
The History of European Multinationals: A New Look *

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In the Winter of 1977, I published an article in the *Journal of European Economic History*, entitled "Modern European Economic History and the Multinationals", in which I suggested that more attention should be paid to the history of European multinational enterprise¹. Since then, many economic historians have delved into this subject²; there was a conference in the fall of 1983 in Florence,

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¹ MIRA WILKINS, "Modern European Economic History and the Multinationals", *Journal of European Economic History*, VI (Winter 1977), 575-595.

² For example, on British multinationals, Geoffrey Jones of the London School of Economics has excellent articles on Dunlop in the *Economic History Review*, 2nd ser. XXXVII (Feb. 1984), 35-53 and on Cadbury in *Business History*, XXVI (Mar. 1984), 59-76 and on Gramophone Co., forthcoming in *Business History Review*. He has an article on the history of British multinationals in A. OKOCHI and T. INOUE, eds. *Overseas Business Activities* (Tokyo: University of Tokyo Press, 1984). T.A.B. CORLEY is doing research on British multinationals, including Beecham's (see his 1983 unpublished paper, "From National to Multinational Enterprise: The Beecham Business 1848-1945"). He has a new book, *A History of Burmah Oil* (London: William Heinemann Ltd., 1983). DONALD COLEMAN'S third volume of his history of Courtaulds (Oxford: Clarendon Press, 1980) has appeared. Theo C. BARKER, *The Glassmakers: Pilkington* (London: Weidenfeld & Nicolson, 1977), is subtitled "The Rise of an International Company". STEPHEN NICHOLAS has written, "British Multinational Investment before 1939", *Journal of European Economic History*, XI (Winter 1982), 605-630, and "Agency Contracts, Institutional Modes, and Transition to Foreign Direct Investment by British Manufacturing Multinationals before 1939", *Journal of Economic History*, XLIII (Sept. 1983).

675-686. CHARLES WILSON has research in process on British direct investment in Australia. W. J. READER, *Bowater* (Cambridge: Cambridge University Press, 1981), deals with the history of an international business, as does RONALD W. FERRIER, *The History of British Petroleum Company* (Cambridge: Cambridge University Press, 1982). Another international enterprise is discussed in CHARLES E. HARVEY, *Rio Tinto Company 1873-1954* (Penzance, Cornwall: Alison Hodge, 1981) and still another, in DAVID K. FIELDHOUSE, *Unilever Overseas: The Anatomy of a Multinational 1958-1965* (London: Croom Helm, 1978). SHERMAN COCHRAN, *Big Business in China* (Cambridge: Harvard University Press, 1980) considers an American-owned multinational that became British. J.-F. HENNART is doing research on the history of the tin industry and using a multinational-enterprise framework in his consideration of British and other European firms. ALICE TEICHOVA has supervised a research project on multinational companies in inter-war Central-East Europe. One outcome was her "Versailles and the Expansion of the Bank of England into Central Europe," in NORBERT HORN and JURGEN KOCKA, *Law and the Formation of the Big Enterprises in the 19th and Early 20th Centuries* (Göttingen: Vandenhoeck and Ruprecht, 1979). GEOFFREY JONES, "Lombard Street on the Riviera," *Business History*, XXIV (July 1982), 186-210, provides new research on British banks abroad. He has a study in process on the history of the British Bank of the Middle East. At the London School of Economics, LESLIE HANNAH has stimulated substantial new work on British multinational enterprise. American historians of the frontier are interested in British investments in land and mortgages. Many of these stakes were multinational enterprise type investments. See, for example, LARRY A. McFARLANE, "British Investment and the Land: Nebraska 1877-1946," *Business History Review*, LVII (Summer 1983), 258-272. D. C. M. PLATT, ed., *Business Imperialism, 1840-1930. An Inquiry Based on British Experience in Latin America* (Oxford: Clarendon Press, 1977) contains much of interest to the student of British multinational enterprise. On German multinationals, PETER HERTNER has published a number of articles; for example, see his "Fallstudien zu deutschen multinationalen Unternehmen vor dem Ersten Weltkrieg", in NORBERT HORN and JURGEN KOCKA, *Law and the Formation of the Big Enterprises*. His forthcoming, "German Multinational Enterprise before 1914, Some Case Studies", is most useful. ALICE TEICHOVA has a paper (1979) on "The Mannesmann Concern in Central-East Europe in the Interwar Period". THOMAS R. KABISCH, *Deutsches Kapital in den USA* (Stuttgart: Klett-Cotta, 1982), has much of interest. See also JURGEN SCHNEIDER, "German Investments in the US (1872-1914)", unpublished paper delivered at the 1982 Fuji Conference. On German business in Latin America, see GERHARD JACOB-WENDLER, *Deutsche Elektroindustrie in Lateinamerika: Siemens und AEG, 1890-1914* (Stuttgart: Klett-Cotta, 1982). The work on Swedish multinationals is extensive: See bibliography in and especially the contents of RAGNHILD LUNDSTRÖM, "Early Swedish Multinationals", forthcoming. Of particular interest are the four monographs on Swedish Match Co.: LARS HASSBRING, *The International Development of the Swedish Match Company*; HÅKAN LINDGREN, *Corporate Growth. The Swedish Match Industry in its Global Setting*; HANS MODIG, *Swedish Match Interests in British India during the Interwar Years*; ULLA WIKANDER, *Kreuger's Match Monopolies, 1925-1930. Case Studies in Market Control through Public Monopolies* all published Stockholm: LIBER FORLAG, 1979. A. STROBEL has done useful research on A.I.A.G., the

Italy, on "Multinationals: Theory and History³"; and for the International Economic History Association meetings in Bern in 1986, a session is scheduled on Multinational Enterprise and one of the reports on current international research projects will be on International

predecessor of Alusuisse. JOHN P. MCKAY (who did earlier work on foreign business in Russia) is now engaged in a study of the Paris Rothschilds. On European multinationals in the United States, see FRANCESCA SANNA RANDACCIO, "European Direct Investments in U.S. Manufacturing", thesis, Wolfson College, Oxford University, 1980, and PETER J. BUCKLEY and BRIAN R. ROBERTS, *European Direct Investment in the USA before World War I* (London: Macmillan Press, 1982), which book is regrettably so filled with errors as to detract seriously from its value. JONATHAN LIEBENAU has in process research on patents, technology, and multinationals in the pharmaceutical business. On European business in Central Europe, see ALICE TEICHOVA and PHILIP L. COTTRELL, eds., *International Business and Central Europe 1919-1938* (Leicester: Leicester University Press, 1982). GEOFFREY JONES and GRIGORI GERENSTAIN have given us in English the 1922 work of P.V. OI', *Foreign Capital in Russia* (New York: Garland Publishing, 1983). RONDO CAMERON, "Economic Relations of France with Central and Eastern Europe, 1800-1914", *Journal of European Economic History*, X (Fall 1981), 537-552, deals with important foreign direct investments. Likewise, see CLIVE TREBILCOCK and GEOFFREY JONES, "Russian Industry and British Business 1910-1930, Oil and Armaments", *Journal of European Economic History*, XI (Spring 1982), 61-103. More general, in MARK CASSON, ed., *The Growth of International Business* (London: George Allen and Unwin, 1983), 84-139, JOHN DUNNING writes on "Changes in the Level and Structure of International Production. The Last One Hundred Years". His discussion includes European multinational enterprise. Most of all, I have been greatly influenced by the work of ALFRED CHANDLER. See his "The Growth of the Transnational Industrial Firm in the United States and United Kingdom", *Economic History Review*, 2nd ser. XXXIII (Aug. 1980), 396-410; his "Global Enterprises: Economic and National Characteristics", unpublished paper (1982); his "Evolution of the Large Industrial Corporation: An Evaluation of the Transaction Cost Approach", unpublished paper (1982). Part of this paper was published in JEREMY ATACK, ed., *Business and Economic History*, 2nd ser., XI (1982). See also his latest articles, "The Emergence of Managerial Capitalism", Dec. 1983. American Historical Association address, publication forthcoming, and "The Evolution of Modern Global Competition" (1984). These titles represent only a sample of the proliferation of recent work related to European multinational enterprise.

³ A book is forthcoming to be edited by GEOFFREY JONES and PETER HERTNER.

Banking with a subtopic related to multinational corporations⁴.

Recently, Raymond Vernon, who knows more about multinational enterprise than any single scholar, pointed out that "By the early 1980s... the multinationalizing trend was widely recognized as similar in nature irrespective of the nationality of the parent firm"⁵. Much of the blossoming of research on the history of European multinationals has been based on this assumption. The research has reached the point where it seems appropriate to consider some of the new insights and some of the "unknowns"⁶. In this article I want to

⁴ MAURICE LÉVY-LEBOYER is the convenor and ALICE TEICHOVA and OLGA NUSSBAUM the rapporteurs for the session on Multinational Enterprise. RONDO CAMERON is organizing the project on international banking. In addition, PETER HERTNER has sponsored meetings (one in December 1983 and one scheduled for October 1984) on the early history of French, German, and Italian multinational enterprise. Participants in Hertner's meetings have considered the history of the international business of such firms as Pirelli, SNIA Viscosa, La Société St. Gobain, I. G. Farben, La Société Schneider & Cie, and Fiat. Papers are available from Professor HERTNER.

⁵ RAYMOND VERNON, *TWO HUNGRY GIANTS* (Cambridge: Harvard University Press, 1983), 12.

⁶ The booming research has not only been among economic historians. The "Theory of Multinational Enterprise" has been greatly advanced in recent years. Since 1978 contributions include, MARK CASSON, *Alternatives to the Multinational Enterprise* (London: Macmillan, 1979); JOHN H. DUNNING, *International Production and the Multinational Enterprise* (London: George Allen and Unwin, 1981); JEAN-FRANCOIS HENNART, *A Theory of Multinational Enterprise* (Ann Arbor: The University of Michigan Press, 1982); OLIVER E. WILLIAMSON, "The Modern Corporation: Origins, Evolution, Attributes", *Journal of Economic Literature*, XIX (Dec. 1981), 1537-1568. Two particularly recommended summaries of the state of the art are NEIL HOOD and STEPHEN YOUNG, *The Economics of Multinational Enterprise* (London: Longmans, 1979) and RICHARD CAVES, *Multinational Enterprise and Economic Analysis* (Cambridge: Cambridge University Press, 1982). Caves' book contains a lengthy and invaluable bibliography as well as a bibliographical essay. Since the late 1970's a new vocabulary has been used by economists in considering the theory of multinational enterprise. There is concern with "internalization" and transaction costs. Discussions revolve around "transaction advantages" and when intrafirm transactions are more efficient than market ones. The "transactions" approach considers when firms carry on activities within the enterprise rather than with outsiders. It looks at the multinational enterprise's hard-to-value property rights (intangible assets such as technology and trademarks). SEE CAVES, *Multinational Enterprise and Economic Analysis*, for the most recent overview.

consider what is known of the history of American and European-headquartered multinational enterprise and ask, once again, was the pattern of development similar or different, and to the extent that there were differences, what were they? I am going to suggest herein that while the broad framework for analysis can be similar, more study is needed on some of the dissimilarities. The familiar model fits, but we ought not to apply it too rigidly⁷.

A multinational enterprise is a business that has investments outside its home nation—investments that are managed and controlled (or where there is the potential for management and control)⁸. Capital transfer is embodied within the extended firm, not transferred to an independent entity abroad. A rudimentary multinational may have simply a sales branch abroad, a minor presence outside its home nation. We define the multinational activity as that of a firm extending over the national frontier. A full-fledged, modern multinational can have operations in over a hundred countries, some of which operations are themselves multiplant and multifunctional and which may have no trade connections whatsoever with the parent firm⁹. There is a process, a growth of business enterprise. In the early stages, stakes abroad were smaller, less extensive, less complex, than at a later time.

The modern multinational enterprise, as we know it today, began in embryo in the middle of the nineteenth century, but it seems more legitimate to date its origins from the last decades of the nineteenth

⁷ I wrote this paper not long after reading LOUIS WELLS, *Third World Multinationals* (Cambridge: MIT Press, 1983). It argues on the "multinationalizing trend", but shows differences between less-developed country and industrial country headquartered multinationals.

⁸ I am not departing from the definition given in my 1977 *JEEH* article (p. 577).

⁹ The size and importance of some of the contemporary multinationals is awesome. In 1980 General Motors had 746,000 employees. Philips Gloeilampen Fabrieken, 372,000; Siemens, 344,000; Fiat, 343,000; Unilever, 300,000; Peugeot, 245,000; B.A.T. Industries, 177,000. United Nations Centre on Transnational Corporations. *Transnational Corporations in World Development*. Third Survey (United Nations, N.Y., 1983), 357-358.

century when communication and transportation facilities made it possible (for the first time in world history) to extend the span of managerial control over substantial distance. Cables and steamships, linked with the telegraph and railroads, created the modern world economy and, at the same time, the basis for the modern multinational enterprise¹⁰.

When I studied the history of American multinationals, I found a pattern: a firm became national and, then, international in its search for new markets. It invested at home and then abroad. Likewise, the same firm (or others) looked for raw materials, domestically and, then, internationally; investment might follow the search. I found American business invested abroad more in some industries than in others. The expansion into certain countries was larger than into others. While in my 1964, 1970, and 1974 books on American business abroad¹¹, I was not as certain of the systematic pattern as I am now, nonetheless, my writings provided the basis for the generalizations that follow. Firms that were technologically-advanced, with trademarked products, with some "advantage" in the international arena, were the ones that went into selling and then manufacturing outside the United States¹². Companies that required security of supply of their raw materials, had expertise in domestic mining and smelting, or oil production, went into such investments abroad. Foreign investment was influenced by experiences at home. The market-oriented foreign investments were first and foremost in the developed countries (where

¹⁰ Professor ALFRED D. CHANDLER has made this point in a number of places, and I am convinced of its legitimacy. The earlier chartered companies bore many resemblances to modern multinational enterprise, *but* slow communication impeded administrative coordination. The volume of transactions per year was low compared with the modern multinational enterprise. SEE CHANDLER, "The Emergence of Managerial Capitalism".

¹¹ MIRA WILKINS, *American Business Abroad: Ford on Six Continents* (Detroit, Mich.: Wayne State University Press, 1964); MIRA WILKINS, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914* (Cambridge: Harvard University Press, 1970); and MIRA WILKINS, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge: Harvard University Press, 1974).

¹² I made this point in my 1977 *JEEH* article, p. 593.

there were high-income buyers of the goods to be sold). Firms went to familiar before unfamiliar nations. Supply-related investments went first to nearby locales and only subsequently farther afield. "Familiar" and "nearby" could be defined in terms of high-income level, geography, politics, or culture¹³. Managerial considerations appear to have dictated these choices.

As I have studied European multinationals (especially in the context of their interests in the United States)¹⁴, it became clear that this "American" pattern was indeed a useful starting point. A number of differences, however, became evident. In this paper I want to discuss them as they appeared in the formative era of both American and European modern multinational enterprise, that is, the late nineteenth century, early twentieth century. The dissimilarities help explain why the United States was, and is, so important vis-à-vis other nations as a headquarters for multinational enterprise¹⁵.

Like U.S. multinationals, those of particular European countries emerged out of experiences at home. Lawrence Franko has argued (as others had before him) that American technology economized on labor; European technology economized on raw materials; therefore, the advantages of multinationals based in the United States and in Europe would be different. His explanations often seem too sweeping, but his fundamental argument is clearly valid. Enterprises founded in diverse milieus will have advantages that vary substantially¹⁶. In this regard, five aspects of the U.S. environment seemed worth added scrutiny.

First, the United States as a home for multinational enterprise

¹³ I have learned from conversations with my colleague, J. - F. HENNART in making this definition.

¹⁴ For more than a decade I have been doing research on the history of foreign investment in the United States.

¹⁵ If we look at the leading multinational industrial enterprises today, seven of the top ten (measured by sales) are headquartered in the United States. U.N. Centre on Transnational Corporations, *Transnational Corporations*, 357.

¹⁶ LAWRENCE G. FRANKO, *European Multinationals* (Stamford, Conn.: Greylock Publishers, 1976). SEE CAVES, *Multinational Enterprise and Economic Analysis*, 62, for some reasons for the differences.

was very unique. By 1900, it was the world's "largest market". This did not mean that it had the most people; other countries had more. It did not have the largest geographical expanse; other nations fit that description. It probably did have the highest per capita income. What made it the "largest market" was the combination of the relatively high per capita income, sizable population, and a big geographical area that by 1900 was singular in that it was under one national sovereign and was well-connected by communication and transportation facilities. These characteristics — income level, population size, and the "compact" geographical expanse — put the country in a class by itself as a locale for multinational enterprise to develop¹⁷.

European countries that in 1900 were homes to multinational enterprise — Britain, Germany, France, Holland, Sweden, Belgium, Switzerland, for example—shared the relatively high per capita income (by world standards), but not the domestic population size nor the geographical span that typified the United States. Some, to be sure, had command over vast area via Empire, yet this was not a "compact" home base¹⁸. American managers were educated in a very special classroom.

¹⁷ RAYMOND VERNON has stressed the large market and high per capita income.

¹⁸ Compare, for example, the U.S. *national* market in say 1914 with the British Empire market of that same year. 1. Income level: Britain's national market had a high per capita income; its Empire market did not. 2. Size of population: The British Empire had more people than the United States. 3. Geographical expanse. Here the difference is dramatic. The vast geographical reach of the British Empire bore no resemblance to the *compactness* of the American geographical phenomenon. Following H. G. WELLS' old but useful description of the state of affairs in 1914 (*The Outline of History*) (3rd ed. New York: Macmillan, 1922), 997-998), the British Empire had at its center the "crowned republic of the United British Kingdoms", England, Scotland, and Ireland. Then there were the "crowned republics" of Australia, Canada, Newfoundland, New Zealand, and South Africa, "all practically independent and self-governing states in alliance with Great Britain, but each with a representative of the Crown appointed by the Government in office". There was the Indian Empire, "with its dependent and 'protected' states". Wells included the "ambiguous possession of Egypt, still nominally part of the Turkish Empire and still retaining its own monarch", but virtually under British control. Still more "ambiguous" was the Anglo-Egyptian Sudan, administered by Britain and by the "British-controlled" Egyptian government. With

A second important distinguishing feature of the American market was the heterogeneity *within* this very compact geographical unity. America in the late nineteenth, early twentieth century was a land of immigrants. Part of American businessmen's training at home consisted not only of dealing with geographical grandness (wide variations in climate and terrain), but also with the absence of cultural uniformity. Likewise, the United States had a federal political system that meant that within the U. S. "common market", there was legal diversity from one state to the next. These heterogeneous conditions within a truly united nation were *sui generis*¹⁹

Third, in the early years of modern American multinational enterprise, the United States was a net importer of capital. So was Sweden. By contrast, the other major headquarters for multinational enterprise, Britain, France, Germany, Holland, were net exporters of capital.

Fourth, none of the United States' borders or inland seas touched on a nation that was a net capital exporter or a leader in technological development.

Fifth, U. S. public policies toward restraint of trade, toward monopoly power, were unlike those of any European nation. As F. M. Scherer has put it, "The *per se* prohibition of price-fixing and related agreements in the United States stands in contrast to the situation

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different governance were Malta, Jamaica, the Bahamas, and Bermuda. As Crown colonies, there were Ceylon, Trinidad, and Fiji. Then there were the tropical lands in Africa, nominally protectorates and administered by a High Commissioner (as in Basutoland) or a chartered company (as in Rhodesia). Compare this political complexity with the simple constitutionally-defined relationship of the American states to the federal government. Not only was there economic and political diversity within the Empire, but the transportation and communication revolution that united the American nation had not yet reached throughout the Empire. By 1915 San Francisco and New York were minutes from one another by telegraph or telephone and days apart by rail. Regions in the British Empire were still not connected by cable (much less telephone) and months apart by steamship and overland transport.

¹⁹ Under the American constitution, no state could set up tariffs; this was confined to the U. S. Congress. Interstate activities were governed by federal law.

overseas. While the *per se* rule was emerging in America during the early part of the 20th century, most European nations had no statutory antitrust laws at all, and cartels flourished"²⁰. In the United States—with the Interstate Commerce Commission Act (1887), the Sherman Antitrust Act (1890), and subsequent acts and court decisions—American business grew in a manner separate from its counterparts in Europe. European businessmen had options not available to Americans.

The five considerations — “size of domestic market”, “cultural and other heterogeneity at home”, “capital importing status”, “geographical location”, and “public policy toward agreements in restraint of trade” — seem fundamental to understanding at least some of the variations in the evolution of American and European multinational enterprise. They seem to have been neglected, even while other distinctions between U. S. and European economic conditions have been pointed out²¹.

Less clear in my mind is the overall impact of home government policies and general rules of the game. Other than antitrust matters, are there from one country to the next systematic differences in political influences that shaped multinational enterprise behavior? Laws on business organization varied from one country to the next, so legal forms available to enterprise were not identical. Did this shape their multinational expansion? My current, very tentative conclusion is that the particular “legal form” used for international expansion, as such, was unimportant, but as the text below will show, contemporaries often disagreed. The legal structure was, after all, associated with the maintenance of property rights.

Likewise, did home country laws that affected domestic business

²⁰ F. M. SCHERER, *Industrial Market Structure and Economic Performance* (2nd ed. Boston: Houghton Mifflin Co., 1980), 504.

²¹ As noted, Franko, Caves, and others have emphasized factor cost differences. Caves gives a variety of differences, but he does not seem to cover the five points that I am emphasizing. While Caves, *Multinational Enterprise and Economic Analysis*, 67, does point to “different mixes of industries found in national economies”, reasons for this variety seem traditional (i. e. factor cost explanations).

behavior create differences between nations in multinational enterprise operations? I think, for example, American banking laws did²². Larry Franko argued that German social insurance laws were important in encouraging the development of pharmaceutical companies²³. What other rules and regulations had differential impact on the growth at home and subsequently, of the multinational operations of business in these formative years?²⁴

Were there systematic variations in home country social, cultural, or economic life that influenced the development of multinational enterprise? When I listened to the presentations at the 1983 Florence Conference, it became evident to me that the experiences of French and German multinational enterprise were very different; the reasons were much less clear. Why were the Germans so superior in the electrical industry, and the French in rubber tires? This seems less easy to explain than the British international involvements in tea and the German ones in coffee-related products. Why did the Swedes develop multinational manufacturing enterprises so early, and the Norwegians and Danes did not? Was there something in the domestic economies that explains this? We need more comparisons of the early histories of multinational enterprise of various countries. What we include in "experience" must comprise taste, practice, chance, as well as level of development, resource base, and legal systems.

In 1977, in my *JEEH* article, I argued that there was asymmetry in the evolution of multinational enterprise, that European companies that invested in the United States and American ones that went to Europe did not do so with the same products²⁵. Over the years, I

²² Before 1913, American national banks were not allowed to branch abroad. The size of banks in America was curbed by rules that in effect prohibited interstate banking.

²³ FRANKO, *European Multinationals*, 26.

²⁴ European tax laws ought to be evaluated in this context.

²⁵ WILKINS, "Modern European History and the Multinationals", 580. See also my "Crosscurrents. American Investments in Europe, European Investments in the United States" in PAUL USELDING, ed. *Business and Economic History*. 2nd ser. VI (1977), 22-35. I felt a need to argue this since some of the earlier literature, for example, STEPHEN HYMER, *The International Operations of National Firms* (1960, first published, Cambridge: MIT Press, 1976), had assumed symmetry.

have become more convinced of the asymmetrical character of multinational enterprise expansion. The five characteristics of the United States in the late nineteenth century, early twentieth century that I listed above assist us in clarifying some of the dissimilarities that I and others have observed in the growth of American and European multinational enterprise²⁶. I want to return to and to use these five points as a guide in exploring not only the differences between European and American multinational enterprise, but some of the dissimilarities among the multinationals of various European countries.

One. An important advantage American corporations held was their experience in the very special large U.S. market that lent itself to mass production and mass consumption. American managers learned at home how to manage multiregional operations²⁷. No multinational enterprise manager from a European nation had comparable training in the domestic market.

Some of the new research on the history of British multinational enterprise suggests many failures²⁸. My own studies indicate that in the late nineteenth and early twentieth century there was constant discussion in Britain on how to control and how to manage capital over distance²⁹. The absence of a "large domestic market" similar to that in the United States meant there was no opportunity for a home "rehearsal" for international business. Perhaps, this accounts for some of the British difficulties. Management requires experience, reiteration.

British managers in parts of the Empire and distant parts of the

²⁶ As noted, I am not alone in commenting on these distinctions.

²⁷ ALFRED D. CHANDLER, *Visible Hand* (Cambridge: Harvard University Press, 1977). CHANDLER, "The Emergence of Managerial Capitalism", makes the point that "Because their domestic market was smaller... British industrialists had less incentives than their American counterparts to exploit scale economies..." and it was in these latter industries that modern managerial hierarchies developed.

²⁸ GEOFFREY JONES, "The Performance of British Multinational Enterprise 1890-1939", 1983 paper, forthcoming.

²⁹ This will be documented in my forthcoming history of foreign investment in the United States.

world learned, to be sure, from the trading companies about managing over great distances. Yet this was a different kind of instruction. Can it be that the extensive use in international direct investments by British mining, oil, and manufacturing operations of the managing agency, the consulting engineer, the service sector auxiliary to multinational enterprise, came from the very lack of knowledge at home of management over extended distance and the presence of that experience by the "service-related" trading firm?³⁰ Americans had trading firms; nonetheless, the domestic home market education by the late nineteenth century was far more influential in shaping multinational enterprise than what managers learned from the trading units. For British multinationals, the use of the managing agent, the manager separate from the operating firm, is an early phenomenon. (In the history of U.S. business abroad, the "service contract" is a late development).

When I studied American business abroad, I found that in countries overseas, U.S. manufacturers set up initially one producing facility and it was a long time before a foreign operation in a single nation became a multiplant establishment. By contrast, many European companies in the United States from the very start were mutiplant units: this was true of German silk mills in the United States; of British breweries in the country; of Swiss condensed milk plants; in 1900, Lever had three plants in the United States³¹. The reason for this difference lay in the size of market. National markets in Europe were smaller than the American one. Practically all of these European multiplant establishments in the United States created management problems for the parent firm: By 1914, Lever had only one plant in the United States; Anglo-Swiss sold out to Borden's (when it

³⁰ On the managing agent in India, see VERA ANSTIEY, *The Economic Development of India* (1955. New York: AINO Press, 1977). FERRIER *The History of the British Petroleum Company*, has very useful data on the managing agent. On British use of mining engineers, see CLARK C. SPENCE, *Mining Engineers and the American West* (New Haven: Yale University Press, 1970), for example.

³¹ The documentation will be in my forthcoming history of foreign investment in the United States.

reentered, it was on a different basis); the British breweries were never satisfactory profit makers. The German silk mills, however, do seem to have been a success³². European managers produced and sold at home in relatively small markets. Nonetheless, the Germans seem to have been able in many cases to transcend their background (we will see how later in this paper). The British obviously found their inexperience a serious constraint. So it seems did the French. The size of the domestic market also appears to have shaped the national advantages by industry³³.

My second point was that American society was heterogeneous in a manner unlike that of most other contemporary industrializing nations. American businessmen sold their products in the domestic market to people who came from different homelands, with diverse tastes, and varying needs. American goods, if sold nationally, had to be designed to function in different altitudes and under conditions of weather extremes. America was made up of many states and localities with separate laws. National businesses had to handle all these diversities at home. The challenge for the American manager was to meet such heterogeneity with mass produced and mass distributed goods³⁴. Here again, the U.S. market served as an excellent, and unique, instructional arena for American managers, who would develop business abroad. Part of the American business achievement was to convince people who were very dissimilar that branded "uniform", mass produced products were indeed suitable. Colonial Empires contained this kind of heterogeneity, and in fact an even greater heterogeneity, but not the "high" income. When we look at the "domestic" market for the British, French, and Germans, for example, there is far more homogeneity. This very homogeneity, I would suggest, imposed impediments to managers of international

³² See *ibid.*

³³ This is suggested in Chandler, "The Emergence of Managerial Capitalism", and see note 27 above.

³⁴ Chandler has made the point that certain technologies required large-volume output to bring down unit cost. Large-volume output required the development of marketing organizations.

business, enlarging for them as they invested abroad the realm of uncertainty, of the "unfamiliar".

In investing abroad, every enterprise had and has regardless of nationality three ways of coping with the unfamiliar, 1. seek out the most familiar within the unfamiliar; 2. create the familiar within the unfamiliar; and 3. adapt. Thus, American companies that invested to reach foreign markets went first to England and western Europe and Canada, "seeking the most familiar"³⁵. When the company dispatched its own managers and introduced replicas of its plants and methods abroad, it was creating the familiar within the unfamiliar. And, when the enterprise hired abroad and changed its products (right-hand drive for British cars, for example), it was adapting. In less developed countries, American companies found it harder to locate the familiar (although marketing was often done to a small wealthy, high income elite). In seeking raw materials, enterprises set up their own towns; enclave economies were the creation of the familiar within the unfamiliar.

Every multinational enterprise takes all three paths, in varying degrees. Since American businesses started from a relatively heterogeneous cultural environment in which they had learned to impose a homogeneity (of production technique and through advertising), it seems likely that it would be relatively easier for the American enterprise to deal with the heterogeneity abroad³⁶. How European businesses took these routes requires more study. The British seem to have been the least successful in adapting. Scots emigrated, so Scottish business abroad found the "familiar" when they hired emigrant Scots to manage their enterprise. The English and the Scots, but particularly the former, set up companies at home to operate

³⁵ WILKINS, *The Emergence*.

³⁶ One could perhaps argue the other side of the coin as well — that because the American labor force was heterogeneous, production methods related to this heterogeneity, and this made the transfer abroad easier. I only want to hint at this, since I have no documentation and in fact, the "production" response to the heterogeneity in the United States may often have been the substitution of capital for labor, which made American production techniques less applicable to smaller markets abroad and *less* transferable. This might warrant research.

in foreign lands. In this manner and in other ways, they tried to extend British law in an extraterritorial manner. They were successful in doing so within the Empire (and in China and parts of the middle east). It seems extraordinary to find a British manager asking his government to make arrangements in the 1880's to try to bypass American legislation (with a treaty). Of course, the U.S. government would have nothing to do with this³⁷. Conceptually, however, this plea was very important, because it can be seen as path two — an attempt to create the familiar abroad. It was far easier for a British company to superimpose familiarity (through dispatching its men abroad, through U.K. incorporation, through sending its methods and products abroad, through requesting treaties that helped assure its property rights) than to adapt, because domestic experience with adaptation over distance was nil³⁸.

The French seem to have had much the same problem. The domestic market was homogeneous. Frenchmen seldom migrated. It was harder to find the familiar abroad. Creation of the known through French-incorporated companies and managers sent abroad did exist. In the Empire, there was the superimposition of language. It is not odd that early French foreign direct investment followed a Napoleonic route. France in Europe through Napoleon had created conditions less strange to French business; French enterprise then had a more understandable framework (infrastructure) for operations³⁹.

³⁷ In 1881. WILLIAM MACKENZIE, whose Dundee trust company had sizable U.S. investments, complained to the Foreign Office and urged a British treaty with the United States that would put British corporations "beyond the reach of prejudicial and hostile legislation" of American states. WM. MACKENZIE, Dundee, to EARL GRANVILLE, Jan. 7, 1881, FO 5/1763, Public Record Office, London. The British Government was not particularly sympathetic. The nineteenth century British commercial treaty structure, based on "Free trade, free competition, and equality of opportunity" — see D.C.M. PLATT, *Finance, Trade, and Politics in British Foreign Policy* (Oxford: Clarendon Press, 1968), 84-101 — can be interpreted as providing "familiar" conditions, rules of the game.

³⁸ Look, for example, at MICHAEL G. MULHALL, *The English in South America* (1878. New York: Arno Press, 1977). The English acted in South America exactly as they did at home.

³⁹ This was suggested to me by RONDO CAMERON, *France and the Economic Development of Europe 1800-1914* (Princeton: Princeton University Press, 1961).

When French businesses went to the United States, they attempted to create the familiar within the unfamiliar, using French personnel, French methods, and French products⁴⁰.

The Germans seem to have been much more successful in international business than the French. In the years 1880-1914 British, French, and other nationalities stood in awe of German trade and investment efforts. Contemporaries explained that German salesmen were willing to go with the product abroad, to advertise in other languages, to be aggressive⁴¹. What was there at home in Germany that made that difference? Part of the reason undoubtedly lay in the fact that what Germans produced at home was unique; to introduce the specialized products at home required salesmanship; the products also required salesmanship abroad⁴². Germans, to a far greater extent than the French, emigrated. When they did so, they adapted. Nonetheless, we should not stress too much the German ability to adapt. In the United States, German businesses often sought out and found the familiar. They used German immigrants as their agents and employes. Some even sold to the German language community in the United States, finding a specialized, familiar niche⁴³. They transferred home methods and trademarks. In the United States and

⁴⁰ WILKINS, *History of Foreign Investment in the United States*, forthcoming.

⁴¹ See, for example, data in HENRI HAUSER, *Germany's Commercial Grip on the World* (New York: Charles Scribner's Sons, 1918) and J. S. ROSS HOFFMAN, *Great Britain and Germany Trade Rivalry 1875-1914* (Philadelphia: University of Pennsylvania Press, 1933). See also Alien Property Custodian, *Report for 1918-1919*.

⁴² JURGEN KOCKA, "The Modern Industrial Enterprise in Germany", in ALFRED D. CHANDLER, JR. and HERMAN DAEMS, *Managerial Hierarchies* (Cambridge: Harvard University Press, 1980), argues that German manufacturers' competitive strength lay in technical virtuosity, while that of U.S. firms lay in marketing skills. How does one reconcile this with the contemporary foreign trade literature that applauds German marketing skills? Professor CHANDLER writes me that he has substantial data on forward vertical integration of German firms.

⁴³ SEE HAROLD C. PASSER, *The Electrical Manufacturers, 1875-1900* (Cambridge: Harvard University Press, 1953), which says that the main customers of the Siemens and Halske plant in Chicago were breweries and other firms operated by German-born businessmen, and Kabisch, *Deutsches Kapital in den USA*, 367, for a German-language advertisement of the U.S. affiliate of Heinr. Frank Söhne & Co.

western Europe, when German business went abroad everyone knew they were German; they did not adapt so much that their origins (their advantages) were suppressed. Was there anything at home in Germany that gave that nation's businessmen an ability to cope with diversity abroad better than the French or the English? Did Germans perhaps have more "heterogeneity" at home than the latter? Was it important that Germany was a newer nation state? Coping with diversity within the nation may have given Germans more ability than the British or the French to carry forth business abroad. In France there appears to have been far less emphasis on marketing than in either the United States or Germany⁴⁴.

In many European countries, because of the smallness of the domestic market, the family dominated enterprise lasted longer and was relatively more important than in the United States. To create the familiar abroad, members of the family would be sent overseas. This lasted over a longer period in the history of European international enterprise than in U.S. business abroad. The reason, I would suggest, is related to both points one and two above. The smaller domestic market meant that at home the family rather than the managerial enterprise could suffice. When the firm embarked on business abroad, it took what it knew at home and extended it abroad. Trust within a family led to managerial coordination of the larger activity. Alfred Chandler has suggested that the persistence of "family" enterprise impeded the growth of modern multinational business⁴⁵.

Three. In my 1977 *JEEH* article, I urged European economic historians to look at multinational enterprises as conduits for foreign investment, to review the capital export literature, and to study international banks. My recent research has convinced me that in considering these issues, a nation's status as net capital exporter or net

⁴⁴ MAURICE LÉVY-LEBOYER, "The Large Corporation in Modern France", in CHANDLER and DAEMS, *Managerial Hierarchies*, 154, writes "In the United States, marketing was of cardinal importance from the start; in France it was neglected until after World War II".

⁴⁵ CHANDLER, "The Growth of the Transnational".

capital importer is important. As I have inquired into the history of European business in the United States, and more generally, in foreign lands I found something significant that I had not encountered to any great extent when I did similar research on American enterprise in foreign countries. The novelty was what I call the "free-standing company"⁴⁶. A free-standing company would be set up in a European nation to export capital. The capital was not to be sent abroad in a "disembodied" fashion. The investor wanted control. The company operated abroad. It supplied or hired management of the foreign activity. Where it differed from the typical multinational enterprise that we have all studied (based on the American model) was that it did not expand out of its operations at home. The advantage that the home country had was capital. Yet, the investors did not wish to export that capital without strings attached. Thus, a corporate entity was formed within the home country. It had a familiar legal structure, with a Board of Directors and a Secretary to monitor the use of the capital abroad. It was not at origin an affiliate or subsidiary of any existing enterprise, although the Board of Directors would frequently contain men who had knowledge and expertise related to the line of business and might even be involved fulltime at home in similar activities. "Free-standing companies" were ubiquitous. I have found many such British, French, and Dutch companies. I am less sure about how common they were in the German case. The form seems particularly important in relation to point 2 of my discussion. Business in large capital exporting countries — Britain in particular — sought to create the familiar abroad. The legal structure established at home served that function. Capital was not to be dispatched to independent foreign enterprises, but was to be managed through known channels by reputable men. "Free-standing" British com-

⁴⁶ JOHN STOPFORD, "The Origins of British-based Multinational Enterprise", *Business History Review*, XLVIII (Autumn, 1974), 303-345, was puzzled on how to handle what he called "expatriate" firms. I discuss the "free-standing firm" in my Florence Conference paper, "Defining a Firm: History and Theory", forthcoming. Most of the firms Stopford called "expatriate" ones were "free-standing" ones. I prefer the term *free-standing*. See footnote 70 below for the reasons.

panies, for example, built railroads in Argentina, ran breweries and cattle ranches in the United States, carried on banking activities in Canada, drilled for oil in Persia, mined gold in South Africa. Sometimes the home office hired people to go abroad; sometimes it carefully monitored foreign operations; sometimes it was merely a "brass plate on the door in the City"⁴⁷. Overtime, some home offices were transformed into impressive activities: thus, the history of the British Petroleum Company began with a free-standing company. After oil was found in Persia, the "home office", in time, developed a range of required functions from marketing to research⁴⁸. Other free-standing companies had different histories⁴⁹.

In the most important European capital exporting countries, multinational enterprise, in a number of instances, emerged from free-standing, single country operations abroad. In these activities, originally, at home usually only capital markets (and sometimes human capital markets) were tapped. The new foreign enterprise did not draw on the expertise of an operating parent with know how about a product and process and their management. The free-standing company as a path to multinational behavior needs more careful study⁵⁰. These were foreign direct investments, managed investment, but not the same pattern of multinational enterprise development as was characteristic in the American case. Often, Europeans lacked the advantage of (or experience with) "large-scale" management at home. Thus, when they wanted to manage capital over distance, they set up their own, "free-standing" legal, familiar structure. That the

⁴⁷ WILKINS, "Defining Firm".

⁴⁸ R. W. FERRIER, *The History of the British Petroleum Company*.

⁴⁹ We need to study their fate. Some never functioned at all, their promoters' having lost heart even before the first monies were raised.

⁵⁰ Many of the foreign direct investment considered by PETER SVEDBERG, "The Portfolio-Direct Composition of Private Foreign Investment in 1914 Revisited", *Economic Journal*, LXXX (Dec. 1978), 763-777, and I. STONE, "British Direct and Portfolio Investment in Latin America before 1914", *Journal of Economic History*, XXXVII (Sept. 1977), 690-722, fit into the category of "free-standing" investment. Likewise, JOHN P. MCKAY, *Pioneers for Profit: Foreign Entrepreneurs and Russian Industrialization* (Chicago: University of Chicago Press, 1970), found that many of the foreign enterprises were of the "free-standing" variety.

enterprise was incorporated at home provided a known legal organization that they believed made a substantial difference⁵¹.

A capital exporting country's legal structure could provide a suitable type of infrastructure for the business abroad. One of the most atypical British multinational enterprises, British American Tobacco Co. (now B.A.T. Industries), was apparently one of the most successful. It began as a consequence of American business abroad⁵². It had at origin no operations in Great Britain, (only a central office), yet it was a worldwide business. Initially, it was American-controlled. It came (in the 1920's) to be British-owned and controlled and the experience and continuity — the use of American management and the British "headquarters" — apparently offered the basis for a highly effective multinational, but one whose history bears no resemblance to that of most American multinationals⁵³.

Another aspect of European multinational enterprise that requires more investigation and that seems related to the position of European countries as capital exporters is the role of the banks. When American multinational enterprises began, they financed expansion abroad through the same channels as their domestic expansion. They moved outside the country with success, because of their advantage in technology, marketing ability, products, and so forth. They did not go abroad because of capital surpluses. In some European countries that were capital exporters, out-of-country opportunities looked superior to those at home. Capital availability was important. Europeans, no less than Americans, did not want their monies to go abroad without knowledge and information. Accordingly, banks played a different role. On this, more information on the relationship of banks to multinational enterprise — in capital exporting countries — would be of use. To what extent did a banking house go abroad

⁵¹ SEE ELLIS T. POWELL, *The Mechanism of the City* (London: P.S. King and Son, 1910), 144-145.

⁵² WILKINS, *Emergence*, 91-92.

⁵³ ON B.A.T., see PHILIP L. SHEPHERD, "The Dynamics of the International Cigarette Oligopoly", Unpublished Discussion Paper, 1979, and Cochran, *Big Business in China*. There is no history of B.A.T.

with its clients, or before its clients? Where exactly does the banking firm fit into the picture⁵⁴.

Most European countries that were homes to multinational enterprise in the decades before World War I were net capital exporting countries. Sweden seems the principal exception. It would be valuable to have research on what made Sweden, like the United States, so important as a home for multinational enterprise.

This brings me to my fourth point. Most Swedish business abroad was based on Swedish inventiveness; Swedish innovations gave a firm advantage abroad. Yet, a number of the Swedish companies that invested in foreign lands did so using German inventions⁵⁵. At first blush, this seemed unique. It was not. Frenchmen complained when the Germans went overseas with French silk-making technology⁵⁶. The French were innovators in rayon production, but not the first to develop multinational enterprise in this new industry. The Swiss-German aluminum company (the largest in the world in the late nineteenth century) was an early multinational; its technology was based on the Héroult process (a Frenchman's accomplishment). By contrast, when U.S. companies borrowed technology from abroad (and many did), the technology was employed at home and the companies did not normally use it as a basis for international enterprise⁵⁷. In Europe, because of small domestic markets, along with the close geographical proximity of industrializing nations, companies borrowed a great deal from one another. I have noted the Swedes and the Germans borrowed and then used their acquisitions to develop international operations. Did the French? I know of only one French multinational enterprise investment in the United States in the pre-

⁵⁴ Hopefully, RONDO CAMERON'S research group (see footnote 4 above) will start to fill this gap.

⁵⁵ LUNDSTRÖM, "Early Swedish Multinationals".

⁵⁶ J. L. DUPLAN, *Lettres d'un vieil américain à un français* (Paris: Payot, 1917).

⁵⁷ The *only* exceptions I can identify related to some U.S. companies that invested in Canada.

World War I years that used a foreign technology⁵⁸. What about elsewhere? The Belgian, Solvay & Cie. sent Americans from its affiliate in the United States to the French Solvay works for training⁵⁹. France was not behind in technology or inventiveness. Yet, unlike the Swedes and the Germans, tentatively any way, it seems that the French may have been too self-confident to use foreign technology in their international business. The jury is still out.

Five. In my *JEEH* article of 1977, I suggested that there should be more work on European multinationals and cartelization. Alice Teichova has embarked on such research⁶⁰. Mark Casson is attempting theoretical modeling that is very exciting to economic historians⁶¹. The new literature on "internalization" suggests that in the expansion of a firm, that an enterprise internalizes certain activities and not others⁶². This pushes us to ask in a systematic fashion when and why does a firm invest abroad and when does it chose to make a licensing agreement (and an agreement to divide markets)? When is a firm ready to act on its own and when to join an arrangement to restrain trade? With American antitrust policies, American businesses often merged into a single firm rather than cooperated with domestic competitors (a path that was illegal). In Europe,

⁵⁸ Panhard and Levassor, which used German technology, apparently had a factory in the United States before 1914. On Panhard and Levassor's use of Daimler motors, ALLAN NEVINS, *Ford: The Times, the Man, and the Company* (New York: Charles Scribner's Son, 1954), 129-130. On its American factory, see *Chambre Syndicale des Constructeurs d'Automobiles, Annuaire* (Paris 1914). I am indebted to PATRICK FRIDENSON for this reference.

⁵⁹ See WILKINS, *History of Foreign Investment in the United States*, forthcoming. For more evidence on the borrowing versus the developing of technology and foreign investment by "free-standing" firms, see JOHN P. MCKAY *Tramways and Trolleys: The Rise of Urban Mass Transit in Europe* (Princeton: Princeton University Press, 1976).

⁶⁰ See her paper at the Florence Conference and her "West European Multinational Enterprise in Interwar Central-East Europe", paper delivered at the WILSON CENTER, Washington, D.C., 1981.

⁶¹ "Multinational Monopolies and International Cartels", in Peter J. Buckley and Mark Casson, *The Economic Theory of Multinational Enterprise* (London: Macmillan, forthcoming).

⁶² WILKINS, "Defining Firm".

businesses had more choices. Some of the new research suggests we should look at cartels, and the question of management. There are clearly limits to efficient management⁶³. The extension of the firm helps an enterprise to create stable, predictable conditions, and to reduce uncertainties, but it also raises the costs of internal management, as it extends the managerial span. In part because of antitrust rules, in part because of the size of the domestic market, and in part because of the nature of the technology that developed in the United States, American companies at home became far larger than their counterparts in European countries. Thus, as noted, American businessmen learned about managing multiregional operations. For the European that did not have that experience, cartels often served to lessen uncertainty⁶⁴. Cooperation between firms was both a complement to and substitute for multinational enterprise⁶⁵. The student of the history of European multinational enterprise has to ask many questions about the numerous agreements between otherwise independent firms that divided markets and acted to limit competition in global markets.

Alice Teichova, who has looked at cartels and multinational enterprise, sees the growth of international business as a process of concentration⁶⁶. Research on the post World War II years⁶⁷ seems to show the opposite. Was there a tendency to concentration up to a certain point? In certain industries? Are there significant management limitations on the concentration process? Economic historians ought to look at cartels not simply in terms of their anticompetitive

⁶³ I have had useful discussions with J.-F. Hennart on this. See also Williamson, "The Modern Corporation".

⁶⁴ There is perhaps a "chicken-egg situation". Small markets meant inexperience. Absence of rules against cartels made them an easy route. Cartels, then, in turn created no need for learning about managing larger enterprises.

⁶⁵ CASSON, "Multinational Monopolies", makes this point.

⁶⁶ See, for example, her "West European Multinational Enterprise in Interwar Central-East Europe".

⁶⁷ See especially Raymond Vernon, *Storm over the Multinationals* (Cambridge: Harvard University Press, 1977) and, for example, United Nations Centre on Transnational Corporations, *Transnational Corporations in World Development*, 197.

consequences, but in terms of the inability of managers to extend effectively business organization. There is a learning process in business growth. Americans, because of the conditions at home, were in a position to learn faster about how to deal with organizational, with administrative, challenges⁶⁸. Europeans frequently found the cartel the easier route⁶⁹.

In conclusion, while in many respects the "multinationalizing activities" of U.S. and European companies in the last decades of the nineteenth and the early twentieth century were similar, while in each case they were shaped by conditions at home, enterprises with "advantages" expanded internationally, and "nearby" countries (politically, economically, and culturally as well as geographically) were most interesting, conditions at home were very diverse and it is an error to confine considerations of the history of European multinational enterprise to similarities in pattern. Students of the history of European multinational enterprise should not be fettered by the American model. That the size of the U.S. market was larger than that of any European country, that American businessmen had a learning experience in a heterogeneous domestic environment, that the start of U.S. multinational enterprise came when America was a net capital importer, that the United States lacked close geographical proximity with other advanced industrial nations, and that America had unique rules against restraint of trade meant that American and European businesses developed with substantial differences. I would like to see more inquiries into variations between countries.

In my early studies of the history of American multinational enterprise, I was very impatient with international trade theory. I thought it offered little in the way of understanding for the student of multinational enterprise. I still retain some of that impatience; I still want

⁶⁸ This point comes from the work of CHANDLER and WILLIAMSON.

⁶⁹ In *international* business, American companies, at times, accepted divisions-of-markets. For many years, U.S. antitrust laws were far more stringently applied at home than in relation to multinational enterprise operations. See WILKINS, *The Emergence of Multinational Enterprise* and WILKINS, *The Maturing of Multinational Enterprise*.

to concentrate on the firm rather than the traded product. Yet, as I go deeper into the study of European multinational enterprise, I am convinced that to understand multinational enterprise networks, we have to look at trade patterns, if not trade theory. What were the trading relationships, who were the trading partners, and how did these considerations reflect the spread of multinational enterprise?

Likewise, I think we should look at migration networks. Where did emigrants go? Since America was a country of immigrants, there was no need to study emigration. Yet, the movement of persons was closely related to the development of European multinational enterprise. What, for example, was the relationship between German emigration and German international business? Was German aggressiveness as traders and investors in part tied in with the spread of ethnic Germans? Did this compensate in part for the German lack of experience with large-scale markets at home. Information channels are associated with multinational enterprise, and emigration provided one such conduit⁷⁰.

⁷⁰ What I am suggesting here as applicable to foreign *direct* investment will be very familiar to students of foreign portfolio investments, who have long looked at trade and migration patterns. In considering migration, we must be careful to keep clear its relation to direct foreign investment. The emigrant who settles abroad and starts an enterprise there with money he has brought from his former home or money he has made or raised locally is *not* a foreign direct investor, since his old home is a former one and there is no international extension of the firm. More ambiguous is the man (Britisher, for example), who traveled abroad, settled, set up a business in the foreign country, made his money, and then returned "home". If he settled and then changed his mind and returned home, there is a change — no foreign direct investment initially and then a foreign direct investment if after his return home he retains control over the business. However, if his home (as he perceived it) was always Britain, if his ties remained, if the money for his new enterprise was raised there, and if the Britisher thinks of himself as British and eventually does, in fact, return there to manage the business from Britain, or arranges to send his successors to manage the business, we can call this an "expatriate investment" — a foreign direct investment. It would seem to have required a London "address" for it to qualify as a foreign direct investment. The third category, "the free-standing firm", incorporated in Britain, headquartered in Britain, which often used British settlers or expatriates abroad to run it, was as noted above a clear "foreign direct investment". Often expatriates set up free-standing companies in their home countries in order to raise money there. I am making the distinction here between the "emigrant or settler" (who leaves home to settle abroad) and the "expatriate" (who leaves home temporarily and who thinks of "home" as the place he has left).

I would like to see more questions asked by European economic historians on why French and German multinational enterprise developed so differently. Why were there so few Italian multinational enterprises in the thirty-five years before World War I? As we look at the European rim, Italy, Austria-Hungary, for example, can we see their role in multinational enterprise behavior vis-à-vis the major European homes of multinational enterprise as comparable to Canada as a home vis-à-vis the United States?

More comparisons on Holland and Belgium as homes for multinational enterprise would be useful. We have little evidence on the small, prosperous home market and its impact on the history of multinational enterprise (Sweden and Switzerland as well as Holland and Belgium). How do conditions in such small markets shape the nature of multinational enterprise⁷¹? We need additional studies of the "international firm" in Europe where the very notion of "headquarters" is obscure: for example, with the Rothschild enterprise, it is hard to say that "home" in the late nineteenth, early twentieth century, was either Paris or London; the cousins kept in touch⁷². In discussing multinational enterprise our scope must be larger than industrial enterprises and must cover other international businesses as well.

Much has been said on the role of tariffs and European multinational industrial enterprise (often firms jumped tariff walls and invested behind them). Virtually nothing has been written by economic historians on tax. Did tax policies have any impact on the development

⁷¹ CAVES, *Multinational Enterprise and Economic Analysis*, 59n., points out that "small countries tend to have more unbalanced industrial structures than do large ones—some industries proportionally large, others missing. This is a natural result of scale economies in production. Depending on its particular complement of industries we therefore expect that a small nation may have a very large foreign-investment stock (as do the Netherlands, Switzerland, and Sweden) or a very small one (Belgium, Denmark, and Norway)". This suggestion needs to be pursued by European economic historians, who need to ask why and how does the "particular complement of industries" emerge?

⁷² How do the London-Paris centers in the Rothschild case compare to the British-Dutch "joint headquarters" in the Unilever and Royal Dutch-Shell cases? Are there parallels?

of pre-1914 European multinational enterprises? We need more on how business-government relations affected the growth of European multinational enterprise?

What impact do the differences in domestic educational systems have on shaping management talent and, in turn, on the advantages held by multinational enterprise? Do variations in educational systems provide any helpful explanations of the differences in multinational behavior from one country to the next?

In this paper, I have confined my comments to the formative, pre-1914, years. Inquiries covering the twentieth century as a whole seem to indicate that World War I and World War II, in creating discontinuities in multinational enterprise operations, had quite separate influences on American and European business abroad. These impacts, especially as they affect managerial structures, require more study.

In short, numerous questions remain to be answered. While immensely valuable work is being pursued on the history of European multinational enterprise, there is more to be accomplished. I hope future research will aim at developing explanations not only for the similarities, but for the differences between multinational enterprises headquartered in various countries.