The First Globalization

Lessons from the French

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To be published as "Notre Première Mondialisation. Lecons d'un Echec Oublié" Paris, Republique des Idées, Seuil, 2003.

This project benefited from the collegial and financial support of the Centre de Recherche en Gestion (Ecole Polytechnique). Sciences Po, the Industrial Performance Center (MIT), and the Department of Political Science (MIT). My thanks to Peter Gourevitch, Pierre Hassner, Richard Locke, and Richard Samuels, for close readings, criticisms, suggestions and encouragement. Ambroisine Dumez provided valuable research assistance.

Introduction

With the end of the cold war, globalization has become the international horizon of our expectations and fears. Before, we saw ourselves as citizens of nations in a world in which state frontiers encased and protected societies and economies. Today we see ourselves as individuals in a vast open field of international exchanges. Across this great unbounded space, goods, services, and money circulate apparently unimpeded by man-made barriers. From all sides people announce that a new era of human history is opening. A rising tide of anti-globalization protests shows how threatening this new state of affairs appears to many.

To look back at the experience and understanding of the challenges to democracy and social well-being of people facing an open international economy in the years before World War I is to observe our own times from a new perspective. This essay on the "first globalization" tries to widen the aperture of the lens of interpretation through which we see our own situation and identify our options. By returning to the political debates and social and economic struggles of countries in the North Atlantic economy at the time of the first globalization, from the 1870s to the First World War, the book seeks to alter our sense of inhabiting a unique and radically new world. The focus will be on French experience during the first globalization. In the four decades before World War One, France was second only to Britain in the extent of its involvement in the global economy. Unlike Britain, however, very little of the capital the French sent abroad went to their colonies, but, as today, went to independent countries like Russia, Turkey and Argentina. In France, unlike Britain and many other European countries, changes due to emigration and immigration played a lesser role in transmitting the transformations of the international economy. In this respect as well, albeit for different reasons, the French experience was closer to our own today.

A hundred years ago the advanced countries of West Europe and America were engaged in a process of globalization similar to the one we face at the beginning of the XXIst century. By globalization I mean a set of changes in the international economy that tend to produce a single world market for goods and services, labor, and capital. In the period of the first globalization, from the 1880s to the First World War, the international economy had higher levels of trade, capital mobility, and migration of people across borders than the world would see again until the mid-1980s. The falling costs of transportation catalyzed a vast movement of people out of low-wage economies. European countries like Ireland and Sweden lost as much as 10% of their population a decade in the years before the War.[1] Some 55 million Europeans resettled in the New World. Within West Europe, workers moved quite freely across borders, and they traveled without need of passports, residence permits, or working papers. Despite political rhetoric and new legislation on tariffs, levels of imports and exports were rising throughout this period, and trade was a larger part of national economies in 1910 than it would be in 1950. [2]

Floods of portfolio and direct investment poured out of the developed countries into the New World and into the developing countries on the periphery of Europe and Asia. In some years Britain exported as much as 9% of its GDP, and other European countries approached this figure as well.[3] Over the whole period 1887-1913 French net capital exports were equal to about 3.5% of French national income---a greater proportion than today.[4]The French sent their savings around the world, and especially to Russia, the Ottoman Empire, and Latin America. French capitalists delocalized production, and set up plants in Russia, Poland, Turkey and elsewhere. Economists disagree over when --and whether--our contemporary economy reached the levels of factor mobility and international integration of the first globalization. But it seems clear that today, with the exception of migration, we have returned and gone beyond the high watermarks of the first globalization ---after some seventy years between the First World War and the 1980s, during which trade, migration, and international capital flows were severely reduced and controlled.

This is an essay in history, driven by a purpose: to discover how, confronted with many of the constraints, pressures, and choices that we identify with globalization, people in another time analyzed and responded to these predicaments. The forty years before World War One are our only previous experience of liberal democratic politics within a largely open international economy. There we should be able to observe the strains on democracy of politics in a borderless society. There we should be able to pick out the winners and losers of globalization and track the efforts of the strong to enlarge their advance and of the weak to cushion themselves against unfavorable shifts in domestic economic structures. There we should be able to observe the fate of domestic social reform in a world of mobile assets.

Lessons from the First Globalization

What can we learn about politics from a return to the controversies and struggles of the four decades before the First World War? There is a major debate among economists over whether "Globalization Today [is}Really Different than Globalization a Hundred Years Ago?" to borrow the title of an article by Michael Bordo, Barry

Eichengreen, and Douglas Irwin. In it they argue that the differences between the first and second globalizations are too great to allow us to develop any predictions about the trajectory and tensions of societies today.[5] It would be a mistake, of course, to expect exact parallels between the situation obtaining in the international economic and political systems linking the advanced countries of 1913 and today's international economy.[6] The convergence effects of the first globalization in the North Atlantic economy as a whole were driven by migratory flows---which today play a much smaller role. Today less-developed countries figure as potential production sites from which to export back to the more advanced countries. The low wages of large pools of reasonably-well educated workers and potentially large new reserves of consumers are incentives for shifting production out of advanced rich countries. Neither of these factors loomed large in the first globalization, although they were far from insignificant.

There have been real changes in global capital markets, relative even to the degree of integration achieved before the collapse during the two world wars and the Depression. The velocity and gross volume of capital movements today are on a scale that dwarfs that of the turn of the century. New financial instruments, new technologies of communication, and a greater concentration of asset-holders with the growth of institutional investors have created quite a different environment. Trade today includes significant proportions of intra-industry trade.[7] The growing capabilities of developing countries have led to the rise in exports from low-wage to high-wage societies as well as to new possibilities for foreign direct investment and outsourcing from high-wage to low-wage economies. This fragmentation of production, enabled by new information and transportation technologies, is transforming industrial organizations in the advanced countries. From the long perspective, the view is one not of an irreversible progression towards ever higher levels of internationalization. Rather the picture is one of high levels at the onset of World War One, then a devastating shattering of the links of interdependence among the advanced countries, then, a gradual reweaving of the networks of the international economy , and a return by the turn of the 21st century to an international world with dangers and opportunities that some of our more prescient great-grandparents had already glimpsed.

To draw lessons from the past does not require that we face an identical situation, or that the motivations of politicians and publics and their capabilities then and now be exactly the same. It means using historical cases to critically examine claims about causal relations between changes in the international economy and the range of political options available to societies, for example, the claims that economic integration and an open international system sharply constrain the social reform possibilities in democratic politics. Many of the theories that dominate today both in the academy and in the world of anti-globalization activism assume that the pressures of globalization overwhelm the particularities of diverse national situations and produce the same distributional outcomes everywhere. It is the validity of this broad expectation that a return to the politics of the first globalization can allow us to examine.

By returning to a world in which the same forces were at work, we can observe how they play out across different countries. Did the pressures of globalization produce the same political responses everywhere? Could governments, parties, or the organization of civil society shape the interactions between countries and the outside world? Or was politics was a passive reflection of changes in the economy, and changes in policies only the direct transmission into politics of a shifting balance of interests? The most important lesson we might derive from the history of the first globalization is to learn how large or limited was the space for political initiative and public choice. If we can reconstruct the range of political and economic alternatives available in that world, we might enlarge our own vision of possibilities. At least we can hope to loosen the constraints of false necessity.

The Debate over Globalization Today

Because this exploration of the past is driven by a desire to understand the contemporary situation in comparative perspective, I start from where we stand today and sketch out rapidly how scholars, activists and ordinary citizens see globalization. On this subject there exists a vast and contentious literature. A few major points are held in common by the advocates and the adversaries of globalization ---both camps themselves internally fractured by myriad shades of distinction and difference. How to define globalization, its origins, its effects; how to know how far it has proceeded; how to determine if it is irreversible---on all these questions there are strong disagreements. But these uncertainties about the shape of the beast have not mattered at all for the massive public recognition in much of the world that there is such a phenomenon, and that globalization is the new condition of our lives.

Associated with this foundational belief about the new structure of the world are interlocking ideas about changes in the international economy and their relationship to social wellbeing and democratic politics. People think that globalization presents societies with radically new challenges and constraints. The vast swell in the flows across national borders of portfolio capital and foreign direct investment, the waves of speculative foreign exchange trading, the "deverticalization" of production systems with the relocation and outsourcing of major pieces of corporate structures, the new communication and transportation technologies that enable this restructuring, the rise in the share of exports and imports in national economies---all of these combine to transform the environment in which citizens seek through politics to shape the contours of daily life.

Once the barriers to the integration of economic activity across borders are lowered, globalization appears to threaten jobs and the standard and quality of life in richer, advanced societies. If international integration through the mobility of the factors of production produces convergence in wages across nations, this may be good for the Chinese worker, but it can hardly be an subject of rejoicing for the German worker. Some see competition in an open and integrated world market as leading to a "race to the bottom," as firms seek out new production sites with lower wages, less costly environmental protection regulations, and lower taxes. Finally, because of the magnitude of unregulated transnational economic exchanges, many people believe that globalization necessarily undermines the state's capacity to shape distributional outcomes or to cushion the effects of economic dislocations or, more generally, to regulate the markets. As Kenichi Ohmae, an enthusiastic supporter of globalization, expressed the idea in The Borderless World, when government lose leverage over national economies, boundaries will not matter anymore. [8]

> An isle is emerging that is bigger than a continent---the Interlinked Economy (ILE) of the Triad (the United States, Europe, and Japan), joined by aggressive economies such as Taiwan, Hong Kong, and Singapore. It is becoming so powerful that it has swallowed most consumers and corporations, made traditional national borders almost disappear, and pushed bureaucrats, politicians, and the military toward the status of declining industries. /... If the government tightens up the money supply, loans may gush in from abroad and make the nation's monetary policy nearly meaningless. If the central bank tries to raise the interest rate, cheaper funds flow in from elsewhere in the ILE. For all practical purposes, the ILE has made obsolete the traditional instruments of central bankers--interest rate and money supply. (pp. x-xi) . . .
>
> On a political map, the boundaries between countries are as clear as ever. But on a competitive map, a map showing the real flows of financial and industrial activity, those boundaries have largely disappeared." [9]

But many others who are committed to fundamental social and economic reforms in their home societies do not share in Ohmae's celebration of the erosion of the power of national governments to shape outcomes within the borders of their territory. They are more likely to feel, as Philippe Séguin expressed it: "The idea of frontiers as outdated! There's a dogma to attack! Bringing back the frontiers today is the condition of any policy.."[10] Finally, the emergence of globalization generates deep fears about the future of democratic politics. Does globalization mean a "borderless world" in Ohmae's phrase? What would this mean for nations whose basic norms of social distribution and political legitimacy have depended on the exercise of national power? Is it possible to have democracy in the United States or France--or anywhere-- without national borders?

Globalization, Capitalism and Democracy

The question of whether globalization and democracy are compatible builds on a much older debate in all liberal democratic societies over whether capitalism and democracy can coexist. One of the great surprises in history is how good democracy has been for capitalism. Over the past two hundred years, more and more countries have come to have liberal democratic governments in which leaders are chosen in competitive elections and which also have free market economies with private property rights. These two systems have co-existed with remarkable stability. Despite the inequalities generated by capitalism, no electorate has ever voted in free national elections to overturn it. There have indeed been strong anti-capitalist political movements on both Left and Right in Europe and Asia. But where national political change has taken place through free and democratic elections, anti-capitalism has never won the day.

That democracy and capitalism could co-exist was not always taken for granted in France, or in the United States, for that matter. The great anxiety of the founders of the American republic was that democratic politics might trample the rights of property. James Madison states in the *Federalist Papers* that the great danger in a democracy is that citizens might organize, mobilize, "form a faction" to push their economic interests against property holders. Madison writes: " [D]emocracies have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security or the rights of property; and in general have been as short in their lives as they have been violent in their deaths."[11]

Why have these dire predictions about democratic government and an economic system based on individual property rights and on a free market economy failed to come to pass? One can sketch out as a first rough approximation at least two explanations. First, the constitutional engineering of Madison and the founders of other liberal democratic societies did work to protect the rights of individuals and the functioning of a market economy. Institutions like the Bill of Rights, the Supreme Court, and federalism did in fact build dikes that protected property and markets against democratic majorities.

Secondly---and this is the main point here--- until recently, capitalism was largely contained within national boundaries. Governments still stood on the frontiers of their national economies and regulated the flow of labor, capital, goods, and services between their societies and the outside international economy. Within domestic societies, governments acted to cushion the most disruptive features of capitalism: business cycles, unemployment, inflation and depression, and environmental degradation.

Some liberal democratic governments buffered and regulated capitalism more than others and in some times more than others. But Republicans and Democrats in the United States, like Social Democrats in Scandinavia and the Tories in Great Britain, all acknowledged government's responsability for and capability for regulating capitalism to mitigate its negative effects. In France, Right and Left-wing governments developed the welfare state. Right and Left-wing governments protected small independent property holders, shielded shopkeepers from supermarkets and small and medium scale industries from market forces with tariffs and quotas on the borders and with regulation of the domestic market. Government reduced the leverage of powerful economic actors with a wide variety of instruments: nationalization, capital controls at the border, labor laws, credit controls. Government buffered the impact of the market and so was able to affect the distribution of wealth and power in society. The distributions of resources in society and the mode of distribution reflected, even though very imperfectly and unevenly, the exercise of popular sovereignty.

Today, globalization threatens to undo this historic compromise. There are many changes that are driving globalization: new technologies of communication and transportation, the fall of the Berlin Wall, the world-wide liberalization of financial markets, the rise of big new consumer markets and big new producers outside the old developed world. Globalization means more of the population becomes more vulnerable to foreign economic forces. It means a widening of inequalities that is already clearly evident in the United States. At the same time, globalization apparently reduces government's capabilities of shielding citizens against markets. Globalization means increasingly mobile capital that threatens to undermine the exercise of national controls in the economy. At least as many see it, globalization means an end to national frontiers, hence an end to the possibilities of national regulation within society. We feel that we stand in a radically new world in which for the first time democratic politics has to be sustained in societies without borders.

The First Globalization

To describe the international economy of the advanced industrial countries between the 1880s and 1914 as a world of globalization is to focus on the rising tides of capital, goods, and people freely flowing between societies. In this sense, globalization both then and now does not signify that we already have arrived at a single world market in which wages, interest, and the price of goods are fixed for the entire globe. It means, rather, that cross-border exchanges become so large a part of our national economies that markets outside our own country increasingly determine prices, that is, determine the distribution of resources and incomes, within our borders. To assess how close countries have come to integrating their economies, economists have developed various measures of the convergence of wages, interest, rents, and prices of goods and services. Among the most powerful of these approaches is one pioneered by Feldstein and Horioka(1980), which considers the correlation between domestic savings and investment in a country. If there were a single world market for capital, there would be little relationship between national savings and national investment, since savers would invest anywhere in the world that gave them the highest returns and borrowers would borrow wherever they found the lowest rates. By this standard, the capital markets of the 1880s were more integrated than the capital markets of the 1980s.[12]

O'Rourke and Williamson take as their benchmark of globalization the convergence of real wages. There was a great reduction in the disparities between wages in the New World economies and in Europe, and within Europe, between the poorer and richer countries. [13] They demonstrate that about 70% of this wage convergence was brought about by mass migrations, which raised wages in the countries the workers left and lowered wages in the countries in which they settled. Commodity prices, too, showed signs of strong convergence over the period of the first globalization. The price of wheat in Liverpool in 1870 was 57.6% higher than in Chicago; by 1913, only 15.6% higher; the gap between the price of iron bars in Philadelphia and London fell from 75% in 1870 to 20.6%; and across a wide range of commodities, similar decreases in price disparities can be found. [14] By World War One, then, the integration of the economies on both sides of the Atlantic had proceeded so far that prices within these nations were largely determined by international prices. [15] Between Europe and the rest of the world, the decline in the cost of travel and communication was having similar effects, and the gap between the prices of commodities like cotton, jute, wheat and rice, in Europe and Asia fell sharply between the 1870s and the First World War.

International trade, migration, and capital movements have existed since ancient times. Indeed, societies that are completely closed and impermeable to the entry and exit of people and goods constitute rare historical exceptions. But if there have always been money, goods, and people moving across frontiers, these transactions and their bearers were quite different from those that we describe as forces of globalization at the end of the nineteenth century and again today. Three major differences distinguish the old patterns of international commerce from globalization. To state them simply: first, until the latter part of the nineteenth century, most of society's production, consumption, and savings ---even in advanced countries---were never exchanged in markets at all. In societies that were predominantly agricultural, much of the output was consumed on the farm or traded locally in family, clan, or neighborhood networks of exchange in which prices did not play a major role in distributing resources. In France on the eve of the Second World War, still, two-thirds of agricultural production never left the farm.[16] In societies that had high degrees of self-sufficiency and that organized production and distribution through non-market mechanisms, there was strong if not total insulation from the international economy.

Secondly, the "natural" buffering that incomplete marketization provided to shield local economies from international exchange was reinforced by the deliberate action of governments. Pirenne describes how in the Middle Ages governments made barriers to separate international trade and domestic economies and, for example, required international trade to take place outside the walls of the city. The key commercial policies of trading states like Venice heavily regulated the interactions between international trade and the local economy. [17] Governments prevented strategic resources from leaving the confines of the national economy so Venice had heavy prison sentences and even a death penalty to dissuade glassworkers from taking their skills abroad; Britain prohibited workers with special knowledge of textile technologies from migrating. Virtually all

European nations tightly controlled exports of grains and other foodstuffs, for fear of the unrest and violence that broke out in times of tight markets and food shortage. Finally, in the form of regulation most familiar to us today, governments started to regulate the entry of foreign goods and capital into the domestic economy with tariffs, quotas, and myriad other barriers. Britain's first law restricting imports of grain dates to 1819. And from the middle of the nineteenth century across the world, the regulation of the flow of goods and services across national boundaries would come to take the form of more or less tariff and quota protection against imports.

The third key distinction between the international economy of the past and globalization has to do with the actors. Until the middle of the nineteenth century, international exchanges tended to be the preserve of a relatively small and concentrated set of families, firms, and institutions. International capital markets, which had been dominated by a few powerful banks and families like the Rothschilds, Barings, and Hopes, from the middle of the nineteenth century begin to involve new players and to draw in the resources of a mass of small savers. For example, the Russian government which had once been able to satisfy its needs by borrowing from a few powerful private banks, by the end of the nineteenth century had to deal with groups of deposit banks in France, Germany, and England, each of which then sold Russian bonds to a large number of small savers. When the Bolsheviks took power in Russia and stopped payments on the Tsarist loans, in France alone, there were some 1,600.000 individual bondholders who filed claims.[18]

By the last decades of the nineteenth century, then, the international economy was qualitatively as well as quantitatively different from that of the past. Following Polanyi, we can see the mid-nineteenth century as a "great transformation" with the marketisation of the output of society, the nationalization of markets, and the leveling of the barriers that had shielded domestic economies from international trade. Most of the economic activities of advanced countries had been pulled into the market; the barriers between national and international markets were collapsing; and increasingly broad segments of the population were involved in the international economy, through choices about where to work, what to consume, and how to save. It is these changes in domestic economies together with increasing cross-border factor mobility that distinguish the internationalization of the 1870s-1914 period from its historical precedents.

The Drivers of Globalization

Many of the factors that promote globalization today were at work as well in the globalization of 1870-1914. There were both technological and institutional innovations. The key drivers were technological innovations that lowered the costs of transportation and communication. At the time of the American Revolution, it took Benjamin Franklin forty-two days to travel to France; by 1912, he could have made the trip in five and a half days.[19] The Rothschilds had to use carrier pigeons to get news of the Battle of Waterloo (1815) on which one of their greatest financial coups would depend. Before the transatlantic cable was laid in the 1860s, information took up to three weeks to go from New York to London. By 1914, telegraph and telephone linked stock markets around the world almost as instantly as Internet today. The result was a rapid convergence in the prices of bonds across the Atlantic.[20]

Falling transportation costs released huge migratory flows from Europe to the New World. For many countries in the North Atlantic economy, globalization's principal effects were the convergence produced through these migratory flows. For France, however, the balance of emigrants and immigrants was about even, and so the economic effects of globalization on France operated mainly through product and capital markets.[21] In this respect, the French experiences of the first globalization are closer than those of other European countries to our own today, when migration is a less significant factor in international integration because barriers to immigration have been raised high across the rich advanced industrial countries.

The same sequence of changes in the structures of daily life producing the same anxieties, the French at the turn of the century drew connections between the mechanisms of globalization and its societal impact that were strikingly similar to our own. For example, improved transportation, the Internet and the Web, the growing productive capabilities of China, and trade liberalization today make China loom large in the fears that globalization will produce a race to the bottom on wages, working conditions, social welfare, and environment. In 1900, the rise of Japan, foreign investment in China, and the drastic shortening of distances between Asia and Europe raised many of the same fears. A leading economist, Edmond Théry, wrote in 1901:

Il ne restera, donc pour nous défendre, que la question de la distance, c'est-à-dire la question des frais de transport; mais on oublie trop, dans le monde du libre-échange, que l'emploi de l'électricité et de la vapeur l'ont presque supprimée et que, en ce qui concerne spécialement l'Extrême-Orient, le canal de Suez, les grands steamers à marche rapide et la concurrence des frets--sans parler de l'influence prochaine du Transsibérien---on décuplé la vitesse de circulation des marchandises, assure à leur livraison une régularité presque mathématique et réduit leurs frais de transport dans des proportions telles que leur prix de revient---surtout lorsqu'il s'agit de produits manufacturés--n'en peut plus être sensiblement affecté.(308)

Le Péril Jaune qui menace l'Europe peut donc se définir de la manière suivante:upture violente de l'équilibre . international sur lequel le régime social des grandes nations industrielles de l'Europe est actuellement établi, rupture provoquée par la brusque concurrence, anormale et illimitée d'un immense pays nouveau. [22]

Théry speculates that the United States, because of the Monroe Doctrine, will be able to impose its products and practices in Latin America and so be in a better position than Europe to fight off Asian competition. The "American Zollverein," in Thèry's words, has today materialized in the form of NAFTA.

Institutional and policy innovations also played significant roles in bringing about the first globalization. The French-British free trade treaty signed January 23, 1860 initiated a wave of free trade policies that spread across Europe. Once the great depression of the 1870s began to create serious distress, however, domestic support for free trade crumbled under the attack of protectionist alliances of agricultural and industrial interests. In Germany, the "iron-rye" coalition of farmers and industrialists succeeded by 1879 in passing protectionist legislation. The repercussions rippled out through Europe with waves of new protective tariffs. In France, by 1892, the protectionists were able to push through a major revision of commercial treaties; the Méline tariff, January 11, 1892, marks the end of French commitment to free trade. Despite the Méline tariff, the flows of goods and services across French borders continued to rise. The increase in duties shielded French grain producers against the full effects of the falling prices of transportation between American and Russian fields and France.[23] But while imports of grains and some manufactured goods were held down by tariffs, the overall volume of trade rose, with increasing imports of raw materials.[24]

Exports were 15% of P.N.B. in the period 1887-1896 and 17.1% of P.N.B. in 1907-13; imports were 18.2% of P.N.B. in 1887-96 and 20.3% in 1907-13.[25]

Another policy innovation in this period was the gold standard, which was adopted by most of the major economies, and served to reduce the costs and risks of doing business outside ones domestic currency. By fixing a national currency to the value of gold, a country allowed importers, exporters, and investors to make long-term calculations without having to fear that devaluation or inflation would wipe out their profits. Going on the gold standard did not produce the same set of monetary practices in every country. In Britain, the government supported sterling and its convertibility into gold by adjusting interest rates. In France the government kept interest rates low and stable, and managed to maintain convertibility by keeping large gold reserves. But overall, the system worked to reduce the risks of currency fluctuations for those interested in trade and investment abroad.

A third cluster of institutional innovations were laws that facilitated the creation of limited liability joint stock companies and banks and the creation of a securities market open to a mass public. These institutions had precedents, but rather limited extension in the past. From the mid-nineteenth century on, legislation and entrepreneurship combined to propel these financial instruments into major new roles in the economy. These institutions seemed revolutionary in impact to contemporaries. Léon Say, Minister of Finance in the early years of the Third Republic, wrote:

> "Le grand progrès de notre siècle est d'avoir si bien combiné la propriété et le titre que le titre soit devenu identique à la propriété elle-même. …On envoie aujourd'hui dans une lettre, de France en Angleterre, d'Angleterre au Canada, de Hollande aux Indes, et réciproquement, les usines, les fabriques, les chemins de fer, tout ce qui se possède en un mot. La chose reste immobile, mais son image est sans cesse transportée d'un lieu dans un autre: c'est comme un jeu de miroir qui enverrait en reflet plus haut, plus bas, à droite, à gauche. La chose est dans un lieu, mais on en jouit partout. Qui a le reflet la possède…[26]

Edmond Théry described stocks and shares along with the steam engine as the two great motors of economic development of the century, since paper securities make it possible to bring together capital from all over the world.[27]

These new instruments accelerated shifts in the structure of French wealth as savers began to invest their wealth in bonds, shares, and other securities instead of in property and fixed assets. By World War I, about 40% of all private French wealth was in securities of one or another kind.[28] About a half to a third of those securities were foreign.[29] This meant that between one-quarter and one-third of total French wealth other than land and consumer capital was in foreign investments, by Cameron's calculations.[30] The French invested abroad sums equal to about 10 billion dollars at pre-World War I gold parity (50 billion gold francs). Only the British invested more, and with 19 billion dollars (3.8 billion pounds sterling) in foreign investment.[31] British foreign investment in 1907 amounted to 40% of British savings.[32]

Analyses of inheritances show a diffusion of these securities across urban and rural France; surprisingly, small French savers seem to have bought foreign securities in heavier proportions than the richest savers.[33] French investors abroad initially bought government and railroad bonds, but in the decade before the war, increasingly funds flowed into foreign direct investment in enterprises. Some economists suggest that the ratio of foreign direct investment to portfolio capital on the eve of the war was considerably greater than we have recognized and closer to our contemporary picture.[34]

Globalization or imperialism?

Where did the money go? On this point, there are striking differences between French and British patterns. In 1902 Britain sent about 30% of its foreign investments to the Empire (17.3% to the Dominions, 12.7% to its dependent colonies) and 70% to politically independent countries like the United States. In contrast, France sent little to its colonies: in 1900, only 1.5 billion out of 28 billion francs of French foreign holdings were in the colonies ; by 1914, only 4 out of 45 billion in foreign holdings.[35] The lion's share went to Russia, the Near East, and Latin America. Russia was the largest single destination, and absorbed a quarter of all French foreign investment. If we consider trade patterns, there, too, the differences with Britain are great. French trade was centered largely in Europe. Only 13% of French exports went to the colonies (in contrast to 37% of British exports to the Empire). (Bairoch). Only after World War I, when France had lost most of its foreign holdings and when national border-level barriers went up around national societies and their colonial empires, did investment in the colonies become a major focus for the French economy.

In the hot debates of the 1970s among French economic historians over imperialism, even those most inclined to see the patterns of French foreign investment before World War One as verification of Lenin's theses had to devise very broad definitions of imperialism to encompass the facts, or else to suggest that patterns that were to emerge after the war were somehow there all along in embryo.[36] The writings in the seventies of Jacques Marseille, Jacques Thobie, Jean Bouvier, Rene Girault and Henri Brunschwig all revolve around interpreting France's role as an imperial power in the international economy from 1870-to 1914. The questions they asked were whether French investment in countries that were not its colonies (eg., Russia and Turkey) qualify as imperialism? Were the colonies profitable? To whom? If investment in the colonies was not profitable, was it still imperialism? Even if trade with the colonies before the War was small, did it play a critical role?

Given the influence of Marxism in the social sciences of the 1970s, it is hardly surprising that imperialism was the lens through which economic historians in the seventies looked at the international economy. This was not the first time that the burning preoccupations of a generation had provided the interpretive grid with which to understand the impact of France's involvement in global markets. French economic historians writing in the 1960s had been riveted on the question of economic growth. They saw nineteenth century France's relations to the international economy as one of the factors explaining a widening gap between economic performance in France and that of Germany, the United States, and even England. For Maurice Lévy-Leboyer, François Bourguignon, Jean Bouvier, Charles Michalet, Paul Bairoch the key question to be asked about the level of French exports of capital in the decades before the war was whether it had contributed to slower rates of growth than France might have reached had the capital stayed home. Did capital leave because there were no profitable uses for it at home? Or did infrastructure, new companies, and innovation languish at home because of capital shortages?

In this book I propose to shift the lens again, and to examine the politics of the period 1870-1914 as a set of responses to globalization. What were the effects on French society and politics of a rapid integration into world product and capital markets? Today we ask if democratic politics and redistributive policies can be sustained in a "borderless world." The French in the years before the war debated the same issues. The word "globalization" was of course unknown then, but the phenomenon itself was at the heart of a set of battles fought out in the press, the parties, the Chamber of Deputies, the unions, and in the academy. The main question was the impact of these international flows on French society. Would trade opening and foreign direct investment abroad bring in a flood of foreign goods produced by cheap labor ? Would the export of capital reduce investment in France, lowering the rates of growth of productive capacity and employment? Would it lower wages? The period was one in which reforms like the six-day work week, the ten-hour day, income taxes, taxes on foreign investments, and family allowances were being pressed in Parliament. Inevitably in these debates, opponents insisted, as today, that to introduce such reforms in France would weaken its competitive position or that new taxes would be impossible to collect, since capital would flee abroad. Some French argued then as now that providing loans to autocratic, repressive governments, like Russia, was wrong.

Finally, the French of a hundred years ago, as today, wondered what international integration and openness meant for war and peace. Would it help their enemies, by allowing the Germans to acquire French capital and resources? Or could it reduce the chance of war as Norman Angell in Britain and Jean Jaurès speculated? Or, as Lenin and others predicted, would the integration of global markets provoke conflicts among capitalists in different countries that would make war more likely? On many of these points the debates of a hundred years ago ended with no conclusion, as the world blew up in 1914 in a war beyond the imaginings of any of the contributors to the exchange over international capital flows. The barriers that went up on national borders at the time of World War I did not come down soon afterwards. It would take seventy years before the movement of capital and goods across national borders in Europe would again be as free, by the end of the 1980s, as it had been in the 1880s.

While our situation is not identical to that of the first globalization, many of the pressures and uncertainties we face have similar origins in the opening of national borders and the flows across them of people, capital and trade. To return, then, to the debates of 1870-1914 over internationalization is to question our own beliefs about the inevitable connections between openness in the international economy and the possibilities for liberal democracy and social justice in our own home countries. From the perspective of these distant events, our own possibilities seem broader, more contingent, more open to our own shaping and determination.

CHAPTER TWO: FOREIGN INVESTMENT: CAUSES AND CONSEQUENCES

Why did the French send so much of their savings abroad? This is the true puzzle at the heart of French experience during the first globalization. On the other two dimensions of internationalization---migration and trade---the French fell within the middle range of nations of its size and degree of advancement during that period. But France was exceptional both for the magnitude of the capital it sent abroad (second only to Britain) and (in contrast to Britain) for the disastrous outcome of this investment. Two-thirds of France's outstanding foreign investments in 1914 were lost by the end of the war. Even if the war and its aftermath were catastrophes that investors could hardly have been expected to take into account, even for the decades before the war, the question is still open of whether savers did better investing abroad than at home.[37] These investments were made, not only or even mainly by rich speculators, but by millions of small and medium savers, whose cautious, risk-averse, and penny-pinching ways are the stuff of all generalizations about French character in the Third Republic. Why this remains interesting today is that it parallels aspects of investing in our own recent experience that can hardly be described as rational calculation. And secondly and most important, the debates over the impact of these capital flows on French politics and society parallel our own concerns that foreign direct investment pulls capital, jobs, and innovative e capabilities out of our home society and builds up the economies of foreign countries that later emerge as trade and security rivals.

From one perspective, we can understand why the French poured money into countries like Paraguay, Russia, and Argentina--despite lots of evidence of political unrest and budgetary deficits, if we acknowledge that much of investment is essentially irrational.[38] Once a trend or fashion sets in, like tulip bulbs or the dot.com boom, savers rush along with the herd to follow other investors, no matter how thin the record of fundamental value in the securities they choose. The banks that sold the foreign bonds to their depositors and the financial press that wrote about them certainly encouraged people to believe that a limited number of shares of a hot thing were available and that they needed to jump in or else miss the boat entirely.

There was at the time another variant of irrational expectations, also familiar to us today, that we might call "the field of dreams," for it is reminiscent of the 1989 movie about the Iowa farmer who turns his cornfield into a baseball diamond with the dream that if only he would build it, the baseball giants of the past would miraculously reappear to play on it. In the foreign direct investment version, the hope is that if one invests---whether in railroads, or making steel, or textiles, or buttons, or anything--- in a large country with a large population and little domestic industry, a market is bound to appear and turn out profits. Familiar to us today in the form of the hopes Western businesses pin on establishing themselves in China and selling--even one cake of soap!-- to more than a billion Chinese, this kind of reasoning was endemic in European business investment in less developed countries before World War I. The archetypal field of dreams was Russia, for here in 1900 was a country with a population of 133 million people (France in 1901 had only 38 million), weak or non-existent domestic firms, and high tariff barriers to protect insiders from external competitors.[39]

The CAMT archives in Lille contain the records and annual shareholding reports of dozens of companies which set up plants in Russia and Poland.[40] On the strength of the original dreams of tapping the riches of a huge market of Russian consumers, these firms kept operating and expanding, even as violence and chaos broke out around them. Consider a typical story: Etablissements Gratry, a Lille-based textile company, in 1899 set up Société anonyme des manufactures de Lin et de Coton de Kostroma, to operate in Russia, and incorporated it with a capital of 5 million francs in Belgium (probably for lower taxes).[41] The prospectus described the objective as selling fabric for clothing and for furniture in Russia---a market presented as almost "unlimited" in such a vast country. It presented a sector already flourishing in Russia, with other textile companies paying dividends of 10-20%. Since the new Kostroma plant would produce a range of goods not yet sold in Russia, and since tariffs on these articles were very high, the prospectus claimed that they would be "à l'abri des crises de surproduction." The reports to the shareholders in 1901 and 1902 describe troubles due to weak consumer demand and rising cost of raw materials. In 1903, the company reported that just when it thought it had reached the bottom of its problems, new difficulties arose. Managers had tried to train the workers in weaving, but they were "rebelles à tout progrès." In order to provide incentives, managers introduced piecework wages. At this point, a strike and riots broke out and the factory was attacked three days running by strikers. The French and Belgian foremen and managers fled and refused to return. So the balance sheet was in the red again in 1903. In 1904, they describe a better situation until the Russo-Japanese war broke out. In 1906, they attribute their bad results entirely to the hostility of the workers, who deliberately break machines. Wages are rising. The costs of fuel skyrocketed because revolutionary arsonists set the Baku naphta works on fire. There are problems with local officials about taxes. But, continues the report, we expect these problems will disappear with time. Our customers are paying regularly. Our solution is to increase production and bring on line another 42,000 cotton spindles. And so the reports continued until 1914, when the archives fall silent.

From the records of other companies, like the Société Cotonnière Russo-Française, established in 1898 near Moscow, with a capital of 10 million francs, we can guess at the fate of most of these companies after the Revolution.[42] On the eve of the war, the Société Cotonnière had a spinning factory with 113,210 spindles, a weaving works with 2350 looms, 4500 workers, and a complex of housing, hospitals, and schools for the families of workers. The capital had been increased to 15 million francs; and in 1914, they had turnover of 42 million francs. From July 1917 began a period that the company reports call "anarchy." The managers did not dare enter the factories. Productivity collapsed, and by Easter 1918, the factory was almost at a standstill. In December, 1918, the government nationalized the company. In 1923, the shareholders were still trying to see if they could "reprendre l'exploitation de nos usines" and asked a member of a French delegation to the Soviet Union to inquire about the possibilities. When he reported back on the government's draconian conditions[43] the company concluded it was hopeless: in any event, for the time being, they could see no new consumers in the Soviet Union.

The Debates over the Export of Capital

A hundred years ago,as today, analysts could see the speculative herd-like or field of dreams motivations in investment, but they still believed that mainly and over the longterm people invested in response to real incentives rooted in reality. The questions they debated were: which incentives and which reality?

<u>The liberal position</u>

The consensus among mainstream economists then and now is that setting aside the realm of speculation and irrational expectations, there is no mystery about why people invest abroad instead of at home: they do it for higher returns on foreign investment. France was in recession and stagnation from 1873-1897, and over these decades did grow at a rate slower than other European economies. Between 1865 and 1895 Britain's GDP doubled, Germany's increased 3 1/3 fold, while French GNP grew only by a third.[44] French shares of world markets were shrinking. And the French population was growing at a slower rate than that of any other European country. Yet there were also good investment opportunities in France, since from the 1890s on, there was a new surge of growth, new industries, like the automobile industry boomed, and a new dynamism appears in the French economy.

In the view of liberal economists of the times, slow growth, demographic stagnation, too many savings, and too few good opportunities for investment in France were the basic reasons why French investors found higher rates of return abroad than at home. Brion in 1912 summed up these conclusions writing:

> La France, comme tous les pays organisés depuis long temps, a déjà mis en œuvre les ressources de la nature: chez elle, il n'y a plus grand'chose à créer. Elle n'a plus de chemins de fer à construire, plus de villes à éclairer ou fournir de tramways; elle n'a plus guère de nouvelles richesses du sol à découvrir et à exploiter. L'Allemagne, au contraire, dont la naissance économique date d'une époque relativement récente, n'a pas encore utilisé toutes ses ressources…..Depuis 20 ans, les nouvelles industries sont relativement rares: un grand nombre de celles qui se créent annuellement sont dues à de nouvelles découvertes scientifiques et elles n'exigent que peu de capitaux: telles sont les industries du phonographe, du cinématographe, de la photographie, les industries provenant des applications de l'électricité, l'industrie des automobiles, des aéroplanes.[45]

Edmond Théry suggested that while in theory a saver should invest at home or in the colonies in fact small investors cannot by themselves discover placements that are safe enough, liquid enough, and assure good returns. He,too, claimed that France produced more new capital than it needed.[46] This is why net return on capital has fallen in France from 6.05% in 1850 to 5.30% in 1869 to 3.60% in 1890 and 3.28% in 1907, wrote Théry.

> À quel taux le loyer des capitaux serait-il tombé en France, si l'épargne nouvelle n'avait pas eu à sa disposition les valeurs internationales? Peut-être au-dessous de 1 %. C'eût été la ruine des petits rentiers, des employés,et des salariés de tout ordre, car cette baisse, ou plus exactement cette dépréciation de la puissance d'action du capital, aurait provoqué à la fois une hausse des choses nécessaires à l'existence et une réaction économique générale. (312)

Paul Leroy-Beaulieu, a well-known economist, in his advice to first-time investors (L'Art de Placer et de Gérer sa Fortune) warned against investing in domestic industry as far too risky for anyone except experts and the very rich.[47] As for French rentes, the problem is the "langueur" of the French economy. The prudent investor should therefore buy foreign securities, even if the rate of return on might be only a half a point higher than on domestic securities:

"C'est pratiquer un grand dédain des richesses que de faire de la moue à une augmentation d'intérêt de 1/2%." [48] Brion claimed that the net returns on foreign issues available in France were around 4.28% while the average earnings on French issues on the Paris Bourse was 3.11%-3.21%.[49] Others claimed the average interest paid on Russian loans was about a point and a half higher than on French government securities.

Calculating the rates of return on domestic and foreign investment in France before the war remains controversial, and the results vary greatly depending on time period and the methodology of measurement. Harry Dexter White, who calculated the 1899 yields of foreign and domestic securities at the price of issue found that the yield on domestic securities was higher (4.28%) than on foreign securities (3.85%).[50] Others have reached opposite conclusions. The same debate about the relative profitability of investment at home or abroad continues today among economic historians analyzing British domestic investment and investment in the colonies in the pre-War period. [51] For Germany where a far larger share of savings were invested in domestic infrastructure and industry, Richard Tilly concludes that on the average over the forty years before the War, the annual rate of return on Prussian government issues (consols)was 4.3% ; on domestic industrial shares was 9.35%; and on foreign securities traded on the Berlin Stock Exchange, 6.7 %.[52] But these averages reflect great fluctuations in the gaps between the rates of domestic and foreign securities. In France, and in Britain and Germany as well, as the advice of Leroy-Beaulieu to the neophyte investor implied, the gap between the rates was usually not so great-- in either direction-- that an individual could read his interest off a table of stock market returns. How then did a saver decide which was his best opportunity?

<u>The structures of French capitalism</u>

For politicians in Left and Right opposition parties and for the journalists who led the attack on the export of capital, the point was that it was a mistake to think of the world as one in which individuals face an array of rates and choose. "Lysis" ---who launched the great debate over the outflow of French capital with articles in *La Revue* and *l'Humanité*---argued it was the institutions of French capitalism that shaped the choices and responses of investors.[53] "Comment des écrivains compétents peuvent-ils attribuer la baisse des valeurs françaises aux ventes spontanés des capitalistes et ne faire aucune allusion à cette formidable organisation financière qui règne en France et dont nul ne conteste le pouvoir ?"[54] Lysis claimed that it was the deposit banks that channeled individual savings into foreign investment, not individual decisions or capitalist high spirits. Individual investors can only choose among the institutional options they find already in place. So the real issue is the structure of French capitalism and the patterns of French commercial banking.

The banks attacked by Lysis and the deputies who rose to speak against foreign loans in the parliamentary debates over the export of capital were recently-founded commercial banks, that collected the savings of millions of depositors. These banks, and above all the Crédit Lyonnais, had assumed the lion's share of the role in negotiating and placing foreign government loans--a role that once had been monopolized by la haute banque (Rothschilds, Hopes, Hottinguer, and others). After a few early failures in lending to French industry, these banks had oriented themselves entirely to short-term commercial credit and to foreign governmental lending. The philosophy of Henri Germain, the founder of Crédit Lyonnais was laid out in the 1901 report to shareholders:

> L'orientation de nos efforts est toujours dirigée vers les affaires de banque. On aurait voulu quelquefois nous voir rechercher les affaires industrielles. Il en est assurément d'excellentes, mais les entreprises industrielles, même les mieux conçues, même les plus sagement administrées, comportent des risques que nous considérons comme incompatibles avec la sécurité indispensable dans les emplois de fonds d'une banque de dépôt. [55]

The critics pointed out that the banks earned large commissions on the sale of foreign securities and on manipulating the margins between the rates at which they negotiated the loans and the rates at which they sold them to their French customers. Between 1897 and 1903, 30% of the Credit Lyonnais' profits came from Russian affairs. In contrast, German banks focussed on the development of German industry, with tight links between lead banks and major companies. Even small and medium sized German companies were able to get bank loans and credit. If only French banks were like German banks and invested in their own country! the critics lamented. The very obstacles to economic dynamism that were held responsible for low investment rates in France could be overturned if only credit were easily available to industry of all sizes. In a climate of economic expansion and prosperity, families would have more babies, businessmen would be more open to innovation, trade would expand with new road, rail, and port infrastructure, they claimed.

Even moderates from the parties of government argued that the banks were sending too much capital out of France. As Aristide Briand in 1910 put it: "L'or de notre pays ruisselle sur le monde entier, et si l'on peut exprimer une inquiétude ou un regret, c'est qu'il n'en reste pas assez dans le pays lui-même."[56] Others went much further, following Lysis in his charge that bank-led export of capital was the principal cause of economic stagnation in France. To all of these arguments, the defenders of the banks, "Testis" in the lead, responded that French banking laws and practices were not any different than those of other countries and that banks should be thought of not as monopolies, but as large department stores. It's not the fault of the banks if economic growth in France is slow: the maturity of the economy, a stagnant demography, the lack of natural resources, a contentious workforce are the reasons, they reasoned. [57]

The banks were accused not only of seeking profits in activities that drained French capital markets and put savers at risk; they were charged with deliberately undermining French democracy. The critics claimed that the banks sought to weaken the republican system of government. Banks brandished the spectre of socialism and revolution in France to terrorize their depositors into buying the foreign issues. They constantly warned that the rise in power of Socialists would mean new taxes and told the investors to keep some of their assets beyond the reach of the tax collector. Finally, the critics accused the banks of serving the cause of the enemy by financing German industry. After the 1870 war, German securities could not be listed on the Paris Bourse, but still, there were many ways to transfer French capital into the hands of Germans, including the conversion of foreign loans that were originally negotiated in German markets, the purchase of German securities in London or Brussels, and the sale of property or mining rights in France. The most contested form of support to the Germans was bank lending to foreign governments which then turned around and used the French funds to procure weapons from German arms manufacturers.

Most of the debate that focussed on how the structures of the French economy channeled money out of France targeted the banks, their drive for profit, and their anti-Socialism or anti-Republicanism. But two more radical and dangerous variants of this argument emerged. Right wing writers leaped into the fray over the export of capital charging that the Jews were to blame, for they were leagued--"compère et garde-chiourme" (306) with the Germans in a plan to turn over the productive resources of France to Germany.[58] Léon Daudet concluded "L'Avant-Guerre, s'il en était besoin, justifierait l'antisémitisme comme une nécessité de la Défense Nationale." (308-9) The anti-Semitic case did not always identify the Jews as the compliant allies of the Germans; sometimes they are the prime movers, as in Auguste Chirac's attack: "[N]otre étrange République est gouvernée par un roi appelé Rothschild, ayant pour courtisan ou pour domestique, la banque juive; celle-ci tirant avec elle ou repoussant, suivant les cas, les autres banques et dictant des lois aux parlements comme aux ministres qui---les innocents! ---croient gouverner ce pays."[59]

At the other end of the political spectrum, the Left was beginning to develop an analysis of the banks as the key actor in the structures of late capitalism. The Socialist leader Jules Guesde put this notion crudely when he said of the financial speculations that threw the Lyons silk industry into crisis: "les tripotages financiers … sont à un ordre social fondé non pas sur le travail, mais sur l'exploitation du travail ce que le choléra est au delta du Gange, un produit aussi nécessaire que logique." [60] But the more elaborated, powerful, and influential theory of financial power in late capitalism was to be developed by Lenin in *L'impérialisme, stade supreme du capitalisme*(1916), a work that drew heavily on the French debates and cited Lysis frequently.[61]

State-led capital export

Political economists disputed whether capital exports represented rational responses to market signals or the institutional effects of the French variety of capitalism, but others found a simpler explanation. Money flowed out of France because the government used capital exports as an instrument of state power. From this perspective, foreign investment was a lever with which France could raise its power in the international arena. As Brion explained in 1912, capital exports were a kind of substitute for French deficiencies: for a sluggish economy, for an inadequate military build-up. Capital exports should be considered a vehicle of French influence in the world: “l'exportation de nos capitaux est en quelque sorte la dernière forme de notre rayonnement dans le monde."[62] Testis, too, buttresses his argument about the societal benefits of investment abroad by pointing out the leverage these funds give French diplomacy. "Elles l'aiment aussi pour son argent, et c'est là le secret de bien des alliances et des amitiés. La France ressemble à une jeune fille, parée de toutes les grâces de la personne et de l'intelligence, avec laquelle on flirte d'autant plus volontiers qu'on la sait richement dotée." [63]

The strongest evidence for this case comes from the loans to Russia. French diplomacy since the 1870 war with Germany had as its central preoccupation breaking out of international isolation, and from the first big loan to Russia in 1888, French diplomats considered the loans as instruments for prying the Russians out of their alliance with the Germans.[64] After the Germans refused to renew the Reinsurance Treaty, the Russians slowly and reluctantly came around to a greater willingness to deal with the French, and an exchange of letters between the two powers in 1891 was followed by a secret agreement on a military alliance(August 27, 1891), which the Tsar finally signed in 1893. At first the loans were almost exclusively for government bonds to support government deficits and for infrastructure projects like railroads, bridges, and harbors.[65] But increasingly there were important flows of French funds into foreign direct investment in Russian firms and into firms the French themselves established in Russia . [66]The big sectors of French investment were metalworking, steel, iron, mines, infrastructure projects, and textiles and apparel. By 1910, five major French textile firms employed 10,000 workers in their own firms in Russian Poland. By the 1917 revolution, 44% of Russian banks were owned by foreigners (half of which was held by French investors.) As loan followed loan, and as French governments began to have a better understanding of the state of Russian public finance, the French realized that, as a senior official in the Ministry of Finance put it in 1905 , the ruin of the debtor would be a disaster for the creditor. [67] It became impossible to reverse course. The real test for this policy was the period 1904-6, when the Russo-Japanese war and the outbreak of revolutionary violence in Russia panicked foreign investors with evidence of the state of Russian finances and the weakness of the Tsarist regime. Under considerable pressure from the government of Maurice Rouvier, the French banks kept lending to the Russians.[68] The loan of April 1906 was the biggest of them all.

This appears to be a real puzzle: even if we recognize the state's interest in pursuing a Russian alliance, how did the state get private citizens to invest in Russia? How did the state manage to overcome investors' suspicion of foreign placements after the Panama Scandal, which broke out the same year as the first Russian loan? The state's main lever was control of the introduction of foreign issues on the Paris Bourse. [69] L'admission à la cote was decided by the Chambre syndicale d'agents de change, but for public and private foreign issues, prior authorization was required from the Ministry of Finance and the Ministry of Foreign Affairs. The government refused all listings of German issues, but otherwise, the instances of rejection were rare. In the years before the war, the government pressed foreign governments to grant contracts for French industry as a condition of obtaining the listing, but this was not systematically pursued. Several of the requests for l'admission à la cote that were turned down were of considerable importance, for example, the listing requested by the Turkish government for a loan in 1910. But while an official listing on the Bourse reassured small investors, it was not at all necessary in order to tap into French funds. Many foreign issues were not listed on the Paris Bourse, and could still legally be sold to French investors, by banks or by other intermediaries.

The tax system also provided limited leverage for public control of capital flows. In theory taxes on all issues, whether domestic or foreign, were levied at the same rate, but the system through which they were collected was different. The outcome was an effectively lower rate on foreign investments, since the state had more trouble collecting taxes on them. Over the years there were a variety of legislative proposals to reform the collection system, including one Socialist proposal to encourage relatives to denounce family members who inherited foreign holdings and failed to declare them at the time of succession, with the incentive that the denouncing relative would be assigned the foreign assets. This idea, like other less draconian ones proposed by successive Ministers of Finance, failed.

The formal institutional levers that allowed the state to regulate the exports of capital were relatively weak and infrequently applied, and regulation depended, rather, on two informal channels. First , it depended on interpenetration of business elites and government elites. As Jean Garrigues has described in *La République des Hommes d'Affaires* (1997) many of the most influential deputies and ministers sat on the boards (conseil d'administration) of banks, railroads, shipping companies,and industrial firms. An exemplary case would be Maurice Rouvier, who served as Minister of Finance, Minister of Foreign Affairs, and Prime Minister (January 1905-6) while still heading a big bank (Banque française du commerce et de l'industrie). In ordinary times, the arrows of influence in these tight networks undoubtedly went from the world of business to the world of politicians. As the Russian Ambassador Isvolsky observed in a 29 March/12 April 1912 letter to Sazonof, the Russian Foreign Minister, "en pratique ce ne sont pas les banques qui se trouvent entre les mains du gouvernement mais très souvent, au contraire, le gouvernement qui, à raison des conditions politiques d'ici, est soumis aux financiers." [70] But in situations of high tension in international affairs, the politicians were able to push businessmen and bankers in directions that their individual interests might not have led them, as for example for the renewal of the Russian loans in 1906. The same informal network pressures, buttressed by nationalist sentiments (or by fear of nationalist reactions), seem to have served as a constraint on the level of French investment in Germany. However impossible to measure, the effects of the intertwining of political and economic elites clearly mattered for decisions on the direction and volume of capital flows.

The second mechanism by which the government intervened to induce private savers to invest in ways that supported France's foreign policy objectives was by corruption of journalists, who were paid by the Russians, with the active assistance of the French government and the syndic of the Chambre des Agents de Change, to report favorably on economic conditions in Russia and Russian finances. The archives of the Russian Ministry of Foreign Affairs and the Russian Ministry of Finance, opened after the Revolution and published in French by Boris Souvarine in *L'Humanité,* document the links between glowing articles in the French press about the prospects of investment in Russia and the money that the Russians passed to journalists identified by the French as the most influential.[71]

The corruption of the French financial press is an extraordinary story: most of the funds were provided by the Russians (some by French banks) with the French government constantly pressuring to up the dose. With the news of the Russian losses to Japan in1904, followed by news of the popular uprising in the 1905 Revolution, the price of getting journalists to provide favorable spins on the state of Russian public finance went up sharply, and by 1905, some 250,000 francs a month were being paid out. Orchestrating the payments in Paris was Arthur Raffalovitch, a distinguished financial writer and a Russian agent, whose letters and notes were found in Russian archives and published after the war. Raffalovitch corresponded frequently with Witte, the Minister of Finance; Kokovtsev, the Prime Minister; and Sazonov, the Minister of Foreign Affairs, to relay the

French government's advice about how much to pay and to whom in order to soften reporting about the state of affairs in Russia. For the first half of 1904, Raffalovitch reported, "l'abominable vénalité de la presse française" had swallowed up 600,000 francs (shared between the Russians and French bankers), in addition to expenditures for advertising the loans. [72] With Raffalovitch's lists in hand, one can roughly match up the recipients of the money and the newspapers with good news about Russia. For example, in 1909 the *Semaine financier* which received funds from Raffalovitch, wrote about Russia: "Les crises politiques ne sont plus à craindre. L'ère des gros emprunts est close. Si la Russie doit faire de nouveaux emprunts, ils seront limités aux besoins de l'extension qu'elle devra donner à ses voies ferrées." (August 28, 1909). This was written at a time when Russia was borrowing simply to repay previous loans. Jean Dorat, in the same tones, in *France économique et financière,* 12 mars 1913, wrote : « Dans tous les domaines, la Russie nous est apparue comme disposant d'une masse presque inépuisable de ressources et de forces et comme gardant devant elle une très forte marge d'expansion…L'Etat russe est aujourd'hui--pour s'en tenir aux disponibilités du Trésor--la plus riche de l'Europe. S'il est vrai que l'argent est le nerf de la guerre, nos lecteurs jugeront d'eux-mêmes quel cas la France peut faire de l'alliance russe."

These rosy visions were contested by other journalists (some described by Raffalovitch as so hostile that it was not worth trying to buy them off). In the same period (January March 1913) as Dorat's glowing vision of the Russian ally, Charles Dumas, a deputy, published a series of eight articles on the state of Russia which described the chaos of Russian politics and the specters of "folie, crime et revolution" hovering over the throne. Dumas claimed that the Russian military had demonstrated its worthlessness, and was of no use as an ally. If the Credit Lyonnais granted more loans, it would be simply throwing French money into the abyss. (*Courrier parlementaire*, 12 janvier 1913-16 mars 1913). Other journalists pointed out the disastrous state of Russian finances and indebtedness.
For example, an article entitled "Fonds Russes, Mines D'Or, Valeurs Etrangères" in *Revue financière,* 8 novembre 1906, asked why the French were so willingly ignorant. St Petersbourg was only 48 hours from Paris, and anyone could visit Russia and see the real state of

affairs there: "Cette immense richesse de la Russie sur la foi de laquelle nous avons prêté des milliards n'existe pas, ou tout au moins, elle n'existe qu'en puissance et il faudra des années et des années de travail calme et intelligent pour la développer…" *La Revue* reported an eminent Russian economist saying that the Russian budget was only "un objet decoratif pour l'etranger." [73]The London *Times* (6 August 1906) wrote on the terrible state of Russian finances and the large sums paid to hide the situation in the eyes of French investors. They reported an effort to pay Jaurès to support *L'Humanité*, then in financial straits, if only the newspaper's reporting on Russia would become more positive. So the fact that journalists were being paid to deceive the French public about Russia was known at the time, even if the details would only be revealed after the war.

Political Debates over the Export of Capital

Neither obvious economic interest nor political intervention provides any simple explanation of why investors sent savings out of France into countries with dubious public finances and very risky infrastructural and industrial ventures. What's even more difficult to understand is why the Left and the working class movement, which might have been expected to suffer the most from, and to be the most opposed to the mobility of capital, labor and goods across boundaries, accepted the legitimacy of this globalization. If the capital that was invested abroad had been invested in France, the rate of economic growth would have been higher; jobs would have been more abundant; wages would have risen.[74] Trade as well might have induced downward shifts in the wages of French workers that should have led to opposition to free trade. When political scientists today analyze the responses of different social groups to globalization, their standard explanations anticipate the hostility of the wage earners to opening trade and capital flows. The international trade-theory based analyses of the politics of globalization of political scientists like Ronald Rogowski and Jeffry Frieden predict that workers in advanced countries should oppose free trade, open migration, and capital mobility.[75] And certainly, the positions of unions today and of the Left in general support those conclusions. The political scientists start from standard theorems of international trade: Heckscher-Ohlin, Stolper-Samuelson, Ricardo-Viner, all of which build on David Ricardo's original insight about relative comparative advantage as the reason that nations find benefit in exchange. These theorems predict patterns of trade based on different national distributions of the factors of production. From these patterns the political scientists derive models that show how social groups, defined by their stakes in the factors of production, have their fortunes altered in predictable ways by trade opening or protection. If interests are distributed in patterns determined by the ownership of factors of production (land, labor, or capital), and these factors are mobile across borders, as in a Heckscher-Ohlin formulation, or incorporated in traded goods and services, as in the Stolper-Samuelson model, clear predictions follow about which groups will support and which groups will oppose economic openness. In societies that have relatively abundant capital, hence a comparative advantage in exporting capital or in exporting products intensive in capital, capitalists are predicted to support trade-opening and free capital mobility and labor is predicted to oppose it.

But the abundant evidence we have from Socialist and trade union congresses and publications and from the parliamentary debates over capital flows in the years before World War I runs counter to these predictions. The French Socialists and unions, like the German Social Democrats, rejected trade protectionism, which they saw as raising the cost of living for workers, and more generally, as a nationalist program. An example repeated across the French trade union movement were the debates over tariffs in the Fédération du Textile (12-15 août 1905) which resolved that le syndicalisme should be neutral on the tariff question, since the only real terrain de lutte is class struggle, and conflicts over tariffs lead to war, bringing misery for all. [76] The Belgian Socialist leader Emile Vandervelde expressed the general point in arguing that nationalist autarchy was antithetical to the Socialist internationalist ideal of abolishing boundaries and assuring a decent life for workers all over the world.[77]

On similar internationalist grounds, the Socialists refused to support legislation for limiting immigration.[78] Whether there should limits on immigration was a major issue at all the international

Socialist congresses at the turn of the century. In the United States and Australia, the unions had mobilized for anti-immigrant legislation. In France, the unions and the Socialists argued that this was a betrayal of international solidarity: "C'est d'abord [le danger] de considérer la classe ouvrière d'un pays comme ayant un privilège: de fermer, par exemple, l'entrée des syndicats aux immigrants ou de leur interdire l'accès de certains professions."[79] The Left clearly understood that both labor mobility and capital mobility would jeopardize jobs and wages at home, but still they saw these mouvements as forces that ultimately would build international working class solidarity. As Bracke wrote in *L'Humanité* (2 août 1907) : ' L'internationalisme ouvrier sort de l'internationalisme capitaliste./…Soit par appel aux ouvriers de l'étranger, qui viennent comme concurrents, comme briseurs de grèves, comme rivaux pour les salaires, soit par l'organisation de l'exportation des capitaux, qui créent en Pologne la concurrence aux ouvriers roubaisiens, la bourgeoisie oppose aux prolétaires de sa nation les prolétaires d'un autre pays moins avancé dans l'évolution. »

In the great parliamentary debates over foreign loans in the decade before the war, the Socialists supported the basic principle that capital should freely circulate among nations. French investors should be able to place their funds in developing countries, even if the result might be less investment in France, hence fewer new jobs at home. The debates in the Chambre des députés over the export of capital were made more intense by the ways in which they coincided with two other burning issues of the day: French policy towards Russia during the 1905 Revolution and its aftermath and Minister of Finance Joseph Caillaux's efforts to pass income tax legislation. The Socialists were bitterly opposed to authorizing new loans to Russia, while Tsarist police were shooting protesters and encouraging pogroms. As Léon Remy wrote in L'Humanité (7 janvier 1908): "On fournit à l'abominable tsarisme le poignard qui frappe la révolution dans le dos et donne à ses tenants des rentes facilement acquises. Un peu de bassesse suffit. Il faut que les camarades protestent." Center-left deputies also urged political conditionality for the loans. Clemenceau, for exemple, argued: (*L'Aurore*, 30 janvier 1906) :

> C'est nous qui avons remis au tsar le moyen d'aller faire en Mandchourie la démonstration de l'effondrement de sa bureaucratie…Après lui avoir fourni toutes les ressources financières qui devaient lui procurer la défaite devant l'étranger, il nous restait à lui fournir les ressources financières destinées à assurer sa victoire sur ses propres sujets. /…Si un gouvernement peut se constituer non plus pour promettre des reformes, mais pour en faire, on peut encore obtenir le concours de la France républicaine. Sinon, qu'on s'adresse à Guillaume II pour entretenir la Barbarie.

Once the Douma was elected, the Socialists insisted that any new loans to the Russian government be approved by the Douma. In one of many Socialist interventions in the Chambre on this subject, Gustave Rouanet charged that Russian finances were in disastrous shape and that loans risked French savings. Even more important: the moral interests and honor of France were at stake. In Persia as well, French investors were supporting counter-revolution.

> La politique de la France ne peut être qu'une politique libérale, constitutionnelle, sympathique aux peuples en voie d'affranchissement politique. Et, pour cette raison, vous devriez vous opposer à ce que les milliards de la France servent à entretenir le despotisme à la fois dans les pays emprunteurs et dans les pays où le despotisme se sert de cet argent pour perpétuer un régime d'oppression destructeur de nos propres intérêts politiques. (Applaudissements à l'extrême gauche.) [80]

To this the foreign minister replied that such remarks were unacceptable intrusions into the affairs of a foreign country and a valued ally.

In 1907 Jean Jaurès developed the same themes, arguing that despotism was the real cause of social and economic unrest in Russia: "en permettant de nouveaux emprunts vous fournissez des armes à ce despotisme contre la nation, c'est vous qui préparez la ruine du crédit de la Russie." [81] But even in the case of Russia, Jaurès continued, he was not in principle opposed to French investment.

M. Jaurès. Je ne suis pas opposé de parti pris, pour ma part à tout placement de capital français dans des pays étrangers.

Hier M. le ministre des finances opposait à la démonstration d'un de nos amis :Mais voilà du nationalisme financier !' Non, monsieur le ministre, c'est une question de mesure et de sagesse. Il est impossible, et sans doute ne serait-il pas bon, d'interdire aux capitaux français à l'heure où le monde entier est en travail et en croissance économique, de participer à ce mouvement.

M. Joseph Caillaux, ministre des finances. Ce serait contraire à toutes vos doctrines.

M. Jaurès. Ce serait contraire, en un sens, à nos doctrines quoi qu'il ne faille pas confondre l'internationalisme qui harmonise les nations et le cosmopolitisme qui les dupe. ..Mais je dis que c'est une question de mesure…plus il est inévitable et en un sens, bienfaisant, que l'épargne français participe au-dehors au développement de l'outillage économique des homes, plus il importe que cette expansion de l'épargne française, du capital national se produise avec prudence et sagesse, en laissant aux oeuvres d'industrie nationale une juste part et en n'introduisant sur le marché que des valeurs contrôlées. [82]

The Socialists' concerns about the export of capital focused not only on the political impact of these investments on foreign governments but on the impact of these monetary flows on French politics. Even as the Socialists fought against the use of French money to prop up the Tsarist government, they also fought against the threat of the Right that social reform and the passage of an income tax would drive capital out of France. In a parliamentary debate of 30 novembre 1909, a Socialist deputy Henri Michel, referring to the Lysis articles, charged that the banks were investing abroad, creating competitors for French industry, arming France's enemies, and organizing capital flight to escape French taxes. [83] In the 1907 debate, Jaurès had already used Lysis's arguments to make points about the extraordinary monopoly of control over French savings in the hands of a few banks, the banks' interest in commissions on foreign loans, and the exploitation of this power to threaten the defeat of fiscal and social reform. He warned that if this power were used to subvert the political process of reform that the Socialists would move to regulate the stock market (*le parquet et la coulisse*) as well as the deposit banks.[84] To this the centrist deputy Aynard replied:

> Comment! C'est au moment où M. le ministre des finances dépose son projet d'impôt, que vous l'interpellez sur les causes d'émigration de nos capitaux! Si M. le ministre des finances ne faisait pas partie du Gouvernement, s'il était le philosophe libéré de toute entrave, il vous dirait peut-être, de lui à vous: mais, c'est le projet d'impôt sur le revenu qui est une des causes de la baisse de nos valeurs françaises et des placements à l'étranger. /…Croyez-vous qu'on ne voit pas les dangers de l'instrument, forgé par M. Caillaux et qui même entre ses mains, nous inspireront [sic]une confiance modérée. (*Rires*)…mais manié par d'autres mains, cet outil fiscal peut permettre de réaliser en pratique les rêves socialistes! [85]

The concern that the banks' control over savings and bias towards foreign investments would undermine reform at home and the attack on authorizing French loans to especially oppressive governments abroad were themes that recurred throughout the debates of the first decade of the century. Sometimes the Socialists joined the majority in pressing governments to condition approval for foreign loans on the provision of contracts for French industries.[86] But in contrast to the sharp anti-globalization views of much of the Left today, the Left of the first globalization in general supported open borders for capital, goods, and labor and saw these movements as a force for international solidarity.

Why do the trade-theory based predictions about the politics of economic openness fail? The evidence from the first globalization suggests that we need to start from a different set of ideas about how globalization changes politics. The pressures of globalization fell upon an already constituted set of political actors and alliances. The groups in contention did not emerge and mobilize in response to the forces of globalization. Rather these were actors already present, who had coalesced in the great political battles of democratic development: battles over the Republic, Church-State relations, and Socialism. The units of analysis here are groups---parties, unions, trade associations, civic associations---whose politics were defined in earlier struggles over issues quite distant from the international economy. Their ideologies, constituencies, alliances, and connections to power were tied to old political cleavages. The actors tended to perceive and interpret the disruptions and opportunities of the new international economy by reference to a set of benchmark political struggles in which they were already engaged. For example, during the 1906-7 parliamentary debates over authorizing new loans to Russia, different groups on the Left seized on the Republican stakes in the issue—despotism, arbitrary rule, the crippling of the Douma—rather than on the impact on employment or investment in France. There were indeed voices in the labor movement who found hope in the Russian events that "strike fever" in French-owned factories in Russia could spill over into France.[87] But the dominant chord was the reaffirmation of the Republican values at stake in supporting a repressive Russian regime with French savings. On these issues, Jaurès and Clemenceau could find common cause.

The internationalism of French working class organizations and the Left, which was manifested in their responses to globalization, had two strong ideological roots that moored these groups, even when particular interests within the Left camp came under pressure from international competition. Internationalism was anchored by the legacies of Republicanism and by a past in which Republican allies had been located in a free-trade camp aligned in opposition to reactionary foes in the protectionist camp. The battles of the turn of the century between Right nationalists and the Republican camp worked to reinforce this identification of Republicanism and internationalism and to make the Left interpret particular conflicts of interest arising out of the international economy within a larger frame. Secondly, internationalism was anchored by the Marxist convictions of the French Socialists. They understood Marxist socialism to mean that the brotherhood of workers extended across national boundaries. It encompassed even Italian workers, whose presence in the French job market might drive down wages, even Russian workers, whose jobs in a French-owned factory in Russia replaced jobs the French firm might have created at home and who were at least potentially producers who would compete with the French.

Thus the pressures of globalization did change the agenda and trajectory of collective actors on the Left, but they did so by reshaping the balance of forces within these groups, not by replacing these actors with others newly created under the spur of changes in relative prices in the international economy. Within political organizations, internal conflicts and tensions are constantly in the process of renegotiation. When the external environment changes, it provides opportunities that are exploited by contending groups as they seek to strengthen their positions. How this was worked out in the politics of the first globalization was by reinterpretation and extension of old Republican universalism, now defined to encompass a solidarity across national borders.

CHAPTER 3 Thinking Globally, Acting Nationally

What are the lessons of the first globalization for thinking about globalization today? To start, the first globalization provides another powerful reminder that globalization is not irreversible. In our own times, we have been forcefully reminded by the September 11, 2001 attacks that the stability and future of globalization are in no way guaranteed. As trucks delivering parts for "just-in-time" production piled up in great traffic jams on the Canadian and Mexican borders in the days after 9/11, businessmen discovered that this is not a "borderless world." Financial analysts warned about increases in the cost of security, insurance, and inspections for cross-border transactions, and speculated about the "tipping point of globalization" or the "end of globalization." [88]

The great 19^{th} century revolution in transportation and communication technologies that lowered the costs of international exchange did not prevent walls from rising around national societies as soon as World War One broke out, and remaining up for the next seventy years. Today, when globalization has been accelerated as much by public policies of liberalization and deregulation as by new technology, these policies seem more vulnerable than technological advances to reversal. After September 11, we can imagine how public concerns about national security might drown out the interests that seek to keep movement across frontiers fluid and easy. While globalization appears to rush ahead unimpeded in cold phases of international relations, when the states that are the key actors in the international system do not face major security challenges, globalization may collapse in hot phases of international conflict. Whatever the differences between the economic characteristics of the first globalization and the contemporary situation, we are no less likely than people were in 1914 to accept major limitations on the movement of goods, capital and labor across borders or sharp increases in the costs of such transfers if these appear necessary for reducing security threats.

The Missing Politics of Internationalism

The fragility and reversibility of globalization are not the only lessons that can be drawn from the past, and may perhaps not even be of great use in trying to imagine a new politics of globalization. Three other points stand out in the experiences of the past, each of which does illuminate a gap in our understanding of globalization today and a possible way in which reflection on the past might serve our interests in bringing globalization into the service of democratic politics.

First, if we consider the array of political positions in the debates over international openness in the first globalization and hold them alongside today's debates over globalization, one huge absence is immediately revealed. In the US and Europe, we have no Left or trade-union defense of internationalism as positive for the interests of wage earners and ordinary citizens. Today's internationalist options in the domestic politics of advanced countries are of two kinds: the internationalism of a neo-liberal, free market variety; and the internationalism of a Left which today rallies under anti-globalization banners and focuses its international program on the poorest of the poor in countries on the margins of the global economy.

The free-trader internationalists advocate a set of views about the world that go back to nineteenth century debates over the Corn Laws in Britain. If a reader of *The Economist* today were to go back to *The Economist's* editorials on trade in the mid-nineteenth century, the arguments, evidence, and conclusions would seem entirely familiar. Other free trader internationalists have watered their wine by acknowledging that measures of reciprocity or fairness need to accompany policies for border-opening, if they are to win public acceptability. Some liberals, like Jagdish Bhagwati, distinguish between policies to liberalize trade and policies to liberalize capital flows, on the grounds that the latter may provoke speculative bubbles or else that they require more institutional capacity than developing countries are likely to possess. But at core, free trader internationalism on the center and right of the political spectrum retains its old understandings of the world and its old sense of priorities for advancing an anti-protectionist political agenda.

The real change has been in the internationalism of the Left. The international preferences of Left parties and of the social movements, civic associations, and trade unions broadly located on the Left are fundamentally different from those of the period of the first globalization.[89] Today the anti-capitalism of the European Left is far less militant than that of the Left of a hundred years ago. There is a large measure of acceptance of the productivist values of capitalist economies, of markets as allocative mechanisms, and of the goal of increasing social well-being by technological innovation and economic growth. The terms in which contemporary society is analyzed in Left discourse are no longer those of class---or rather, when classes are delineated, their boundaries are blurred, and their membership broadly defined. There is an acceptance of gradualism in politics, and revolutionary options have virtually vanished.

But the militancy of Left organizations has not disappeared. It has been transferred onto a new front: a fight against globalization, understood as a battle to protect and preserve the structures of domestic economy and society against pressures from international markets. When the Left thinks about how relations should be defined between national societies and the global economy, it thinks of protecting advances in social welfare, in democratic participation, and in standards of living that were achieved through a century and a half of political struggle over wages, working conditions, social welfare institutions, and the governance of the political economy. Globalization is seen as a transformation of the relationships between national societies and the international system that threatens the maintenance and extension of these gains. The parties and organizations of the Left in advanced industrial countries argue that globalization has to be stopped or limited to save the fundamental social democratic contract negotiated over the past century.

In France, these issues have become the main drivers of the recomposition of the Left. They are the focus of the quarrels between *souverainistes* and federalists, of the assault on neoliberalism and on the media led by Pierre Bourdieu and of an attack on globalization mounted in the pages of *Le Monde Diplomatique*. [90] In parallel with these intellectual battles of the past decade, there has been a rising tide of social mobilization and protest over globalization. The vast strike wave of December 1995 was described by a *Le Monde* journalist as the first mass mobilization in an advanced industrial nation against globalization.[91] In its wake followed a series of protests over issues that came to be defined as manifestions of globalization. There was the French rejection of the proposed OECD treaty, the Multilateral Accord on Investment (MAI); the battle over the "cultural exception" and international trade; the protests over genetically-engineered plants; the 1999 trashing of a McDonalds restaurant in southern France by a group of French farmers incensed by US trade sanctions against French agricultural products, and the rise of their leader, José Bové as a new media hero---an Astérix defending France against globalization and Americans.[92] A new organization emerged, ATTAC [Association pour la taxation des transactions financières pour l'aide aux citoyens], which rapidly grew a membership of 30,000, set up branches all over France, and which demonstrated a remarkable capacity to mobilize the disaffected troops of older Left-wing causes and organizations. [93]

In the United States, the new politics of anti-globalization built on an alliance between social movement activists and trade unionists---two components of the Left that had rarely seen eye to eye. The 1999 Seattle protests brought together a "turtle and teamster" coalition of environmentalists (the defenders of turtles against commercial fishing practices); and of traditional working-class organizations like the Teamsters and the AFL-CIO. However shaky theconsensus on turtles and dolphins, the claims about the nefarious effects of globalization on wage earners were simple and straightforward. While the U.S. anti-globalization alliance was far from capturing the centrality in Left programs that anti-globalization groups in France had conquered by the turn of the twenty-first century, the influence of the new issue was felt across a wide range of policy areas.

Why were the positions of the Left during the first globalization so different from the positions of the Left today? Was the Left of the first globalization blinded by ideology to the interests of its constituencies? Or were they angels of self-abnegation? The explanation seems rather that the trade unions and parties of the Left construed their interests differently than such organizations today. They located their interests as workers in alliances with other Republican forces against enemies of the Republic. They accepted that their political objectives of redistributing income, power, and social risks within France would have to operate within constraints set by internationalization. Indeed they sought to exploit international economic pressures as ways of forcing accommodations that would break the status quo. Consider, for example, the response of the French unions to the downward pressure on wages created by the entry into the labor market of large numbers of Belgian and Italian immigrant workers in trades like construction and glass making. One possible response would have been to militate for restrictions on immigration, as American and Australian unions did at the time. Such a policy might have been supported by many rank and file workers, whose anger about competition from foreign workers sometimes broke out in violence and attacks against the immigrants. European unions, however, resisted the pressures, even from their own members, for immigration controls and instead proposed legislation that would ratchet up the wage scale by prohibiting employers from offering lower wages to foreign workers. They addressed their own members' grievances about downward pressures on wages not by excluding the foreigners, but by pulling them into the system.

On economic grounds, the parties and organizations of the Left saw protectionism as hostile to the interests of their constituencies. They denounced protectionism as "la politique du pain cher," acknowledging in this a view of workers' welfare that focused on the worker as consumer and on his family's buying power. Today workers are no less consumers than they were in 1900, even if the share of agricultural produce in a family's budget is significantly lower. Workers buy clothing, shoes, cars, computers, wood products, and still food---all of which would be a lot of cheaper without import duties and quotas, and a lot more expensive if the demands for "trade relief" of unions like the US AFL-CIO were to succeed.[94] But unions and Left wing organizations today in general define the interests of their constituencies almost entirely as the interests of producers whose incomes are endangered by competition and as workers whose jobs are threatened by trade and foreign direct investment.

Why and how did the Left and the unions change their conception of where their supporters' interests lie with respect to the international economy? Even as the Left's understandings of capitalism and class blurred and softened, their definition of wage-earners' stakes in issues involving greater international openness hardened into a definition of workers as producers whose gains are dependent on national institutions. The European Left before 1914, and particularly the Marxist Left, saw the interests of workers in one nation as tightly connected to the interests of workers everywhere. Internationalism before 1914 meant an understanding of the links that connected the interests of workers across national boundaries and a political commitment to advancing the interests of wage earners globally. This internationalism has virtually disappeared, the victim of the absorption of the Marxist vision into the Communist movement after 1917 and the subsequent identification of internationalism with the survival and fortunes of the Soviet Union.

When the European Left today looks beyond the borders of its own wealthy advanced nations and considers what social justice means for relationships to others in the world, the gaze falls first on those groups and societies whose situation is furthest from their own: the populations of countries like Somalia, Mali, Afghanistan, Haiti, Burkina Faso. Debt relief for the poorest countries on earth is the top demand in this register for anti-globalization associations. How the French Left moved from a conception of social justice that focused on the working class not only in France but elsewhere in the world to a conception of social justice that focuses on the poorest of the poor is a complex story. One of the most important elements in this evolution was the incorporation into Left wing associations of waves of new recruits whose origins were in Catholic practice and organizations and whose models of political action were heavily influenced by Catholic integralist ideas of incarnation and the Kingdom of God. [95] Where the traditional Marxist Left had focused on the proletariat, the tiers-mondistes who came from Catholic origins focused on the most underprivileged groups at home and abroad: the fourth world, the populations of the bidonvilles, illegal immigrants, the wretched of the earth. The political struggles over decolonization and Algerian independence contributed powerfully to reinforcing these new ideological currents. The ideals, priorities and conceptions of social justice that came out of this fusion of new militant waves with the old Left produced new ideas about who should be the preferential object of battles for social justice fought outside national society.

Today Left internationalism focuses on a set of societies and populations who objectively pose little or no economic threat to the interests of the Left's constituencies back home. The Left need contemplate no major sacrifices for its own members in pressing demands for debt relief for poor countries, demands for protection of property rights for native plants, the right to make cheap variants of Western pharmaceuticals, "agricultural sovereignty" or other exemptions from WTO rules for the poorest nations. What does constitute a major challenge for issues of employment and distribution at home are not the claims of the poorest countries, which produce virtually nothing that competes with French goods and are certainly not promising sites for foreign direct investment—but the claims of workers in countries like China, India, Russia, Mexico, Turkey, with populations that are quite well-educated, that are close to world markets, and that have local environments acceptable to foreign investors. Increasing the welfare of the populations of countries like Burkina Faso would require injections of foreign aid and debt relief that in any plausible political scenario would raise tax burdens for the citizens of wealthier countries by only very small increments.

What would, of course, raise wages and incomes significantly in countries too poor and underdeveloped to be able to compete in world markets would be allowing their citizens to emigrate to rich countries. This radical policy reversal would have a heavy negative impact on ordinary wage earners in the advanced industrial countries. But such a move seems so far beyond the pale of public acceptability that one can hardly fault the tiers mondiste or anti-globalization Left for not pursuing it. As matters stand, the objectives pursued by Left anti-globalization militants on behalf of a greater measure of social justice for the poorest on earth are policies that would cost little in the way of redistribution or sacrifice within rich societies.

The issue would be quite different if the focus of the Left were, as in the first globalization, on societies closer to our own, with a potential to produce competitive goods and services and more threatening in their attractiveness to foreign investment. What are the policies that an internationalist Left could advocate if one of its central concerns were to raise living conditions and standards of well being in countries like China or Mexico or Turkey? One approach would be to encourage workers in those countries to organize and press demands for higher wages and better working conditions. In a limited way, the Left has taken this route, by organizing consumer boycotts of products made by companies whose overseas plants or whose suppliers' overseas plants have especially oppressive working situations. In the United States there were boycotts and protests against Nike, the Gap, Kathy Lee Gifford and other brands, when their subcontractors were shown to be operating dangerous workplaces, with abusive foremen, excess overtime, below average wages, and child labor. These movements forced brands to monitor conditions in their suppliers' facilities more closely, thereby contributing to some improvement in conditions for workers abroad.[96] American and European unions have also pushed for "social clauses" or "labor standards" in trade agreements and the US unions succeeded in attaching such a clause to the NAFTA treaty as well as to the recent renewal of fast-track authority for the President.

It is certainly desirable to continue the pressures of first-world consumers on companies to improve conditions in the low-wage environments in which they make increasingly large shares of the world's manufactured goods. But it is unlikely that these external pressures alone could bring about a transformation. At least two other changes are needed. Within the countries that now are capable of making a wide range of goods and services—from shoes to semiconductors to call services and medical reporting—workers and employees need to be able to organize to press their claims. The external pressures from unions and social movements in advanced countries for "labor standards" and for boycotts of brands with abusive subcontractors need to be relayed within the developing world by local collective action to raise wages and improve the workplace. The sign (in English and Chinese) outside the plant of an athletic shoe supplier in China that affirms the brand's commitment to a charter of labor rights including the right to collective bargaining will remain a hollow declaration so long as there is no real opportunity for workers to establish independent organizations. But the most superficial survey of the constraints on organizing the workforce in, say China or Mexico or Morocco or Pakistan, suggests how remote such a possibility is from today's legal and practical realities. On this point, even the most determined internationalists in advanced countries can provide little assistance: the necessary changes depend on collective action within the developing countries.

The other condition for raising the standard of living in the developing world is that rich countries agree to lower the tariff and quota barriers to the entry of goods and services from the rest of the world. To achieve this, there is a neo-liberal agenda for promoting freer trade through negotiations within the World Trade Organization as well as in regional negotiations. But there is no Left or Social Democratic agenda for international openness. To start, there is virtually no recognition by the traditional Left or by the new anti-globalization associations of the fact that the only countries which significantly improved the standard of living of their populations in the postwar period were countries like Korea, China, Taiwan, and Singapore that oriented their economies towards exports and depended on the openness of the United States and Europe for their growth and development. If bringing a new set of countries into the ranks of those whose productivity and growth allow for real increases in the well being of citizens requires a willingness on the part of advanced countries to open their borders to a new wave of imported goods and services, what does the Left have to contribute to the debate?

Consider, for example the programs of the French Socialist Party or statements of its leaders on the international economy. They reveal a grudging acceptance of the inevitability of globalization and a strong determination, at least at the level of rhetoric, to regulate it in order to buffer its effects on domestic institutions. But beyond insisting that neo-liberalism in the international economy should not be allowed to produce a market society back home, there is no blueprint of reforms that should and could be promoted domestically in order to distribute more equitably the shocks and burdens of international openness. There is no vision of the political possibilities within the context of international openness for extending the range of redistributive mechanisms in society or of the institutions of democratic accountability.

Internationalism and Democratic Reform

The simplest explanation of the defensiveness and reactive nature of Left responses to globalization is the belief, which this essay presented in the introduction, that democracy and reform depend on national borders. Many believe there is a harsh trade-off between maintaining democratic politics and maintaining an open and increasingly integrated international order. On this understanding of matters, if we choose to preserve democratic politics, we have to retreat from international economic integration, and reinstate some of the old protectionism. If instead we opt for international economic integration and for globalization, then we are forced to give up the borders of the state and the terrain of democratic control within the state. The trade-offs between these three poles--- democratic politics, national governments and globalization---represent in Dani Rodrik's formulation a kind of "political trilemma." [97] Rodrik sees only one genuinely good alternative to the two bad trade-off pairs I have mentioned. He describes global government as the only form of governance that could accommodate both international economic integration and democratic politics.[98]

This conclusion is both too dismal and too ready to discount the possibilities that remain within national politics. It is too pessimistic, because even on the horizon of the "next 100 years or so" –the period Rodrik refers to--- world government hardly seems likely. However desirable it might be to work on creating international institutions with more democratic practices and greater accountability, the prospect for the indefinite future is using the states we now have and the innovations in the practices and institutions of democracy within national communities to respond to the challenges of globalization.

Is this possible? A substantial body of social science research by Geoffrey Garrett, Robert Wade, Duane Swank and others that examines the effects of globalization on state capacity concludes that the constraints of international economic integration on national policy leave far greater room for national policy autonomy and the implementation of national preferences today than the conventional understandings of globalization suggest.[99] When for the period of the first globalization we consider the major domains of state interventions in society ---macroeconomic policy, fiscal policy, industrial policy, and the welfare state---the effects of international openness do not appear to have been decisive. In two of these areas—macroeconomic policy and industrial policy---the freedom of action of governments before World War One was in fact circumscribed, but it is difficult to evaluate exactly what weight to assign to globalization in creating these constraints. The gold standard did limit the interventions of governments in the realm of monetary policy and those constraints would be evidence for the strongest case one could make for globalization's shrinking the powers of the state. Even on this score, however, we can observe major differences in the patterns of economic adjustment that various governments adopted, as Beth Simmons shows in her analysis of economic policies under the gold standard in the interwar period.[100]

Moreover the constraints imposed on macroeconomic policymaking by the gold standard would have to be seen together with other major intellectual, technical, and material limitations on the government's exercising a larger role in the sphere of macroeconomic policy. Before Keynes and before input-output analysis, economists lacked an intellectual framework and categories that allow policymakers to conceptualize the economy as a whole or to design instruments for interventions. They lacked the statistical apparatus that would have been necessary for such policy activism. Aside from rare and botched attempts like the Freycinet Plan(1878-1882)to stimulate an economy in recession with government subsidies to industry, the state did not attempt to affect the condition of the economy as a whole. Similarly in the domain of industrial policy, we know that state activism was minimal: government spending on industry was a small fraction of state budgets until the years after World War Two.[101] There is no reason to assign a privileged role to globalization in tying government's hands in industrial policy. A host of other factors---foremost among them, anti-statism and laissez-faire economics convictions---came into play.

If in the domains of macroeconomic policy and industrial policy it is difficult to evaluate the role of the first globalization in shrinking the state's capabilities, since the state was in any event a reluctant wielder of its powers in these areas. The issue was quite different for fiscal policy and welfare policies. Here European states were in full expansion of their roles. The introduction of progressivity in taxes on inheritance, taxes on securities, and an income tax were major issues on the political agenda of all the developed countries in the period of the first globalization.[102] Here is where we would expect that the constraints of globalization should have blocked expansion of the state's role in economy and society. Critics of these new taxes argued then, like political economists today, that in a world without capital controls, new taxes will lead to capital flight unless the tax burden is shifted onto labor. Despite such arguments, and in the absence of any controls on capital mobility, fiscal legislation made major advances in Europe and the United States during the first globalization. In France, legislation was enacted in 1872 that for the first time taxed the income from securities. In 1901, progressivity was introduced into inheritance taxes---"France's entry into the era of 'modern' fiscal redistribution," according to Thomas Piketty.[103] The Chamber of Deputies voted for an income tax in 1909; it was turned down by the Senate, and finally passed by both houses of parliament in 1914, two weeks before the declaration of war. Globalization did not in this period prevent passage of landmark fiscal legislation with major redistributional effects.

For the institutions of the welfare state as well, the decades before the First World War laid the foundations on which modern systems would be developed and expanded. The new principles that inspired the French 1898 industrial accident law and insurance funds were debated through the 1880s and had wide influence in other countries. When Bismarck introduced the Industrial Accident Insurance Law of 1884 in Germany, some critics attacked it as reflecting "foreign" [i.e., French] legislative proposals.[104] Other major social legislation in France during the first globalization included the 1900 law on the ten-hour workday---which the Socialist leader Jean Jaurès hailed as one of the greatest reforms of the past half century; the six-day week, and the old-age pension law of 1910. In the parliamentary debates over each of these proposals, the issue of whether the reform would put French industry at a competitive disadvantage was always raised. In some cases, the advocates of reform could point out that France's competitors had already adopted such rules; in others, France was a leader, and the laws had to be passed against the opposition of business, the hostility of laissez-faire ideology, and a generalized concern about international competition.

But many of the laws did pass. On the eve of the war, France was far from a social-democratic welfare regime, but it had come a long way. From a situation at the beginning of the 1870s in which there had been virtually no state regulation of the workplace (in contrast to Britain where the first protective legislation is the 1833 Factory Act), France had by 1914 set in place the skeleton of a modern welfare state. That all this took place during the first globalization suggest far more political space for state-led policies of social reform and redistribution than we might have anticipated. It suggests as well why we need to return with a critical eye to the trade-based models which generate predictions about the state's capabilities and autonomy in an open international economy.

Opponents always argued that social and democratic reforms would damage the stability of national currency or the competitiveness of national industry. Yet in country after country these objections were pushed back. The parties and politicians who pressed forward with reform legislation often buttressed their arguments with examples of neighboring countries that had introduced such changes without negative effects on their industrial competitiveness. At least at the level of political rhetoric, there is evidence of emulation and learning across borders that seemed to encourage a virtuous cycle of rising standards of social welfare. From the fact that foreign practices were cited in arguments to support the feasibility of domestic reforms, one can hardly conclude that globalization induces a process of ratcheting up of standards and social regimes. But the evidence from the first globalization does not suggest a race to the bottom, rather the contrary. European countries that were tightly integrated into international markets were able to introduce far reaching social and economic reforms, and these reforms preserved and reinforced significant differences between the policy regimes in various nations.

Globalization and War and Peace

In the decade before World War I there was a major debate in Europe over the internationalization of the economy and the likelihood of war. In France in governmental circles these debates often focused on French-German relations and on the question of whether the French government should allow normal cross border economic exchanges with the Germans. To do so was to accept as legitimate a kind of separation of realms between the world of power politics and the world of economic relations and to argue that even as the French continued to pursue diplomatic alliances that might one day result in the recovery of Alsace-Lorraine, the French could also have "normal" economic relations with the Germans. This view was expressed in the political opposition to the aggressive nationalism of Foreign Minister Delcassé. It was also the view of those like Testis, who made the case for the complete liberalization of capital exports.

"Il est un peu difficile en France, de parler de l'Allemagne en toute liberté d'esprit. Elle est comme un voisin hautement qualifié, avec lequel on aurait jadis perdu un gros procès... Cependant, nous ne sommes pas en guerre avec l'Allemagne (89-90). Trente-sept ans se sont écoulés depuis la douloureuse épreuve de 1870. Nous sommes dans la situation où se trouvaient nos pères trente-sept ans après Waterloo au regard des Anglais, des Russes, des Prussiens, des Autrichiens, des Saxons, des Suédois, qui avaient envahi et diminué le territoire. Est-ce qu'en 1852 il serait venu à la pensée d'un Français de faire grief à des banquiers de Paris et de province d'avoir des relations importantes et suivies avec des correspondants de ces diverses nationalités ? Aujourd'hui même, qui blâme un négociant de Reims ou d'Epernay de vendre ses vins de Champagne ; un fabricant de Calais, ses dentelles ; un couturier, ses robes ; un grand magasinier, des articles de Paris, à des marchands ou clients de Berlin, de Hambourg ou de Francfort ? Comment ces négociants ou industriels qui commercent avec l'Allemagne recevraient-ils la contre-valeur de leurs livraisons, si des banquiers français ne s'enchargeaient pas par l'intermédiaire des banques allemandes, et comment ces rapports pourraient-ils naître et durer antre les Sociétés de Crédit des deux nations, s'ils ne comportaient pas ces échanges de fonds sous toutes les formes,...Car les banques vendent de l'argent, comme les hommes d'affaires qu'on vient de citer vendent des dentelles, des toilettes, ou des articles de Paris." [105]

The opponents of normalization argued that such a policy meant giving up forever on regaining the provinces lost in the 1870-1 defeat. Giving Germans open access to the French capital market, they argued, would strengthen Germany's military capabilities, making war more likely and the dangers for France greater. As Lysis, who launched the debate over capital exports, concluded: "Prêter des capitaux à la grande industrie allemande, dans les conditions où elle fonctionne, c'est commanditer l'impérialisme allemand." [106]

Looking back after the war on the debates over the internationalization of capital markets, Lysis wrote that the great French mistake had been to consider nationality as an outmoded concept, doomed to disappear in an open world economy. Anyone who talked about national power and security was considered chauvinistic : "Ah! ce pauvre Déroulède, étail-il assez ridicule avec son Alsace-Lorraine, ses grands gestes enflammés et sa longue redingote apparemment aussi démodée que ses idées! Quel pompier! Mais tout de même il avait raison, le brave homme." [107] Internationalism is all fine and well, wrote Lysis, but we took it too far and took our dreams for the realities : "Depuis quarante ans, nous étions convaincus que les nations allaient disparaître, alors qu'elles se renforçaient dans tous les pays du monde."[108]

The controversies over globalization and war and peace went beyond the particular issue of French-German relations and widened into debates over whether countries that were increasingly linked together by their economies would be less prone to fight each other. The best known contribution is the English journalist Norman Angell's book *The Great Illusion* (first published in 1910) which argued that war and conquest can achieve no gains in the modern world. In a world of tightly integrated economic activities, war would have a devastating impact even on the victor. Angell described the links among nations in terms that we might use today for globalization:

> This vital interdependence...cutting athwart frontiers is largely the work of the last forty years. ...[It is] the result of daily use of those contrivances of civilization which date from yesterday--the rapid post, the instantaneous dissemination of financial and commercial information by means of telegraphy, and generally the incredible increase in the rapidity of communication which has put the half-dozen chief capitals of Christendom in closer contact financially, and has rendered them more dependent the one upon the other than were the chief cities of Great Britain less than a hundred years ago. [109]

From this interdependence, Angell deduced the irrationality, indeed the unlikelihood, of war, for it had become too costly to the fabric of international economic exchange to be a rational option.

Angell's book was translated into twenty-five languages, sold millions of copies, and had a great impact across Europe and America. Jean Jaurès cited Angell's work favorably in speeches in the Chamber of Deputies, concluding like Angell: "le réseau des intérêts économiques et financiers oblige tous les peuples à se menager les uns les autres, à éviter les grands catastrophes de la guerre." [110] In a 20 décembre 1911 speech to the Chamber, Jaurès returned to these themes:

De plus en plus les intérêts se diversifient, se mobilisent, se mêlent, s'enchevêtrent ; par-dessus les frontières des races et par-dessus les frontières des douanes travaillent les grandes coopérations du capitalisme industriel et financières (Très bien ! Très bien !) et les banques, les grandes banques s'installent derrière les entreprises, elles les commanditent, elles les subventionnent, et en les commanditant, en les subventionnant, elles les coordonnent ; et comme elles subventionnent en même temps les succursales lointaines dans tous les pays et par-delà les mers, voila que la puissance des banques se dresse, coordonnant les capitaux, enchevêtrant les intérêts de telle sorte qu'une seule maille de crédit déchirée a Paris, le crédit est ébranlé à Hambourg, à New York, et qu'il se fait ainsi un commencement de solidarité capitaliste, redoutable quand elle est manœuvrée par des intérêts inférieurs, mais qui, sous l'inspiration de la volonté commune des peuples, peut devenir à certaines heures une garantie pour la paix. [111]

Jaurès saw as well the dangerous potential of capitalists' search for profits abroad as it joined up with states' search for power and prestige in the race for colonies. In parliamentary debates over Fashoda, the Moroccan crisis, the Turkish loan, Jaurès denounced the role of powerful interests in driving the government's colonial policy and warned that the quarrels with the British and the Germans over dividing up the spoils of imperialism could spin out of control into armed conflict. He condemned the role of arms sales in fuelling the export of capital: "l'internationalisme des obus et des profits." But at the same time he argued that internationalization of the economy had created a situation in which democratic institutions and the pressure of working class movements could be brought to bear to maintain the peace.

> "Le monde présente est ambigu et mêlé. Il n'y a en lui aucune fatalité, aucune certitude. Ni le prolétariat n'est assez fort pour qu'il y ait certitude de paix, ni il n'est assez faible pour qu'il n'a ait fatalité de guerre. Dans cette indécision des choses et cet équilibre instable des forces, l'action humaine peut beaucoup." (1905)

As late as 20 July 1914 Jaurès still entertained the hope that war might be averted if, among other things, capitalists would wake up to the dangers to their own foreign holdings and intervene in time to prevent the worst from happening. He wrote in *L'Humanité* : "Le capitalisme même, en ce qu'il a de plus sain, de plus fécond, de plus universel, a intérêt à apaiser et à prevenir les conflits."

Jaurès' relative optimism about the possibility that the internationalization of capital would weigh in favor of peace ---or could be made to move in this direction by pressure from democratic forces---was a conclusion that other socialists reached as well, although sometimes by rather different reasoning. Like Jaurès, Jules Guesde saw the sources of war as internal to capitalism but argued that internationalization of the economy reduced the likelihood of war: "On pourrait donc presque dire que l'ère des grandes guerres européennes est close…"[112] Gustave Hervé was an anti-militarist whose journal *Guerre Sociale* proclaimed that if war broke out, the working class should refuse to serve and to use the breach in law and order to push forward with an insurrectionist movement. But Hervé, too, saw the spread of capitalist interests across borders as reducing the chance of war: "cet avantage qui n'est pas à dédaigner, de diminuer les chances de guerre de nation à nation."[113]

It was this view on the potential of globalization for creating cross border alliances that would preserve the peace that Lenin excoriated in his 1916 *L'impérialisme, stade supreme du capitalisme.* The designated object of his attack was Karl Kautsky, whose claims about the peaceful tendencies of international cartels paralleled the arguments that Jaurès and Guesde were making. In Lenin's analysis, international monopoly capitalism moves through phases of peaceful competition and phases of war, as the capitalists strive to divide up the territories of the world in order to extract their resources and to extend their markets. Whatever alliances exist among the participants in this imperialist operation are temporary. As the relative strengths of the home economies of the imperialist powers shift, they strive to enlarge their share of the division of territories in the world. Usually the previously-dominant country resists, and war is the means by which change is forcibly effected among imperialist states. Lenin describes the growing productive capabilities of Germany and the relative decline of the British and the struggle to translate this new power ratio into influence in the world economy:

> Faut-il se demander s'il y avait, *sur le terrain du capitalisme*, un moyen autre que la guerre de remédier à la disproportion entre, d'une part, le développement des forces productives et l'accumulation des capitaux, et, d'autre part, le partage des colonies et des 'zones d'influence' pour le capital financier? [114]

The fact of World War One and the virtually immediate collapse of cross-border economic exchanges on the outbreak of war destroyed the force of arguments of those like Angell who believed that the globalization of the economy would make wars unprofitable and unlikely. Even those who saw the internationalization of capitalism and the division of the world into colonial empires as leading to violent conflicts among nations had not imagined a war so comprehensive and massive that it would destroy most ties of economic interdependence. Nor did anyone anticipate how devastating war would be, not only for globalization, but also for the propertied classes of Europe. Consider only the case of France: a victor in the war. Two-thirds of all French foreign investments were lost by the end of the war. And the destruction of property in the course of war was so great that it drastically reduced the inequalities of wealth in society. War, as Thomas Piketty has shown in his study of inequalities of wealth over the past century, has proved to be the great leveler of unequal fortunes.[115]

In retrospect, the lesson of World War One for our understandings today of the relationship between globalization and war and peace is devastating and simple: the international links of a global economic international system do not spontaneously give rise to an international security order. The dense web of cross-border investments and trade in the first globalization did not generate an international politics that was less prone to war. Nor did it, within countries, check nationalist passions or foreign policy ambitions. The profit-seeking behavior of capitalists pursuing their concerns across national borders did not establish ties of interdependence resilient enough to constrain national governments from going to war. The networks of trade and investment that bound the interests of capitalists together across national boundaries collapsed when war broke out. Even the nationalist far right was proven wrong in its alarm that German investment in French mining and manufacturing might give the Germans some power within French society that could be leveraged in wartime. On the outbreak of war, enemy properties in France as elsewhere in the world were immediately taken over by national government.

The lesson we can read in the end of the first globalization is that economic international integration does not spontaneously generate an international order based on peaceful exchanges among different nations. However interpenetrated the political and economic interests of the societies of the North Atlantic economy at the time of the first world war, still, the most important economic actors were impotent to stem the rush towards war. However much moneymaking and industrial civilization had transformed the old warrior and glory-seeking elites within national societies, still, nationalist passions were strong enough to keep millions of Europeans slaughtering each other for four years. The City of London had raged against any British involvement in the war but with the declaration of war, the City immediately fell silent.[116]

One conclusion that might be drawn, then, from the instant collapse of economic international integration at the outbreak of war would be that creation of an international order based on rule of law and peaceful resolution of conflicts proceeds only by deliberate political design, and not by the entanglement of national political actors in a web of common economic interests. The establishment of the League of Nations in the wake of the war and of the United Nations after the second world war were such attempts to construct the institutional frameworks for international order. But in both cases the success of these institutions hung and hangs on the will of the most powerful states. If international openness was—and is likely to be---among the first victims of war, one would expect that countries with economies that are tightly integrated into the international economy or countries that have high degrees of ideological commitment to markets and to globalization would be leaders in constructing institutions for world order.

This expectation has been formalized in theories of international relations that identify periods of international openness and peace with periods of hegemonic domination by a single country, as, for example, Britain in the mid-nineteenth century. The idea is that the advantages that the hegemonic country derives from an open international economy and from the maintenance of international peace will be so great that the hegemon will be willing to bear more than its share of the costs of maintaining the system. Thus the British were willing to be lenders of last resort to underpin the gold standard. The United States during the Cold War was willing to carry a large share of the liberal democratic world's security burdens and also to treat its own domestic market as "buyer of last resort" for the manufactured goods that poured out of the factories of its allies, even when some of these allies, like Japan and South Korea, had markets that were closed to American goods.

The world of 2002 does have a hegemon, the United States, but one that shows less and less willingness to build an international rule of law which might constrain its own actions. Across a range of issues from the environment (the Kyoto Accords) to an international justice for war criminals to outlawing chemical weapons and mines, the United States insists on keeping its own policies, norms, and tribunals and remaining outside the institutions set in place by international agreements. While defending the ideals of globalization in general and the liberalization of product, services, and financial markets across the world, the United States has reinforced protection in particular cases (agriculture, steel) in which its own interests are at stake. Today, American refusal to pay the price of building international institutions and norms, that is, refusal to accept rules that would constrain its own actions, leaves globalization more vulnerable to attacks from within and assault from outside.

Conclusion

If we compare the domestic politics of the first and the second globalizations, we see a great and growing disbelief today in the possibility of altering the outcomes of the international economy by action on the terrain of national politics. This stands in sharp contrast to the expectations and strategies of Left reformist politics during the first globalization. The French Left's internationalism before World War I started from a strategy aimed at changing the rules of the game through redistributive legislation at home. At the same time, the Left accepted and sought to accommodate the entry of new nations into the ranks of industrialized countries. It attempted to incorporate the rising skills and welfare of foreign wage earners within an international community of fraternal equals----even while protecting and extending the gains of the French working class. This internationalism had both an ideological solidaristic component and a strategic component. For the Left to realize its domestic political objectives, it needed to sustain a broad Republican coalition, and it understood that the platform on which such a coalition could be constructed required anti-protectionism and embrace of an open international economy. As Karl Polanyi expressed this consensus between the liberals and the Left on the international economy, "Where Ricardo and Marx were as one, the world knew no doubt." For the Left, the prime objective of this Republican coalition was to advance democratic reforms at home. This agenda was largely successful. Even in a world in which governments lacked the instruments to control cross border flows of resources, even as the enemies of reform threatened dire consequences, the Left set in place the basic structures of a modern progressive fiscal system and of a welfare state.

Today we cannot imagine any simple transposition of the approaches of pre-War Left internationalism to our own dilemmas. The French Left was prescient enough to recognize that the textile factories that Edouard Motte built in Russian Poland not only reduced levels of investment in France, but also that they threatened in the future to produce a stream of goods that would compete with French-made textiles. That distant anticipation has become the daily reality of the challenge that globalization poses for the well-being of wage earners in advanced industrial countries. Structures of production and distribution that once were concentrated within national territory are being reorganized into long global supply chains, whose nodes are located around the world. With the massive relocation of manufacturing facilities to less-developed, low wage countries and the outsourcing of an ever -wider range of services, like software to India, globalization today threatens to produce a major restructuring of domestic economies on a scale that has no precedent in the first globalization. Economists disagree over the extent of the impact of these changes in the international economy. The problem about analyzing the role of globalization in growing income inequality, for example, is that there are other transformations simultaneously underway within advanced industrial countries--- new technologies that require higher skilled labor, or the shift from an industrial to a services economy--- that may explain well account for a significant part of the effects that are attributed to globalization. Manufacturing is declining across the advanced industrial countries, not only or even primarily because of the transfer of factories and jobs to low-wage countries, but because of the explosive growth of services. Trade and the outward flow of capital are contributing to the widening inequalities between less-well-paid and better paid workers, but so, too, are the changes in technology that require higher levels of education than the old manufacturing workers ever received.

Whatever the uncertainty about the relative significance of globalization as contrasted with other changes in industrial countries, one fact is clear: the costs of restructuring are disproportionately borne by certain vulnerable groups in the population, like manufacturing workers, whose prior education and work experience provide small hope of finding new positions at decent salaries when their factory jobs disappear. The U.S. has experienced over the past decade massive losses of factory employment , to which the Asian and Latin American recessions and a strong dollar contributed. When workers are laid off from average manufacturing jobs, very few of them find new jobs that pay as much as they had earned in the past. The good jobs that have been created in great numbers in the American economy over the past decade are beyond the reach of these laid-off middle-level industrial workers, who lack the schooling and skills to qualify for them. The new jobs go to younger, better educated workers.

The benefits of globalization are broadly distributed across society; its costs are concentrated. What would it take to relieve some of these burdens of trade-related distress and dislocation? Beyond retraining of the laid-off workers (which has not turned out to be very successful), there is the possibility of major social reforms that would redistribute some of these concentrated costs of globalization. In the U.S., the obvious candidates would be universal health insurance and health care, secure pension rights, continuing education, and possibly an extension of income support, through the tax system or some basic income scheme. It is understandable that such programs are not being pursued by the current Republican administration and Congress, but even within the previous Democratic administration, proposals for such reforms were rapidly derailed. Within France as well, the politics of redistribution has faltered, not only in Right governments but also under the Left. The basic impulse of Left internationalism, which was to protect and expand the gains of wage earners at home while supporting an open international economy that could raise incomes abroad, has produced no sturdy heirs today.

Today we no longer take for granted, as the social democratic Left did before World War I, that the basic levers of control over distributions of power and well-being can be exercised within national politics. We see the threat of globalization as a radically new challenge to democracy. In the fundamental tension between democracy and capitalism---between distributions of power that are determined by elections and distributions of power that are tied to social relations of production and ownership---we fear that globalization has finally shifted the balance decisively to the advantage of capital. Capital seems to be unconstrained in its mobility: free to pick up and exit from countries with costly regulatory legislation and high-wage labor; free to relocate with the stroke of a computer key from one country to another; while labor remains more or less confined within national spaces. With such asymmetries, how could democratic politics arbitrate between the interests of the economically powerful and those of the majority of the population?

Here the first globalization offers both terrible warnings and warrants for democratic hope. The strength of nationalism in 1914, the vulnerability of all the international networks of investment and production as war broke out, the disintegration of the Atlantic-European economy that had emerged since the mid-nineteenth century---all these showed the resilience of the national state in its darkest reality. Whatever the differences between the first globalization and ours today, the possibility of such a disastrous outcome has not yet disappeared.

But the other side of the same coin is that state power persisted, even under constraints similar to our own of open borders and capital mobility, and this enabled the Left of 1870-1914 to advance social democratic reforms. Today, as in the first globalization, borders continue to play a vital role in regulating the flow of economic activities. Capital proves far more likely to stick in home territory than the theories of political economists or the fears of the anti-globalization protesters would suggest. Most multinationals still concentrate their high-value added activities, like R & D, design, and marketing in their own home societies. The economic clusters of regions like Silicon Valley or Sophia-Antipolis or the industrial districts of northern Italy are areas of high wages, high profits---and deeply rooted capital. Even between the United States and Canada, even between the member states of the European Union where common currency and the absence of tariffs and quotas have removed the legal barriers to exchange, still there remain persistent and strong preferences for doing business in ones own home country.[117] Even as the flows of foreign exchange trading and speculative investment rise and flood across borders, the largest part of national economies never enters into international trade at all. Globalization does matter for those employed in the production of services; for the well-educated workforce engaged in product definition, design, marketing, and research; even for public sector employees in the non-traded part of the economy. But the fearful threats about the future of these activities in an open international economy are greatly overstated, for their role and efficacy remain embedded in national territory.

The basic problem today, however, as under capitalism in its traditional and nationally-circumscribed forms, is not of global pressures toward a race to the bottom in which the state is a helpless bystander. It is the fact that the economic system left unchecked generates ever wider inequalities of resources and power, and there is no natural re-equilibrating mechanism to contain these inequities or to redistribute the burdens of rapid and disruptive change. The political challenge we face under globalization is at root the same one that democracies have confronted all through their histories of conflict and co-existence with capitalism. The principal difficulty is one of domestic politics that arises with our fellow citizens : how to muster the political will and the broad social coalitions to support policies of redistribution.

[1] Timothy J. Hatton et Jeffrey G. Williamson, *The Age of Mass Migration*. Oxford: Oxford University Press, 1998, pp. 3-7.

[2] Richard E. Baldwin et Philippe Martin, “Two Waves of Globalization: Superficial Similarities, Fundamental Differences,” H.Siebert, ed, *Globalization and Labor*, Tuebingen,Mohr Siebeck. 1999, p.29.

[3] Michael D., Bordo, Barry Eichengreen, Douglas A. Irwin, “ Is Globalization Today Really Different than Globalization a Hundred Years Ago?”: National Bureau of Economic Research, 1999, p.28.

[4] Maurice Lévy-Leboyer et François Bourguignon, *L'économie française au XIXe siècle*, Paris: Economica, 1985, pp. 232-3.

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[5] See Baldwin, Bordo op.cit., also, Paul Krugman, "Growing World Trade: Causes and Consequences," *Brookings Papers on Economic Activity* , 1995, 1, pp.327-377; and Robert Zevin, "Are World Financial Markets More Open? If So, Why and With What Effects?" Tariq Banuri et Juliet B. Schor, eds, *Financial Openness and National Autonomy*, Oxford: Oxford University Press, 1992.

[6] The next six pages draw on Suzanne Berger, "Globalization and Politics," *Annual Review of Political Science*, 2000, vol. 3.

[7] Krugman, op. cit., 331-7.

[8] Kenichi Ohmae, *The Borderless World,* New York, Harper Collins. 1990.

[9] Ohmae, op.cit., 18.

[10] Philippe Séguin, *Ce que j'ai dit.* Paris, Grasset,1993, p.39.

[11] James Madison, Federalist Paper 10, in *The Federalist Papers*, New York, Mentor Book, 1961, p.81.

[12] A. Taylor, "International Capital Mobility in History: The Savings-Investment Relationship," National Bureau of Economic Research Working Paper 5743. Cambridge Ma, 1996; . See also chapter 11 in Kevin H. O'Rourke et Jeffrey G. Williamson, *Globalization and History*. Cambridge: MIT Press, 1999.

[13] O'Rourke et Williamson. 1999, op. cit., chapter 8.

[14] Ibid., pp. 43-53..

[15] See the conclusions of Lee A. Craig et Douglas Fisher, *The Integration of the European Economy, 1850-1913*. New York, St. Martin's Press, 1997.

[16] André Cambiaire, *L'Autoconsommation agricole en France*, Paris: Colin,1952, p.184.

[17] Eli F, Heckscher,. 1955. *Mercantilism*. Translated by M. Shapiro. revised 2nd ed, 2 vols. London: George Allen & Unwin 1955.

[18] Joël Freymond, . *Histoire de la plus grande spoliation du siècle: les emprunts russes*. Bayeux: Journal des Finances, 1996, p.52

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[19] Emile Levasseur, *Histoire du Commerce de la France: de 1789 à nos jours.* Paris: Arthur Rousseau, 1912, pp.721-2.

[20] Bordo, Eichengreen, Irwin, op. cit., p.32 referring to research by Garbade and Silber (1978).

[21] France through from the 1850s to 1913 had almost a migratory balance, only slightly negative (varying from 0.2 to 0.01 /1000 over the period). Craig and Fisher, op.cit..

[22] Edmond Théry, *Le Péril Jaune*. Paris: Félix Juven, 1901, p.308.

[23] O'Rourke et Williamson, op. cit., pp. 102 ff.

[24] Michael Stephen Smith, *Tariff Reform in France, 1860-1900.* Ithaca NY, Cornell University Press, 1980 p.230.

[25] Maurice Lévy-Leboyer et François Bourguignon, *L'économie française au XIXe siècle.* Paris, Economica, 1985, p.45.

[26] Léon Say, "Introduction à l'édition française de la théorie des changes étrangers de Geschen,"[Paris, 1875], cited in Maurice Brion, *L'exode des capitaux français à l'étranger*. Paris, Arthur Rousseau, 1912, p.3.

[27] Edmond Théry,*La France Economique & Financière*, Paris, Economiste Européen, 1900, p.199.

[28] Charles-Albert Michalet, *Les Placements des épargnants français de 1815 à nos jours*. Paris: Presses Universitaires de France, 1968, pp. 138-9

[29] Rondo Cameron, *France and the Economic Development of Europe, 1800-1914. Conquests of Peace and Seeds of War.* Princeton: Princeton University Press, 1961, p. 487. There are large uncertainties and disagreements about the exact numbers here and about the right ways of calculating them. On the measurement of French foreign investment and returns on it, see also: Harry D. White, *The French International Accounts, 1880-1913*. Cambridge: Harvard University Press, 1933, and Maurice Lévy-Leboyer, "La Capacité financière de la France au début du XXe Siècle," pp. 7-33; et "La Balance des Paiements et l'Exportation des Capitaux Français, " pp. 75-142, in Lévy-Leboyer, ed., *La Position Internationale de la France*, Paris, Editions de l'Ecole des Hautes Etudes en Sciences Sociales, 1977.

[30] Cameron, op. cit., p.64. Michalet, op.cit, calculates that 14% of total private fortunes were in foreign securities, pp. 138-9.

[31] Ibid.

[32] A.K. Cairncross, *Home and Foreign Investment, 1870-1913*, Cambridge, Cambridge University Press, 1953, p.104.

[33] Michalet op. cit., p. 154; and Adeline Daumard, "Diffusion et Nature des Placements à l'Etranger dans les Patrimoines des Français au XIXe Siècle, " M. Lévy-Leboyer, ed., *La Position Internationale de la France*, pp.430-5.

[34] Peter Svedberg "The Portfolio-Direct Composition of Private Foreign Investment in 1914 Revisited," *The Economic Journal* 88, December 1978, pp. 763-777.

[35] Herbert Feis, *Europe: The World's Banker, 1870-1914*, *Reprints of Economic Classics*. NY: Augustus Kelley, 1964, p.51.

[36] See the debates among the contributors to Lévy-Leboyer (1977) et Jacques Marseille, *Empire colonial et capitalisme français*. Paris: Albin Michel, 1984, pp. 22-30; Jean Bouvier et René Girault, eds.,*L'impérialisme français d'avant 1914*. Paris: Mouton, 1976. Their definition: "l'impérialisme d'un Etat réside, pour l'essentiel, dans les tentatives qu'il fait (réussies ou non) pour tirer profit du développement écon inégal entre régions ou zones, et pour imposer son point de vue sur la politique extérieure d'autre Etats, au besoin en délimitant l'autonomie laissée en matière de politique intérieure à ces Etats," p.8.

[37] Lévy-Leboyer et Bourguignon, White, op. cit.

[38] Robert J. Shiller 2000. *Irrational Exuberance*. Princeton: Princeton University Press, 2000.

[39] Statistics are from B.R. Mitchell (1980). *European Historical Statistics, 1750-1975.* NY, Facts on File, 1980.

[40] Rich accounts can be found in: John P McKay, 1970. *Pioneers for Profit. Foreign Entrepreneurship and Russian Industrialization, 1885-1913*. Chicago: University of Chicago, 1970; et René Girault, 1973. *Emprunts russes et investissements français*. Paris: Armand Colin, 1973; as well as in the archives of Crédit Lyonnais in Paris.

[41] Centre des archives du monde du travail (CAMT), 65 AQ H153

[42] CAMT, 65 AQ H258

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[43] For permission to operate the factory as a concession, the government demanded a loan of several million gold rubles; required that the Soviet holding company have a monopoly on raw material purchases and on sales of finished goods; and wanted a three-way division of profits, between the state holding, the government and the French shareholders.

[44] Albert Broder, "La longue stagnation française: panorama general." Yves Breton, Albert Broder, et Michel Lutfalla, eds., *La Longue Stagnation en France.* Paris, Economica, 1997, pp. 9-58.

[45] Brion, op. cit.,pp. 82-3.

[46] Edmond Théry, *Les Progrès économiques de la France. Bilan du régime douanier de 1892*. Paris: Economiste Européen., 1908, pp.311-2.

[47] Paul Leroy-Beaulieu, *L'Art de Placer et Gérer sa Fortune*. Paris: Librairie Ch. Delagrave, [1905?] p.50.

[48] Ibid., pp. 107-8.

[49] Ibid., pp.92-3.

[50] Harry D. White, *The French International Accounts, 1880-1913*. Cambridge: Harvard University Press, 1933, pp.271-2.

[51] See Michael Edelstein, *Overseas Investment in the Age of High Imperialism,The United Kingdom 1850-1914.* New York, Columbia University Press, 1982; Lance E. Davis et Robert A. Huttenback, *Mammon and the Pursuit of Empire. The Political Economy of British Imperialism, 1860-1912.* Cambridge, Cambridge University Press, 1986.

[52] Richard Tilly, "International Aspects of the Development of German Banking," R. Cameron et V. Bovykin, eds, *International Banking,* Oxford, Oxford University Press, 1991, p.95.

[53] Lysis was the pseudonym of Eugene Letailleur, a journalist, who published a number of books on the subject. A number of his early articles are collected in Lysis, *Contre l'oligarchie financière en France.* Paris, Albin Michel., 1912. His ideas were attacked by Testis (pseudonym of Raphael-Georges Lévy) *Le rôle des Etablissements de Crédit en France. La vérité sur les propos de Lysis.* Paris, Aux Bureaux de la Revue Politique & Parlementaire, 1907.

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[54] Lysis, op.eit., p.138.

[55] Ibid., p.53

[56] Becqué, op. cit., p. 175.

[57] Testis, op. cit., pp. 60-1.

[58] Léon Daudet, *L'Avant-Guerre. Etudes et Documents sur L'Espionnage Juif-Allemand en France depuis L'Affaire Dreyfus*, Paris, Nouvelle Librairie Nationale, 1913, pp. 303, 308-9.

[59] Auguste Chirac, *L'agiotage de 1870-1886, Premiere partie*. Paris: Revue Socialiste, 1887, p.62. The rest of this hallucinatory vision continues: "Assoiffés de luxe insolent, affamés de cette souveraineté que leur procure leur oisiveté, les agioteurs dédaignent l'exploitation des terres dans les états d'Occident ou ils résident; car la, sous l'œil d'un populaire plus clairvoyant, ils n'oseraient pas employer les procèdes de vampires dont, impunément ils se servent a l'étranger; et voila pourquoi ils rêvent l'affermage de pays entiers, tout la-bas, bien loin, hors du regard! C'est ainsi que Rothschild à l'Egypte, Hirsch, la Turquie d'Europe, Camondo, la Roumanie, Dreyfus, le Pérou, c'est ainsi que d'autres dont la liste serait trop longue, tiennent sous leur talon des morceaux de pays, des fractions de provinces, des villes entières, des routes, des canaux et tous les instruments indispensables au travail et à la vie humaine."

[60] Cited in Chirac, p.49.

[61] Lénine [1916]), *L'impérialisme, stade suprême du capitalisme.* Paris, Editions Sociales. 1979.

[62] Op.cit., 219.

[63] Op. cit., p.169.

[64] See George F. Kennan, *The Fateful Alliance*. Manchester: Manchester University Press, 1984; Girault, op.cit.; Jacques Kayser, *Kronstadt à Khrouchtchev*. Paris: Armand Colin, 1962; Anne Hogenhuis-Seliverstoff, *Une Alliance Franco-Russe,* Bruxelles, Bruylant,1997..

[65] René Girault, *Emprunts russes et investissements français,* Paris, Armand Colin, 1973; B.V. Anan'ich et V. L. Bovykin, "Foreign Banks and Foreign Investment in

Russia,"Rondo Cameron et V. I. Bovykin. eds., *International Banking, 1870-1914,* New York, Oxford University Press, 1991, pp. 253-279.

66 Olga Crisp,"French Investment in Russian Joint-Stock Companies, 1894-1914," *Business Histor,y* vol 2, no.1-2, June 1960, pp. 75-90; and McKay, op.cit. Not only in French investments in Russia, but more generally over the period, there was a shift from investment in government issues to non-governmental issues, and from portfolio to direct investment. By 1910-13, Cameron estimates that more than half of French foreign investment was in privately-held firms. Rondo Cameron *France and the Economic Development of Europe, 1800-1914. Conquests of Peace and Seeds of War*, Princeton, Princeton University Press, 1961, p. 487.

67 Girault, op. cit., p.22.

68 Gilbert et Yvonne Singer-Lecocq Guilleminault "Le Mirage des Emprunts Russes". G. Guilleminault *Le Roman Vrai de la IIIe et de la IVe République. Première Partie, 1870-1918*.. Paris, Robert Laffont, 1991, and Girault, op.cit.

69 Roger Ribière, *De l'admission à la cote dans les bourses françaises de valeurs,* Paris, A. Pedone, 1913. Brion, op.cit., Becqué, op.cit.

70 René Marchand, ed. *Un Livre Noir. Diplomatie d'Avant-Guerre D'Après les Documents des Archives Russes*.p. 233.

71 Guilleminault, op. cit., Freymond, op. cit., Arthur Raffalovitch, *"...L'Abominable Vénalité de la Presse..." D'Après les Documents des Archives Russes (1897-1917).* Paris, Librairie du Travail, 1931; Marchand, op. cit.

72 Arthur Raffalovitch , "...L'Abominable Vénalité de la Presse..." D'Après les Documents des Archives Russes (1897-1917), Paris, Librairie du Travail, 1931,p. 38.

73 "La France et les Finances Russes," in *La Revue*, reprinted in *La Petite République*, 31 janvier 1906.

74 See the calculations in Maurice Lévy-Leboyer et François Bourguignon, *L'économie française au XIXe siècle*, Paris: Economica, 1985.

75 Ronald Rogowski, *Commerce and Coalitions*, Princeton, New Jersey, Princeton University Press, 1989; Jeffry A. Frieden, "Invested interests: the politics of national economic policies in a world of global finance," *International Organization*, 45, no. 4, 1991, pp.425-451; Jeffry A. Frieden and Ronald Rogowski, "The Impact of the International Economy on National Policies: An Analytical

Overview," in Robert Keohane and Helen Milner, *Internationalization and Domestic Politics*, New York, Cambridge University Press, 1996, pp.25-47.

[76] Debates reported in *Voix du Peuple* [CGT] 9-16 september 1906.

[77] In Britain,too, there was a strong support from the cooperative movement and labor for free trade---as even these organizations attacked free market capitalism. See FrankTrentmann, "Civil Society, Commerce, and the 'Citizen-Consumer': Popular Meanings of Free Trade in Late Nineteenth- and Early Twentieth-Century Britain," Center for European Studies Working Paper No. 66, Harvard University, (nd).

[78] Giuseppe Prato, *Le Protectionnisme Ouvrier,* Paris, Marcel Riviere, 1912; Maurice Hollande, *La Défense Ouvrière contre le Travail Etranger,* Paris, Bloud & Cie, 1912.

[79] Bracke, "L'Emigration Ouvrière," *L'Humanité*, 25 juillet 1907.

[80] J*ournal Officiel*, Séance du 21 janvier 1909., p. 98.

[81] *Journal Officiel*, Séance du 8 février 1907, p. 339.

[82] Ibid., p.338.

[83] *Journal Officiel*, 30 novembre 1909, p. 3015.

[84] Ibid., p.338.

[85] Ibid., p.344.

[86] The demand linking loans to guarantees of foreign contracts was a major point for trade associations and a major source of contention between the Comité des forges and the banks. On the quarrel, see Michael Jared Rust ,*Busi ness and Politics in the Third Republic. The Comité des Forges and the French Steel Industry, 1896-1914.* Princeton, Princeton University, PhD dissertation, 1973.

[87] *Voix du Peuple* [CGT}, issues of 29 janvier –5 février 1905 and 19-26 février 1905.

[88] For example, Walter Molano, "The Latin American Adviser," BCP Securities. 2001 and Stephen S. Roach, " A Tipping Point for Globalization?" Morgan Stanley, 2001.

[89] Important exceptions are to be found in the New World countries of "recent settlement" that received large numbers of immigrants from the Old World. In the United States, Canada, and Australia, working class protectionism was strong even in the first globalization.

[90] See the special issue of *Les Temps Modernes*, and in particular Paul Alliès, "Souverainistes versus fédéralistes: la controverse française."

[91] Erik Izraelewicz, "La première révolte contre la mondialisation," *Le Monde*, 7 December 1995.

[92] Philip H. Gordon and Sophie Meunier, *The French Challenge* (Washington: Brookings Institution, 2001).

[93] See Marcos Ancelovici, "Organizing against Globalization: The Case of ATTAC in France." *Politics and Society* 30, 3, 2002, pp. 427-463;

[95] Suzanne Berger, "Declin religieux et recomposition politique: Une Interpretation de l'exemple francais," in *Archives deSciences Sociales en Religion*, vol. 66, no. 1, (1988)

[97] Dani Rodrik, "How Far will International Economic Integration Go?" *Journal of Economic Perspectives* 14 (1): 177-86.

[98] Rodrik, "How Far?" p.184.©73

[99] I have reviewed these literatures in "Globalization and Politics,"*Annual Review of Political Science,* III (2000). See also Duane Swank*, Global Capital, Political Institutions, and Policy Change in Developed Welfare States,* New York, Cambridge University Press, 2002.

[100] Beth A. Simmons, *Who Adjusts? Domestic Sources of Foreign Economic Policy during the Interwar Years*, Princeton, Princeton University Press, 1994.

[101] Robert Delorme and Christine André, *L'Etat et l'économie. Un essai d'explication de l'évolution des dépenses publiques en France*, Paris, Seuil, 1983. Christine André et Robert Delorme, "Etude comparative de l'évolution des dépenses publiques en

longue période dans 6 pays industrialisés occidentaux." CEPREMAP, Paris, 1979, p.111.

[102] Thomas Piketty, op.cit.

[103] Ibid., p.243. See his discussions of the changes in the distribution of wealth produced by these new taxes.

[104] My discussion is based on Frieda Fuchs, *Institutions, Values, and Leadership in the Creation of Welfare States: A Comparison of Protective Labor Legislation in Britain and France, 1833-1914*, PhD Dissertation, Harvard University, 2001. See also Judith F. Stone, *The Search for Social Peace: Reform Legislation in France, 1890-1914,* Albany, SUNY,1985.

[105] Testis, op. cit., p.88.

[106] Lysis, *Les Capitalistes contre la France.* Paris, Albin Michel, 1916 [?}, p.71.

[107] Lysis, *L'Erreur Française.* Paris, Payot, 1918, p. 33.

[108] Ibid., p.49

[109] Norman Angell*, The Great Illusion*, NY, Putnam, 4th revised ed, 1913, p.54.

[110] Speech of 13 janvier 1911, cited in Milorad M. Drachkovitch, *Les Socialismes Français et Allemand et le Problème de la Guerre, 1870-1914,* Geneva, Droz, 1953, p. 106

[111] Speech, 20 décembre, 2nd séance, pp. 430-1.

[112] Guesde at the Congrès de Japy, cited in Drachkovitch, p. 67.

[113] Gustave Hervé, *L'Internationalisme* (1910), p.76 (cited in Drachovitch, p.106).

[114] Lénine, L'impérialisme, stade suprême du capitalisme. Paris, Editions Sociales, 1979 [1916]), p.161

[115] Thomas Piketty, *Les hauts revenus en France au XXe siècle. Inégalités et redistributions 1901-1998.* Paris, Grasset, 2001.

[116] David Kynaston, *The City of London,* London, Random House, 1995, pp.608-611.

[117] Border effects measure the downward impact of national boundaries on the aggregate volume of trade between two localities situated in different countries. Using gravity trade models, economists have shown significant shortfalls between predicated and actual levels of trade even between countries like the United States and Canada, with common language, low border-level barriers, and strong economic interdependence. These shortfalls, or border effects, are large: 10-20 times less trade between two localities if they are on opposite sides of the U.S.-Canada border, than if they were on the same side of the border--holding constant other features of the localities. Similar border effects have been found for members of the European Union. See J ohn McCallum, "National Borders Matter: Canada-U.S. Regional Trade Patterns," *American Economic Review* 85 (June, 1995): 615-23; John F. Helliwell, *How Much Do National Borders Matter*? (Washington DC: Brookings Institution, 1998); for Europe, see Rapport du Plan, Rapport du Groupe "Géographie économique," Présidente Françoise Maurel, *Scénario pour une Nouvelle Géographie économique de l'Europe*, Paris, Economica, 1999, p.62.