicts. Although the great personalities of finance and industry had not let themselves get carried away by the anti-Bolshevik fanaticism of the time, they were perfectly capable of benefiting from its effects even as they distanced themselves from political or ideological involvement. The repression of every radical tendency of the workers' movement, and particularly of any autonomy for it, was a necessary condition for making feasible the collaborative schemes they advocated.

But the men who rendered these services also had to answer to their own constituents, who were immersed in the climate of fanaticism that the war had unleashed against the forces of the Left. They could not maintain the aristocratic reserve of a Rockefeller or of the associates of the House of Morgan in the face of provincial America's zealous demonstrations; indeed, they were forced to make themselves its spokespeople. A. Mitchell Palmer, Woodrow Wilson's attorney general, assessed in this way the situation in 1919:

Like a prairie-fire, the blaze of revolution was sweeping over every American institution of law and order a year ago. It was eating its way into the homes of the American workman, its sharp tongues of revolutionary heat were licking the altars of the churches, leaping into the belfry of the school bell, crawling into the sacred corners of American homes, seeking to replace marriage vows with libertine laws, burning up the foundations of society.<sup>6</sup>

What events had elicited such judgments, which, even as they exploited emotions still needed to have some kind of basis in fact? In effect, the frontal attack on Socialist and trade unionist organizations that had taken place during the war had not been enough to completely suffocate the fighting spirit in the working class. There were too many objective forces feeding it in the year immediately following the end of the war. Although the rate of population growth had been notable (the United States had gone from 91,972,000 inhabitants in 1910 to 105,711,000 in 1920), more than three-quarters of this growth was from births, whereas immigration had

<sup>5</sup> See J. Weinstein, *The Disease of Socialism in America, 1912–1925*, New York: 1967, pp. 231ff.

<sup>6</sup> Cited in Schlesinger Jr., *The Crisis*, pp. 42–43.

slowed considerably during the war. In 1918, the vertical drop nearly anticipated the same effects that the restrictive laws of 1921 and 1924 would have. It follows that the workforce had grown substantially more slowly than the population as a whole. In the face of the enormous expansion of wartime production, unemployment had gone down, and the infrequent turnover of the workforce had allowed for more stable ties among workers; all these were favorable conditions for collective organization. Furthermore, the disproportion between the visible growth of production and profits and the workers' standard of living, particularly in some sectors, was a continual stimulus to working-class protest. In the spring of 1919, inflationary pressure began to be felt; prices rose until, at the end of 1920, they were 105 percent greater than before the war.<sup>7</sup> If this fact contributed to the gradual isolation of the working-class struggle, it is also clear that it served to increase those struggles, as bit by bit the working class felt the bite of inflation on their pay. Meanwhile, the Bolshevik revolution had served not only to frighten the middle class, but had also enormously encouraged the workers, to the point that the mere mention of Lenin's name was enough to electrify any meeting.<sup>8</sup> Even the old craft unions, based on a tradition and a membership that tended to the corporative, underwent an evident radicalization. Union leaders modeled themselves not after the Bolsheviks, but rather more after the style of the Nottingham program with which British Labour had requested the nationalization of basic industries. Nonetheless, their old cooperative habits were shaken by a new ideological current that, while certainly not the revolutionary inferno of Palmer's rants, did upset the traditional pragmatism and tactical caution of Anglo-American trade unionism.<sup>9</sup>

Starting in January 1919, a general strike in Seattle that lasted five days – a very unusual event in the United States – created a state of high tension throughout the country. The city's mayor led a repression that successfully mobilized the middle class against the strikers, sufficient to defeat them but not to reassure public opinion, which was encouraged by the great majority of newspapers to believe that the nation was on the cusp of revolution. This atmosphere was intensified by a series of attempted assassinations directed at such personages as the mayor of Seattle and Palmer himself. Thus began a true strategy of tension [this is

<sup>7</sup> See G. Soule, *Prosperity Decade: From War to Depression: 1917–1929*, New York: 1947, pp. 81–95.

<sup>8</sup> See the testimony of John Dos Passos reported by W.E. Leuchtenburg, *The Perils of Prosperity, 1914–1932*, Chicago: 1957, p. 71.

<sup>9</sup> *Ibid.*, p. 71.

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a literal translation of an Italian concept, where repression, or the lack of it, on the part of a public authority serves the purpose of finding consensus in manipulating public opinion through fear, so that the people will in turn demand a stronger state – trans.] on the part of the state, which, throughout the rest of the year, was intertwined with workers' protests. The assassination attempts were generally attributed to "the reds," and only the most "responsible" sectors of the employing class restrained themselves by blaming them on anarchists. When, immediately following the first wave of attacks, the Boston police went on multiple strikes – a form of protest that, despite being extraneous to the workers' movement, deeply unnerved conventional wisdom for its effects on public safety – the repercussions were visible among the steelworkers of U.S. Steel and coalminers. All these strike efforts had some common characteristics: they were moments of great popular mobilization and participation; they either bypassed union leadership completely or did so at crucial moments; they were harshly repressed by both the total intransigence of the employers and the liberal use of police force (there were 20 deaths in Gary, Indiana); and, except for a raise in miners' salaries, they did not lead to substantial results. All this transpired in a situation in which the organized workers' movement, especially but not exclusively in its most radical forms, had sustained a continuous attack throughout the course of the war. John Dos Passos wrote in the spring of 1919:

Any spring is a time of overturn, but then Lenin was alive, the Seattle general strike had seemed the beginning of the flood instead of the beginning of the ebb ...<sup>10</sup>

The sum of tensions of that terrible year set the scene for a defeat that the subsequent repressive operations of Palmer, the divisions that split the Socialist Party in three factions, and, finally, the deflation of 1920–1921 definitively consolidated. The ideological fuel of wartime, inflation, the protests that lacked political leadership and were therefore easy instruments for the propaganda of the opposition, the terrorist attacks, and the repression were bad enough. These ingredients then combined with deflation and an unemployment rate bolstered by a temporary increase in immigration, and together they resulted in an effective strategy that employers ably exploited even if they had not themselves explicitly understood the links among them.

<sup>10</sup> Quoted in William E. Leuchtenburg, *The Perils of Prosperity, 1914–1932*, 2nd ed., Chicago: University of Chicago Press, 1993, p. 69.

After the defeat of 1919 began a long period of social calm interrupted only by the financial crisis. This peace was disturbed by a few important protests such as the railway strike of 1922, the great miners' strike in Pittsburgh in 1925, and the miners' strikes such as those in Colorado that marked the definitive sunset by the end of the 1920s of the International Workers of the World. These protests, while occasionally very large, were sporadic and ended for the most part in defeat. Counting the average annual number of work stoppages between 1916 and 1921 as a base of 100, from 1922 to 1925 the average fell to 34 and 43, respectively; and from 1926 to 1930 it went all the way down to 18 and 11. A further measure of the crisis in organized labor is the drop in membership in labor unions in the same period, a phenomenon that hit the industrial unions – among them some of the most activist – harder than the more corporative ones linked to artisan crafts, which not only held steady but actually grew significantly in some cases.<sup>11</sup>

It would be mistaken to believe that the flood of union busting belonged only to 1919–1920, the culminating period of the confrontation. An unyielding response to every form of workers' activism had characterized the entire process of industrialization, even if the intervention of the federal government as such occurred only upon the growth of the direct role of the state in the economy marked by First World War. In the 1920s the repression continued, in the same vein begun in 1919, with the violent crackdown of the police on strikers but also through the consolidation of permanent forms of repression that became for a long time a fixed characteristic of American society. These included discrimination against union organizers; the so-called “yellow dog” contract, in which the worker agreed at the moment of hiring not to join any unions; and the indiscriminate use by the courts of sentences that, with specious arguments but creating substantial precedent, made strikes illegal and ordered the arrest of strike leaders. There was widespread and sometimes violent use of scabs. Finally, a few of the biggest corporations, such as Ford, pioneered the systematic construction of company unions. American employers refined these tools and put them to use throughout the 1920s. These initiatives were coordinated and adjusted at the national level by the employers' associations, whose perhaps most important campaign – known as the American Plan and created in the significant year of 1919 – was aimed at destroying the so-called

<sup>11</sup> See I. Bernstein, *The Lean Years: A History of the American Worker, 1920–1933*, Baltimore: 1966, p. 86.



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closed shops, in which unions were able to control hiring in contexts favorable to their own interests.

#### 3. THE DEFEAT OF THE AMERICAN WORKING CLASS

Still, the defeat of organized labor was not due exclusively to the unscrupulous use of coercion on the part of the state and private employers. The other factor in this defeat came from the unions' politics of ongoing involvement – in a subordinate role – in schemes of collaboration and co-management. This was not merely a matter of generic factors such as the “individualistic social climate” that, according to Irving Bernstein, prioritized hierarchy and social mobility over the communitarian or solidaristic values promoted by organized labor (it is difficult to ascertain whether that attitude was cause or consequence of the defeat of the working class). Rather, it is important to remember that the specific politics promoted by significant sectors of the propertied class led John D. Rockefeller Jr. to advocate the doctrine of Employee Representation Plans (known as the Rockefeller Plan) and the idea of industrial democracy, which included a limited but significant effort at co-management and created important ties between the trade unions and Taylorism. At the same time some of the most intransigent employers, such as Ford, tended more and more to intervene in every aspect of their workers' lives according to the growing idea of personnel management. Trade unions certainly suffered from this two-front assault – both repression and co-management. In the course of the 1920s, certain characteristics of this assault were further emphasized: the allegiance to a politics of profitability and productivity inherent in Taylorism was reinforced by the wartime climate in which industrial workers were seen as privileged, the divisions among professional trade unions grew as their jurisdictions became further separated, and the unions themselves promoted financial and insurance activity over ideological and political activism. These were all natural developments, but they were notably intensified by the particular origins and character of American syndicalism.<sup>12</sup>

A purely theoretical explanation of the development of American syndicalism is totally insufficient to account for its specific features. The weakness of unionism cannot be explained away simply by the repressive mechanisms enforced by employers or by ascribing a philosophy of moderation to union leadership. To understand the way that conditions

<sup>12</sup> See Bernstein, *The Lean Years*, pp. 91ff.

stabilized to produce this weakness, it is absolutely necessary to incorporate an analysis of the economic developments of this period. A long period of expansion had begun after the 1920–1921 recession and was interrupted only by the Great Depression. According to the calculations of Simon Kuznets based on the contemporary value of the dollar, the GNP grew 43.7 percent from 1919 to 1929, at an average annual increment of 6.2 percent. But the principal aspect of those years is the growth of productivity, which in the industrial manufacturing sector grew 72 percent by worker per hour in the same period.<sup>13</sup> This growth came mostly from technological advances, but also from corporate restructuring and a new organization of labor that intensified the rhythms and output of the workforce. It should be noted that the rate of real wage increases did not follow the rate of profit increases. Beyond the reasons given above for this phenomenon, we must also consider the rise of unemployment. Even though immigration was forcibly limited, the flow of manpower from country to city, the ongoing entry of women into the workforce, and the above-mentioned advances in technology all diminished the negotiating power of workers so that even in a period of overall economic expansion, unemployment in vast sectors of the working class exerted a continual downward pressure on wages. It may not be a coincidence that during this period no government statistics existed; according to Weintraub, the unemployment rate wavered between 10 percent and 13 percent among eligible workers between 1924 and 1929.<sup>14</sup> Despite all these limits on economic development, there is no doubt that, as Bernstein observes, it was strong enough to quiet worker hostility so that collaborative initiatives continued, and the ideology of co-management between workers' organizations and employers was consolidated. Even if real wages did not match profit growth, class imbalance increased, and the concentration of wealth and power among elites grew to an impressive degree, still the relative improvement in the economic situation did make itself felt among the masses – both with respect to the past and with respect to the rest of the world, the latter being a consideration with real weight in a nation of immigrants. In the course of the war it was the federal government that took a series of initiatives to respond to workers' demands by imposing such regulations as the eight-hour workday in more sectors and an increase in salary levels. In the 1920s, the government returned to a more lethargic attitude, but, in the meantime, the

<sup>13</sup> See S. Kuznets, *National Income and Its Composition: 1919–1938*, New York: 1941.

<sup>14</sup> D. Weintraub, Unemployment and Increasing Productivity in *Technological Trends and National Policy*, Washington, D.C.: 1937, p. 75.