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ORIGINS OF UNITED STATES DIRECT INVESTMENT IN FRANCE

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A paper written for the Colloquium of the French Association of Economic Historians to be held in Paris in October 1973 on The International Financial Position of France, 19th and 20th Centuries. Criticism welcome.

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In the French official literature, American direct investment in France is a phenomenon which dates from the 1950s [La Documentation Française, 1970, 40; 1971, 3]. This judgement is quantitatively correct. The bulk of existing American investment in France is of postwar origin, as discussed in the paper by Professor Bertin. In qualitative terms, however, one can find in the 19th and early 20th century most of the factors which account for the recent movement, except perhaps for the sharp reduction in costs of communication and transport which have spread the movement and "follow-the-leader" psychology. Already by 1900 there was offensive and defensive investment; investment to supplement and to supplant exports; American firms in service industries establishing units abroad to hold the loyalty of their domestic customers. By 1885 in insurance, 1920 in banking and generally by 1929, there was French concern at the American invasion of France.[1/] One of the earliest recorded direct investments in manufacturing, moreover, Haviland & Co's. porcelain factory in Limoges, illustrated a phenomenon which has only recently assumed major proportions - the establishment of plants abroad to manufacture goods primarily for the home market.

Most interest in direct investment in the literature attaches to manufacturing. In his well-known study of American Investment in British Manufacturing, J. H. Dunning dismisses investment in "sales agencies and

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1. General concern about American investment is recorded first in Britain in 1900 [McKenzie, Thwaite]. But German anxiety over Ueberfremdung - excessive domination of industry by foreign ownership - was recorded as early as 1852 when Gustav Mevissen complained over British, Belgian and especially French ownership of Rhineland mines, and German irritation over American investment - in the electrical industry - was expressed in the 1890s. [Benaerts, 353]

banking houses" during the late 18th and early 19th centuries [Dunning, 17].[2/] There are a number of reasons, however, why a more complete picture of investment, beyond manufacturing is desirable. Up to the middle of the 19th century, distinctions between banker and merchant were not sharply drawn, nor were those on the other hand between trader and manufacturer. Many entrepreneurs undertook all three functions simultaneously [Redlich, 1971, 117]. Finally, and not of lesser significance for our understanding of direct investment, trade and service industries add to the generality of the explanation of direct investment based on manufacturing.

<u>Finance</u>

The first significant American investment in France is that of a banking house, Welles & Co., founded by Col. Samuel Welles of Boston in Paris in 1816. Lévy-Leboyer gives the firm name as Welles and Williams, indicating an association with another Bostonian, Samuel Williams, who had a banking house in London until its failure in 1826. [Lévy-Leboyer, 432, 436]. Both were in the business of financing European dry-goods exports to the United States. Welles had a branch in Le Havre in 1828, under the name Welles & Greene, manned by John B. Green of Boston

[2.] Dunning is mistaken in giving pride of place to the establishment in 1856 of the North British Rubber Company in Edinburgh by J. Ford of New Brunswick, New Jersey for vulcanizing rubber. An earlier manufacturing investment in Britain was the branch plant in London to make muskets and pistols with interchangeable parts established by Samuel Colt in 1852. This concern was sold to a British purchaser in 1857 at the end of the Crimean War, and failed shortly thereafter. Myra Wilkins's highly useful history of American direct investment states that these two failures are exceptional as American direct investments prior to the Civil War. She has not taken account of the still flourishing Haviland and Co. of 1842 in France, although as noted below there is a question whether that qualifies today as an American investment.

[Lévy-Leboyer, 436; Adrefsbuch der Kaufleute und Fabrikanten, 9, 19].[3/] Welles & Co. served as correspondent for American merchants like Peabody & Riggs of London and Baltimore when they bought French and Italian goods; the firm was asked from London to honor drafts drawn upon it at three months to purchase fine silk, linen handkerchiefs, collars, cravats, gloves and veils from Paris, Lyons and St. Etienne [Hidy, 17, 58]. In addition, Welles served as a social and mercantile center in Paris for visiting American businessmen. Like Williams in London up to his failure in 1826, and George Peabody in the same city from the 1830s: "few of his countrymen failed to find their way to his [counting] rooms, while he entertained in his home nearly every travelled American of note." [Shaw 23]

There is some doubt whether Welles and Co. can properly be called an American direct investment. The bank was dissolved in 1841 at the death of Col. Welles; his widow married a French aristocrat who adopted his young son, who was then raised as a Frenchman. During its heyday, however, it received the support of Col. Welles' cousins, John and Benjamin Welles, who constituted the auxiliary house in Boston to the banking house. John Welles drew his capital out of Welles & Co., Paris just before the troubles of 1837 [Shaw, 28]. Presumably other American funds remained in the bank, whether those of Benjamin Welles, or of another of Col. Welles's cousins, Henry Winthrop Sargent, a member of the firm of Gracie and Sargent, the New York correspondent of Welles & Co. Mr. Sargent retired, aged 31, when the Paris bank was liquidated at the death of Col. Welles in 1841, having weathered the 1837 crisis [Shaw, 29].

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3. The liner service from New York to Le Havre was started in 1822 by Francis dePau, four years after the initiation of the famous Black Ball Line from New York to Liverpool [Lanier, 104-05]. An American Chamber of Commerce in Le Havre is recorded in this period, but without details [Albion, 237] though the American Chamber of Commerce established in Paris claims to be the first American Chamber abroad.

The crisis of 1837 ruined three American banks in England beginning with W. Wiggins & Co., Wildes & Co. and Wilson & Co. [Hidy, 84], plus a number of others; Frisch, Low and Berry, Griswold and Adams, Draper, Todd and Co., Francis F. Dorr & Co. Williams & Co. had failed earlier in 1876 (Lévy-Leboyer, 558]. The crisis almost brought down W. and J. Brown, among the sons of Alexander Brown of Baltimore, who were aided by the Bank of England [Hidy, 87]. It may have dealt the coup de grace to Fitch and Co. of Marseilles and New York, which with Welles and Co. dominated the French trade in the 1830s [Redlich, 1951, II, 69].[4/] Welles & Co. pulled through the crisis with help from the Bank of France. The firm had had $13 1/2 million liabilities unpaid, largely to the United States, and $6 1/2 millions of acceptances outstanding among the public in Lyons and Paris, plus more at the Bank of France [Lévy-Leboyer, 559].

With the dissolution of Welles and Co. after Col. Welles's death there appear to have been no notable American bankers in France in the 1840s. In London, Peabody and Riggs evolved into George Peabody and Co., later Peabody, Morgan and Co., still later Morgan, Grenfell, and shifted out of merchanting and financing shipments of drygoods, to state bonds and at the end of the 1840s, U.S. federal debt. George Peabody and Co. had correspondents in Paris, presumably French. His major sales of American bonds on the Continent, however, were to Germany, where after 1848 American

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4. Asa Fitch Jr. is recorded in M. Y. Beach's 1846 directory Wealth and Biography of the Wealthy Citizens of New York City, 6th ed., p. 10, with the statement that he was for a long time a merchant at Marseilles, but was then doing a large commission business with his brother William, in Exchange Place, New York. Since the Beach directory was first produced in 1840 to provide credit information to "bankers, merchants and others" because of the disastrous experiences of 1837, there is a faint suggestion that the Fitch liquidation of the Marseilles house was connected with that panic. The directory gives the wealth of Asa Fitch as $300,000, of William as $100,000 [reproduced in Lanier, 151ff.].

securities were sought both to hedge against further revolution and because the coupons were bought at premia by emigrants headed for the United States [Hidy, 283]. United States bonds were also sold in Britain, Germany and Switzerland through branches of brokers and dealers of those countries established in New York. Lazard Frères was another such bank, in a way, although it started in New Orleans and opened branches in London and New York before establishing the head office in Paris.

An early firm whish has left little trace in the record of Franco-American financial relation was Munroe and Co. This was started in 1851 as a successor to the merchandizing business of its American founder. It may have specialized in silk [Lewis, 193]. In 1878, it is noted as one of three collectors for a charitable fund in Paris, along with Drexel, Harjes and Seligmann Frères [Foreign Relations of the United States, 1878, 182-84]. It moved gradually into stock broking, under which designation it was recorded in the American Chamber of Commerce Directory in 1930 [Americans in France, 1930] as a subsidiary of John Munroe and Co. of 100 Broadway, New York, with establishments in Paris, Cannes and Pau, but had disappeared from the directory in 1931, presumably a victim of the stock-market crash. Paris and Cannes suggest a business of brokerage among American expatriates. Pau, on the other hand, is largely an English, not an American watering place, though J. P. Morgan went there on one occasion [Satterlee, 150], and there is evidence that a number of very rich American single women or widows of French nobility lived there. The pattern is by no means certain but would appear to have been trade, trade finance, government finance, industrial finance through bonds, stock brokerage, and then oblivion.

Next major developments in finance were associated with the Civil War in the United States. Eight Seligman brothers started out in retail dry-goods in Alabama in 1838, went to California in 1849, and began as contractors in clothing, and possibly importers, in 1857. In 1862, they founded a bank, and quickly established branches in Frankfurt, Paris and London, to market bonds of the U.S. Federal government. The oldest brother, Joseph, sold bonds in Frankfurt with great success. The second brother was Jesse, the New York partner, friend of General (later President) Grant and the "J" of J. & W. Seligman. William, the third brother, established Seligman Frères et Cie in Paris in 1864 [In Memoriam, 122]. The firm specialized in government bonds and played a major role in the refinancing of the federal debt after the Civil War during the 1870s. In June 1874, J. & W. Seligman of New York acted for the Crédit Foncier and about 15 other Continental houses in subscribing to a tender for $178.5 millions, and took up a half of a particular lot of $45 millions [Redlich, 1951, 367]. When French investors stopped buying U.S. government bonds, J. & W. Seligman closed down its Paris branch in   . William Seligman was one of the leaders of the American colony in Paris at the turn of the century, and took a prominent role in the life of the American Chamber of Commerce there. Especially was he called upon to deliver allocutions on ceremonial occasions.

The origins of the Morgan Guaranty Trust Company of New York in France go back to 1868 when the Drexel, Harjes firm was founded in Paris by Drexel and Co. of Philadelphia, its New York affiliate, Drexel, Winthrop and Co., and two individuals, Henry H. Harjes of Philadelphia, and Robert Winthrop of New York. The founding company, Drexel & Co., had originated as a Louisville, Kentucky business in foreign exchange of Francis M. Drexel, a German immigrant to the United States. Transferred to the broader opportunities of Philadelphia in 1838, the banking business evolved from foreign exchange to dealing in state and federal securities, along with personal banking. The business flourished during the Civil War and developed close connections with Peabody, Morgan of London, successor to George Peabody and Co., in which Junius S. Morgan had become a partner in 1854. In 1868 it founded the Paris branch to conduct business as private bankers and to market American state and especially federal debt on the Continent. Shortly thereafter, J. Pierpont Morgan, the son of Junius, who had formed a small firm in New York under the name of Dabney, Morgan and Co., joined Drexel and Co. He was invited to do so by Anthony J. Drexel, the principal successor to his father, to broaden his access to the New York financial center. The firm of Drexel, Morgan and Co. was formed. In 1895 its name was changed to J. P. Morgan and Co. and that of the affiliate from Drexel, Harjes to Morgan, Harjes & Co.[Hopkinson; Jay; Winkler, 46].

There is no record that Drexel, Harjes & Co. took a role in the 250 million franc loan which Morgan & Co., London placed for the French government at the end of 1870. This was before the association of Drexel and Morgan, but the episode redounded to the good reputation of Drexel, Harjes and later Morgan, Harjes & Co. The company participated in refinancing U.S. federal government debt in the 1870s. A Drexel-Morgan-Rothschild alliance took $260 millions of bonds, with Morgan selling mainly in Britain and Rothschild on the Continent [Winkler, 2]. The official account of the bank states that after 1873 it continued developing a market in France for the securities of U.S. companies, and also became the "natural place for financial accommodation for the growing numbers of Americans visiting or living in Paris" [Morgan Guaranty Trust Company, 10].[5/]

Prior to World War I, the firm engaged in underwriting and issuing securities, largely for American accounts, on the French market. It carried on its books a number of dormant accounts of important French and American industrial companies, but these, states an informal history, did their current banking business mainly with the large French banks [Jay, 2]. Morgan in New York undertook to market a minimum of $100 millions (maximum $200 million) of U.S. government bonds abroad against gold coin in the panic of 1896, using the Deutsche Bank in Germany and Morgan, Harjes in Paris, along with Morgan, Grenfell of London in the syndicate [Satterlee, 309]. The firm also served to transfer in gold and foreign exchange, without disturbing exchange markets and without compensation, the $40 million paid in 1904 by the United States to the new deLesseps company in Paris which sold its rights to build a canal in Panama [Satterlee, 411]. The bulk of its business, however, was the furnishing of banking services to the colony of wealthy Americans resident in France, and to affluent tourists.

World War I brought a major change in French-United States financial relations, and with it, in the activities of Morgan, Harjes & Co. J. P. Morgan & Co., in New York, was the purchasing and fiscal agent of both the French and British governments, and the Paris firm provided "the vital

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5. A Paris Embassy dispatch to Washington on October 20, 1873, however, notes that after consulting prominent American bankers here, it could be said that the number of American residents in France does not increase but rather diminishes [Foreign Relations of the United States, 1874, 401].

day-to-day contact with the French ministries" [Morgan Guaranty Trust Co., 10]. In the postwar period, too, the French government raised private loans in the United States through J. P. Morgan, after direct Treasury-to-Treasury contact had been terminated. The firm reorganized its commercial banking facilities, and observed that the older established American industrial companies, quiescent during the war, became engaged in renewing and enlarging their plants with local credits, and wanted to raise funds on the French capital market [Jay, 4]. The bank changed its name to Morgan & Cie in 1926, and with the merger of the parent company with the Guaranty Trust Co., to the Morgan Guaranty Trust Co. in 1959. It celebrated its 100th anniversary in 1968.

The informal service given to American travellers by private bankers began to be replaced at the end of the century when the American Express Company opened its first foreign office in Paris in 1895. Starting off on the Rue Halévy, it moved in 1901 to 3, rue Scribe, the address occupied by Drexel, Harjes & Co. from 1868 to 1873. American Express had been founded in 1850 as a result of a merger of three leading express companies: Butterfield and Wasson, Livingston, Fargo & Co. and Wells & Co. Two of the directors formed Wells, Fargo & Co. in 1852 to handled the western frontier, while American Express dealt in the east. As the railroad developed, the American Express Railway Agency was created prior to governmental parcel post in 1913,[6/] and later became independent as the Railway Express Agency. The American Express Company early started shipping cash, then turned to money orders in competition with postal money orders (1864). Interest in

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6. In 1899, the American Chamber of Commerce in Paris circulated its 165 members to obtain their opinion on the merit of the United States government starting parcel post service between the United States and France. Eighty-one replies were received, of which 71 were favorable and 8 opposed - presumably American Express and the freight forwarders [Minutes of the American Chamber of Commerce, Paris, April 5, 1899].

foreign freight began in 1888, and the activity which led to the establishment of the Paris branch was westbound freight. But the major business quickly became the travellers' cheque, developed when the president, J. C. Fargo, had encountered difficulty in cashing his letter of credit in remote foreign parts, and copyrighted in 1891. $9,120 were sold the first year, $6 million in 1900 and $12 million in 1913 [Hatch, Reed, passim]. The Paris branch was quickly followed by branches in London, Liverpool, Geneva, Rotterdam, and others. By 1926 American Express had five branches in France, and by 1972, the French subsidiary, organized as American Express International Banking, had 275 employees. In the early period, the company resisted providing travel services, and especially sight-seeing buses parked outside the door. In this resistance, it proved unsuccessful.

As revealed more fully below, the record is biassed by being more complete for successes than for failures. One of the latter may be noted, however. In 1906, almost 100 years after the failure of a Boston banker, Henry Higginson in London in 1811 [Seabury and Patterson, 225], Lee, Higginson and Co. of Boston organized an affiliated firm in London, Higginson, Tottie & Co., which the next year became Higginson and Co. In 1907 also Higginson and Co. of London attempted to open a Paris branch. A biography of James J. Storrow notes that this branch occupied much of his personal attention, and its closing very shortly took place among the very few failures of Storrow's life [Pearson, 100]. A footnote in this biography, published in 1932, observes that the place of this branch was taken by the establishment of the French firm, Lee, Higginson & Cie in 1930. This did not last long either.

Prior to the Federal Reserve Act of 1913, national banks in the United States had been prohibited from establishing branches abroad, or for that matter, outside the counties of their origin. The rule did not apply to private banks, nor to trust companies regulated by state law, and two New York banks, the Farmers Loan and Trust Company (1906) and the Equitable Trust Company (1910) existed in Paris in 1914, along with six British bank branches, 2 Spanish, 1 Italian, 5 Russian, and 5 diverse [Phelps, 1924, 141]. With the passage of the Federal Reserve Act and the war, a substantial movement abroad took place. The Guaranty Trust Company of New York opened a branch in Paris in 1916. With the Bankers Trust Company and J. P. Morgan & Co. it took a leading part in organizing the French Industrial Credits of 1916 under which 165 American banks accepted credits for 75 French firms [Abrahams, 71]. Upon American entry into the war in April 1917, existing banks expanded to serve American troops, new branches were established in ports such as Brest, Nantes and Bordeaux, and headquarters towns like Tours, and new banks entered. The Farmers Loan and Trust Company with 20 employees in 1914, shrank to 2 with the mobilization of its French staff, then grew to 200 in 1918 [Phelps, 1924]. The Guaranty Trust Company reached 34 in 1917, 414 employees in Paris in 1921, plus 40 more in its Le Havre branch started in 1919 to handle cotton imports [ibid, 77]. By 1925 it was reduced to 265 employees [Phelps, 1927, 138].

The peak of American banking prior to World War II was realized in 1921 when there were eight U.S. bank branches (not counting independent affiliates like Morgan, Harjes, Seligman and Munroe & Co. By 1923, they had shrunk to six [Phelps, 1924, 141]. Phelps explains that with the growth of trade, it was necessary to change from dealing through bank correspondents to own branches: for secrecy, to deal in dollars and limit exchange risk, to protect client secrets, and to cosset the client psychologically [ibid, 34-37]. Abrahams maintains that the United States government was interested in expanding overseas banking to push the use of the dollar worldwide [Abrahams, 84]. The Mercantile Bank of Connecticut started operations in Paris in 1917, but never took an important place there. Its real interests were in Latin America, but when it got into trouble over Colombia coffee and Cuban sugar, it sold off its Latin American branches to the Bank of London and South America and its Paris branch to the Guaranty Trust Company. The Farmers Loan and Trust Company branch in Paris was absorbed with the merger of the parent bank with the National City Bank. The Bankers Trust opened its Paris branch in 1920. The Chase National Bank also arrived in this period to take a leading role with Morgan, the Guaranty and the National City.

Expansion in American banking in France is variously viewed as offensive, as defensive, and as neutral. Phelps tried to explain that the banks give French banks no competition, that U.S. banks were exclusively interested in U.S. commerce and tourists, with all internal affairs reserved for French banks [Phelps, 1924, 95-96]. He observes, however, that French opinion during and after the war was hostile to the so-called "invasion of foreign banks," and notes that a draft law had been prepared in November 1920, though not acted on, to supplement the tax of one per mille on capital with a tax of 2 per mille on all operations, while forbidding to foreign banks the right to receive deposits or to issue securities for other than their own nationals [_ibid_, 125-26].[7/] In the United States it was claimed

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7. The one per mille tax on capital ("centime additionelle à la patente") was discriminatory in the sense that it applied to total capital of the bank, and not merely to the capital of units in France. Thus the National City Bank paid the tax on a capital of $100 millions for the entire bank, when it had only one branch in France, while the Société Générale with 603 branches in France paid a similar tax on a similar overall capital sum. In 1924, however, the National City Bank organized as a _Société Anonyme_, rather than a branch, and drastically reduced its obligation [Phelps, 1927, 179].

that American banks had to go abroad defensively: it was expected that the profits from foreign operations would be small for years to come, that the immediate profit would arise from increased domestic business growing out of the establishment of the branches for the banks' customers who were engaged in foreign trade; and that American industry could not surrender potential markets abroad to their competitors without contributing to profits which would enable these competitors to invade the United States [Abrahams, 24, n.8, 40].

The depression of the 1930s thinned the ranks further, but the post-World War II upsurge filled them to overflowing. Primarily this was to serve American companies abroad, as were lawyers, accountants, advertising agencies, consultants, and the like. The banker at the head of the First National City Bank of New York's operations in Europe, located in Paris, points out that foreign banks are at a disadvantage: they have to buy their money, rather than receive it free as demand deposits [Koszul, 285-86]. Some underwriting is likely to be offensive, moving into monopolized and inefficient capital markets, and some distribution of American securities to French investors continues. For the most part, the new banks and bankers are following the manufacturing customers to Europe, to be of service to them in any and all markets with a view to holding them. From financing trade to the United States, to borrowing abroad for the United States, lending in France, providing personal banking service to individuals, and lending to American firms in France, American financial institutions are still some distance from entering competitively into French bank lending.

Insurance

Allied to finance in the nature of the product, but more nearly like trade and manufacturing in method, American insurance companies had a brief spurt in foreign investment from 1885 to 1914. From slow beginnings as early as the early 1860s, three New York companies in particular reached impressive totals of life insurance in force ($750,000,000 in all foreign countries), premium income ($50,000,000), foreign currency reserves ($45 million) and buildings. New York Life, Mutual Life and Equitable Life constituted the "Big Three," whose advantage, necessary to foreign direct investment, lay in their aggressive selling, with high commissions paid to agents who "sold" insurance, rather than merely permitting customers to buy it. Authorization to do business was won in 1882 over the opposition of French insurance, banking and railroad interests. Attempts were made in the French Chamber of Deputies to regulate the companies in 1885, 1890, 1892 and 1898, all unsuccessful. But in 1902 legislation was directed against them, requiring deposits in French securities, annual declarations of dividends due to policyholders and more rigorous supervision. The large companies resisted by ostentatious purchases of French rentes, and an intensive propaganda campaign costing $40,000. The Armstrong scandals of 1905 in New York state led to more adverse publicity, and a new deposit law to cover old policies as well as new. Mutual Life withdrew, Equitable Life appealed to the Council of State and won its case in 1910, "partly because of the splendor of its new building." New York Life accepted the ruling, believing that $81 millions of insurance outstanding in France and $13 million sold in 1905 were worth it. The inflation of the War, however, made the business uninteresting [Keller, Part III]. By 1919, American companies abandoned their French insurance business until after World War II, when they went abroad with further innovations, group-life insurance and major medical policies, but in this instance through participations in majority-owned local companies, rather than wholly-owned subsidiaries.

Trade

As already observed, distinctions between banking and trade were loosely drawn in the first half of the 19th century. Bankers and merchants financed the transactions of others, bought and sold goods for their own account and for third parties, as commission agents. As banking evolved and specialized, moreover, so did trading. Commission agents, importers, wholesalers, jobbers, freight forwarders and the like separated themselves off. Fenwick and Co., for example, is noted as "the great importing house which played so important a part in American imports to France during the...three-quarters of a century" from 1894 when the American Chamber of Commerce in France was founded [Whitcomb, 13], having been a founding member of the Chamber and still functioning in 1969. Another founder was George R. Ostheimer, commission merchant, the first Honorary Secretary, one of whose two sons, both members, was for many years a director [ibid]. In addition to specialization, however, as the scale of trade grew and qualities of goods changed, large integrated firms went in for direct buying and selling. This evolution began early with American department stores.

The first American investment in trade in France of this sort was that of Tiffany's. Charles Tiffany started his New York store in 1837, and acquired through a new partner enough capital to send a buyer to England and France in 1841. From Paris, his partner John Young bought artificial diamonds with gold settings of a type superior to those from Germany with which the company had started. On a subsequent trip in 1848, Young and an assistant found that the market for real diamonds had collapsed because of the Revolution. Throwing away their purchasing schedule they put all their funds into real diamonds. Shortly thereafter -

Southard [xiii] gives the date as 1850 - Tiffany decided to open a store in Paris to take advantage of sudden fluctuations in prices,[8/] and to offer luxury merchandise to the many Americans travelling abroad who thought it "cosier and more reliable to pick up their more expensive mementos from a firm they could trust" [Purtell, 19-24]. Tiffany, Young and Ellis, as the firm was known between 1841 and 1853, also ordered additional goods made to their own specifications in Paris. Other luxury retail establishments with shops in Paris included A. Sulka in haberdashery, founded in New York in 1895 and opening a Paris branch in 1910 - Révillon Frères, and later Kaplan's in furs, Durand-Ruel - art dealers, Brentano's - books, and jewelry - Van Cleef and Arpel, Winston in diamonds, and, starting in Paris and moving to New York, Cartiers. Tiffany's closed its Paris branch in 1952.

The history of Tiffany's makes a great deal of an alleged innovation in retail marketing in setting fixed prices, plainly marked on merchandise, concerning which there would be no bargaining, and attributes the immediate success of the Paris store to this technique [Purtell, 18, 24]. It may be doubted that fixed prices were original with Tiffany, despite the fact that New York newspapers of 1837 featured the practice in headlines. George Fox, the Quaker, called for it in the 17th century, and Wedgewood applied it in his showrooms in the 18th [Hower, 26, 89]. <u>Bon Marché</u> adopted the single-price system in 1838 and the growing size of retail establishments made its spread inevitable when the store owner, or a trusted relative, could

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8. The collapse of diamond prices in a revolution is a form of market failure which frequently provides a valid "second-best" reason for preventing direct investment [Kindleberger, 1973, 268].

no longer take time to settle the bargain with each customer. The Tiffany investment was thus not solely or even primarily based on an innovation in retailing, although this store may have extended the system from drygoods to jewelry.

The authorship of the department store, long associated with Ariste Boucicaut's takeover of Bon Marché in Paris in 1852 [Pasdermadjian, passim], and celebrated by Emile Zola in Aux Bonheur des Dames, is now in doubt. There is no agreement on criteria for establishing what a department store is: on the basis of size, the Ville de Paris with $2 millions of sales and 150 employees in 1844 could claim precedence [Hower, 73]; if the criterion is sales practices, A. T. Stewart's in New York, founded in 1823 and expanded rapidly in the 1830s and 1840s, has a strong claim, as it went in for many departments, one ticketed price, low mark-up, cash sales, aggressive selling, advertising, volume buying for cash, and the like, well in advance of the competition [Resseguie, 1965, 303]. Hower insists that the dominant consideration, however, is none of the existence of departments, modern sales practices, or size, but a variety of housewares extending beyond drygoods. On this score he supports the case for Macy's which opened its New York store in 1858.[9/] For present purposes, however, what is of interest is that A. T. Stewart made his first trip abroad in 1839, stopped buying through commissionaires and import houses six years later when, in 1845, he opened his own foreign purchasing department in Paris. Stewart had a Paris partner, Francis Warden, who managed an expanding purchasing operation from 1845 to 1873, establishing branch purchasing offices in every

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9. Hower's History of Macy's of New York, 1858-1919, contains an extended discussion of the question whether Paris or New York deserves the credit for originating the department store, including an appendix [411-16] on "The Rise of the Department Store in Paris."

important textile center in the British Isles and on the Continent, and ultimately operating a number of textile mills in Europe for Stewart's account [Resseguis, 1965, 316].

Macy's referred increasingly in the 1860s to its own importations, as it eliminated importers and wholesalers as rapidly as increasing sales enabled it [Hower, 110]. In 1893[10/] it opened its own buying office on the Avenue de l'Opéra, partly because of the growing volume of purchases and partly for prestige, but closed it down within three years on the ground that the separate buyers from New York must see the goods [ibid, 242-43].

Field, Leiter & Company, from which Marshall Field of Chicago developed, was the largest single importer into the United States, according to a Chicago newspaper report of 1906 [Twyman, 99], with foreign purchases rising from $2 million in 1880 to $4.3 million in 1900 and $5.9 million in 1906 [ibid, 178]. It paid 3/5ths of the customs duties of the port of Chicago, which it had been instrumental in getting established in 1871 [Wendt & Hogan, 99]. The evolution of the buying process is well seen in Field's operations: at first in 1865 he went abroad himself in search of goods. As volume expanded, in 1868 he sent trusted employees. By the end of 1869 there was a Paris office on the letterhead of Field, Leiter and Co. but it was only a trade connection and not an independent office. In 1871 his brother Joseph Field opened a purchasing office, and in 1872 a real purchasing office was started in Paris. The number of buyers sent abroad rose from two in 1875 to 21 in 1906 [Twyman, 26-28, 116]. In the 1880s

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10. Reference was made to "our Paris house" in the middle 1880s, but this was the buying office of L. Straus, a china-importing firm, Isador Straus of which bought into R. H. Macy and Co. in 1888.

Field's expanded the two foreign operations into a network which included the Paris office for general French merchandise, a second office in Lyons for silks, and a third in Calais for lace [ibid, 10].

The Field's practice of the 1880s, however, gave way to the Macy's decision of the 1890s to rely on annual trips of buyers, familiar with the needs of the customers. Commission agents, importing houses, wholesalers and jobbers stayed eliminated in favor of direct buying, so that the 1894 founding of the American Chamber of Commerce listed only two department stores with Paris buying offices: Jordan Marsh of Boston and Stern Brothers of New York, and these names with all the others were missing from the list in 1969 [Whitcomb, 13].

New York department stores and Field's in Chicago competed for exclusive agencies of European quality merchandise, especially kid gloves, chocolate, luxury china and wines, plus French and Italian apparel. Macy's had formal fashion openings for new models by 1882, if not before. The decline of Stewart's and the rise of Field's was underlined when in 1880 the latter took over from the former the exclusive dealership of the celebrated Alexandre gloves [Resseguie, 1962, 269].

The next logical step after establishing purchasing offices was to undertake manufacturing. It was duly taken. It had been anticipated, however, by David Haviland, a New York importer of china from the East and England, who had been shown, in 1839, a broken teacup of unusual translucence and lightness, by a customer who wanted it replaced. Knowing only that it was French, Haviland went to France and found china of the quality being manufactured in Limoges. He tried to order some, but found it difficult to obtain his requirements in kinds of pieces, volume, and decoration. Accordingly in 1842 he established his own plant in Limoges, the first American manufacturing direct investment in France that I have been able to find, and antedating those listed by Dunning in Britain.[11/] [interview, Frederick Haviland and pamphlet, Haviland, The History of a Name, Whitcomb, 15]. The combination of French workmanship and American marketing made Limoges china renowned.[12/] A quarter of a century later, L. Straus & Sons, importer of china, glass and crockery which he sold in Macy's and Wanamaker's in New York, R. H. White's in Boston, Woodward & Lothrop in Washington, D.C., acquired another china factory in Limoges, along with factories in Thuringia to make ivory and bisque novelties, and two in Bohemia for glassware and china, respectively. [Hower, 212, 246]. Haviland sold 80 percent of its china through the New York importing company in 1905 and 20 percent in Paris through Au Louvre and Bon Marché [Customs House Justice, 12, 33]. By 1972, only 40 percent of the Limoges output was marketed in the United States and the rest in Europe, as Haviland and Co. became international [interview].

Stewart's was the only department store to go far with foreign manufacture. A number of American department stores manufactured in the United States, but Stewart's operated a cotton mill in Manchester, England, a linen factory in Belfast, and an underwear mill and lace curtain factory in Nottingham [Resseguie, 1965, 319]. Macy's opened an office in Belfast to take charge of production of linen articles [Hower, 163].

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11. Like the Welles private bank, there is a question whether Haviland & Co. technically qualifies as a direct investment since the French company owners lived in France, and owned as much of Haviland & Co., Importers of New York, as the latter owned of them. But it falls within the spirit of direct investment.

12. A novel by Jacques Chardonnet, Porcelain de Limoges, records trips by a Limoges engineer to America to discuss the technical workings of furnaces and refers to the mail from America [83, 93].

The peculiarities of American taste led to the opening of a plant in France by American owners in one other item of consumption than china: kid gloves. Such gloves were a mark of elegance in the United States and care was taken in department stores to stock a good brand, and if possible to do so exclusively. A. T. Stewart's loss of the exclusive agency for Alexandre gloves made by Fortin Fils et Deschamps was mentioned earlier. After Stewart's death in 1876, his successors had abandoned Stewart's practice of valuing Alexandre gloves three francs higher than other brands for customs purposes, leading finally to a Customs House charge of under-valuation which brought unfavorable publicity to the French firm. [Resseguie, 1963, 269]. In its first year of business Macy's claimed that its kid gloves were its own importation. Hower believes they were handled through an agent, but that at some subsequent point the volume grew to the point where direct purchase was possible [110]. It adopted its own brand for La Forge kid gloves in 1877 and sold three different grades of Foster kid gloves for which it was the exclusive agent in New York. It is not known whether these gloves were of French origin. It is noteworthy, however, that in his study of American Direct Investments of 1929, Dickens observes that in a few products, the presence of local raw materials or local skill has drawn U.S. investments in manufacturing, and cites French fancy glove skins. [Dickens, 1931, 32]. The reference is to Aris Gloves, Inc., which owns an interest in Gants Chanut, a long-lived investment which was established in 1910 and had 250 employees in the plant in 1972 [American Chamber of Commerce, List, 12]. In 1972 Aris Gloves in New York was bought by Consolidated Foods. The subtleties of high fashion make it unclear why in one case a French manufacturer will give an exclusive agency to an American wholesaler, for Stewart's, Macy's and Field's were all wholesalers of gloves, in the 19th century, when they were also selling them at retail; whereas in another, the wholesaler-jobber in the United States feels obliged to own the factory in France, presumably to have the product made to his idiosyncratic specifications.

The modern equivalent of Limoges china and Alexandre gloves, of course, is perfume and toiletries in which American companies have taken over French firms to make the product to suit the American market exactly but to exploit French skills and the reputation of French products.

Trade - Selling

The rise of the department store led to direct buying of foreign goods. The introduction of new goods of Yankee ingenuity eliminated the commission agent and the wholesale merchant from the selling side. The merchant system is highly efficient because of specialization in the distribution of standardized products. It inhibits technical change, which is fostered by direct contacts between the producer and the ultimate user. The intervention of the merchant impedes change. He tells the producer "they don't want them like that;" the would-be buyer "they don't make them like that." [Kindleberger, 1964, 148ff]. An editor in 1884 recognized that the export house was no way to build a strong independent demand. "Sample machines lying in a far-off commission house and elegant office correspondence neatly done by a clerk on a type-writer will never build up an export trade" [Davies, 306]. Remington and Co. which obtained the exclusive rights to sell the Latham Sholes typewriter in 1875 arranged to market through Fairbanks & Co., a scales manufacturer with outlets all over the world. Six years later it cancelled the arrangement and undertook its own selling [Current, 85, 103]. The classic example is furnished by John H. Patterson, the high-pressure salesman president of the National Cash Register company. Prior to 1895, the European business of the company was conducted through agents, and sales were minimal. In 1897 Patterson took a trip through Europe covering 15 countries and 50 cities in 60 days, and the French sales subsidiary along with many others was organized the same year.

> "It was not the motion picture, or the petroleum industry, or yet the automobile that started the process often referred to as the 'Americanization' of Europe...The real pioneer in the movement that carried American selling methods throughout most of the civilized world was John Patterson and the NCR." [Johnson & Lynch, 330]

Patterson spent two years in London beginning in 1908. By 1914 foreign sales accounted for one-third of the company's business [Crowther, 268, 273].

Eastman Kodak which had started manufacturing in England in 1890 was a pioneer in owning its own retail outlets. In 1902 it opened chain retail stores, first in London and then in Lyon. Twelve photographic dealers in Lyon protested. Eastman replied that the store would not subtract from their share of a fixed volume of trade, but that the publicity would serve through advertising and the prominence it brings to the product, with the result that other retail dealers would gain rather than lose [Ackerman, 172].

It is impressive in the literature how rapidly the move from domestic production to exports took place. Linder's theory of comparative advantage in manufactured goods starts with development for the home market, and then, presumably after a considerable period, a move to sell the differentiated products abroad [Linder, passim]. The development in the local market must take place ahead of export, by definition, but it is remarkable how rapidly American manufactures entered the foreign market and established direct selling. The reaper, revolver, sewing machine, railroad brake, adding machine, typewriter, radiator, gramophone, kodak, arc lighting, telephone equipment, shoe-making machinery, building elevators did not tarry in developing foreign markets. And fairly rapidly in the product cycle, as we shall see presently, they established foreign manufacturing.

The list of sales organizations includes a number of products long forgotten or languishing: the Yost typewriter,[13/] Jewitt typewriter, Brill railroad car, American gramophone, American Motor Carriages, Cleveland bicycle, Consolidated tires, Dunlap hats, Stetson hats, some giving up foreign investment prior to 1914, most before 1939. Some failed, some were driven out, some were absorbed by successor companies.

Manufacturing

The origins of American manufacturing investment in France extend earlier than the sales agencies. The idealized product cycle starts with production for the home market, patenting abroad, exports, direct selling, licensing for manufacture abroad, and ultimately direct manufacture, although the order is not necessarily always identical. Products of Yankee ingenuity like Colt revolvers, McCormick reapers and Singer sewing machines were patented in France as early as the 1840s [Edwards, 255], exhibited before Louis Napoleon and at the Paris Exposition of 1855, following successes at the London exhibition of 1851 [Hutchinson, I, 404; Rywell, 127] and licensed for manufacture by French firms in the 1850s. The Singer sewing machine license to Calleboud in 1854 antedated the McCormick arrangement with D. J. Laurent of Paris and Francois Bella of Grignon in France [Hutchinson, II, 415]. Like the contemporaneous direct investments of Colt in London and of J. Ford in Edinburgh, neither was a

13. Yost & Co. early got the domestic (but not foreign) rights to the Sholes and Glidden typewriter, which ultimately became the Remington, but later gave it up and started its own company in 1880 [Current, 78, 98]. Little more is readily available about this company and nothing about Jewitt.

success. French peasant conservatism stubbornly resisted the McCormick reaper, through the initial two licensees and their successor of 1862, Albaret et Cie of Liancourt Rantigny. "In some seasons, McCormick's sales in France were fewer in number than the prizes awarded him there [Hutchinson, II, 685]. Singer's initial licensee sold 425 sewing machines but used the 15 percent royalty owed to New York to pay off his own debts [Davies, 303]. This was the first and last time Singer sold a patent to an independent businessman [Wilkins, 1970, 38-39]. Wilkins states that Singer started a plant in France after the expiration of the Calleboud patent by the 1870s [ibid, 42]. Davies' history of the company abroad from 1854 to 1889 makes no mention of it, and Whitcomb noting Singer's presence among the founders of the American Chamber of Commerce in 1894, adds that the company did not begin manufacture in France until 1937. [14/] [15]

Manufacturing activities in France before 1900 included Westinghouse Air Brake (1879) [Prout, 269], General Electric and its predecessors, Edison Electric Light Co. of Europe, Ltd and Thomson-Houston in electric lighting and arc lighting (1883 and 1892), Otis Elevator, United Shoe Machinery, Westinghouse Electric (1901), Western Electric, American Radiator (1898). Further investments up to 1914 were made by Ford, Gillette, Eastman Kodak, Carborundum Co., Ingersoll Rand, International Harvester,

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[14.] The Vaupel & Curhan compilation gives the date of Singer's founding in France as 1907, the method as "subsidiary formed" and the activity as sales, with a manufacturing subsidiary formed only in 1957. The American Chamber of Commerce List gives the date of establishment as 1872.

International Steam Pump and American Gramophone.[15/] The fourteen (sic) companies with manufacturing facilities in France in 1910 were fewer than numbers in Britain (25), Germany (22) or Canada (34) [Wilkins, 1969, 212]. All represented American innovations, predominantly in mechanical and electrical equipment. Where an invention was European, like the automobile, the investment (in an assembly plant by Ford) reflected an innovation in production on the one hand, and high rates of tariff protection on the other.

Manufacturing investment occurred in waves. After World War I there was another wave, including Corn Products, Carnation Milk, Colgate Palmolive, Atlas Chemical, Chicago Pneumatic Tool - companies engaged in products of a second order of American ingenuity. If the story be true, one investment was inadvertant. The Norton Company in abrasives and grinding wheels which had built a plant in Germany in 1910 was informed by a former employee that the plans on which he worked for a French factory in abrasives were identical to those which he had seen as a draftsman in Worcester, Mass. Arrests and litigation ensued, followed by a settlement in the course of which the Norton Company ended up as the owner of a French plant [Tymeson, 171-72].

[15.] Exact dating of an initial manufacturing investment is difficult for the reasons illustrated in the preceding footnote. The Vaupel and Curhan compilation for 187 leading companies of 1967 and the American Chamber of Commerce List of 1972, covering 675 American branch, subsidiary or affiliated companies in France (out of 1,000) are incomplete in coverage of existing firms at the time, and of course of firms that no longer exist or no longer maintain foreign investments. In addition, questionnaires are not always unambiguous and respondents can become confused in interpreting. In the American Chamber of Commerce List "date of establishment" is sometimes given for the French subsidiary prior to acquisition or takeover, for transfer to the parent at time of reorganization or change of name. A further ambiguity inheres in the case of discontinuous investments. Vaupel & Curhan, moreover, ask for exact years only after 1900. The best general statement is, of course, [Wilkins, 1969]. Appendix I presents as accurate a picture as can be drawn from secondary sources of companies by date of investment, according to broad classes.

Some notable companies did not participate in the postwar wave of investment, advisedly. Both Ford[16/] and General Motors turned down opportunities to buy Citroen, which came on the market in 1919, in need of rebuilding and lacking cash [Wilkins and Hill, 97; Sloan, 317]. General Motors came in on the second wave of the 1920s, but limited to spark plugs and refrigerators. This wave led to an outburst at the end of the decade against American imperialism, both in Germany[17/] [Southard, 226-27] and in France [Holmberg, passim; Bonnefon-Craponne, passim]. In particular, the award of a contract for the renovation of the French telephone system to I.T.T.'s subsidiary provoked a storm in the Senate but was upheld [Southard, 44].

Investments by Bendix, Dana Corporation (both automotive parts), and Saint Regis Paper, all in 1930, appear to be part of the end of the 1920s wave which got delayed sufficiently to slip over into the depression. Since 1930 was a boom year for France, this was not unacceptable to the U.S. interests. Some substantial later investments - of Union Carbide in 1932 or Uniroyal in 1934 - are more difficult to explain unless they represented long lags, or bargains picked up by extraordinarily liquid companies.

The complexity of timing investments in France is also illustrated by roller bearings. These are essentially an American invention and product.

[16.] Ford later twice bought up manufacturing, as opposed to assembly facilities, before finally selling off its Simca holding to Chrysler. It never made a profit in France. And General Motors, especially its 1920 vice president for Europe, who later went to Ford, never thought France a good risk [Wilkins and Hill, 367].

[17.] An earlier outburst against United States investment, prior to 1929-30, occurred in 1923 when some German interests were bought up with dollars during the hyper-inflation [Southard, 178]. This is a classic example of "market failure," like the carpet-baggers at the end of the Civil War.

In 1909, the Timken Roller Bearing Company licensed a Vickers subsidiary to produce roller bearings in Britain. The British company, which became British Timken, though the American company had no interest in it at the time, licensed a French company, Société Mécanique de Gennevilliers to make roller bearings in the early 1920s. Later in 1926, a British individual B. U. Dewar and American Timken bought British Timken from Vickers with a contract under which Mr. Dewar became manager. A French subsidiary was founded in 1927, also managed by Dewar, but reorganized in 1928 as French Timken, owned first 75-25, then 50-50 by American Timken and Dewar personally. American Timken acquired Dewar's stock in French Timken in 1951 after his death [Letter, November 3, 1972]. An investment in France associated with an American innovation thus moved from British to American ownership over thirty years with some cyclical fluctuations.

The pattern of owning productive assets through British subsidiaries of American companies was fairly widespread. In the typical case the British subsidiary was the first established, owing to identity of language and the "special relationship," and extension to the continent went on from there, or was managed from there. The pattern is exemplified in the Ford interests [Wilkins and Hill, 66]. When Ford merged with the Mathis company of France in 1934, it had to buy back the 60 percent of its French company from its British company. The pattern of operating through London soon became unwieldy and virtually every company ultimately chose to operate directly from the United States. If there were a European headquarters, it might be in London, or Paris, but it tended to be manned by American or international personnel. Occasionally the pattern was reversed, and the Paris office was the first in Europe. American Radiator employed the profits of its French manufacturing subsidiary of 1898 to open a German factory in 1901 and a British one in 1905 [Lewis, 303].

The list of American companies which once manufactured in France and have cut back is led by General Electric, Westinghouse Electric, and Ford Motor Company. All three names appear in the appendix tabulation, but far below their peak size. In addition, there are companies like Boston Blacking - which started out in cast-iron-stove polishes and moved on to chemicals, once owned subsidiaries in 8 European countries [Southard, 118], including France, and have since been absorbed or liquidated. In the petroleum field, another example is given by Caltex discussed in the next section. There is something to the view that direct investments are immortal - or as Hymer has said that they resemble not ordinary trees but redwoods - but it is not a universal rule. Some shrink or die, and some, such as the manufacturing establishments shown in Table B of the Appendix, of those with employees in France between 100 and 1000, do not grow to enormous size.

Oil

Oil has been among the earliest as well as the most important industries for investment by Americans in France. The history of the industry is highly complex and does not lend itself to rapid summary [Hidy and Hidy, *passim*, Gibbs and Knowlton, *passim*]. The initial effort was to sell crude petroleum to French refiners and refined products to distributors. Exactly when the Standard Oil Company (New Jersey) entered the market is not clear, but it had 50 percent of the crude market in 1893 when it formed Bedford et Compagnie to engage as well in refining directly, so that the selling effort probably began in the 1880s. Vacuum Oil Company, the predecessor to today's Mobil Oil Corporation, started to market petroleum and products in France in 1899, by 1900 had depots in Marseilles, Bordeaux, Nantes, Lille, Rouen and Belfort, and in 1904 built a plant for production of lubricants.

In the early period, Esso Standard entered into agreements with French refiners to limit its interest in refining, and then to get out of it, in return for 50 percent of the crude market in France (1893) and later 80 percent (1900). The inability of the cartel to meet French requirements for fuel during World War I, however, led to its dissolution, replacement by a government consortium, and the entry of Esso Standard into first bulk and later retail distribution of products. The French governmental counter was the formation in 1924 of Compagnie Française des Petroles SA to take up the French participation in the Turkish Petroleum Company [Gibbs and Knowlton, 510]. The major change occurred, however, with the law of March 30, 1928 which for defense purposes put a differential tax on imported products as against crude petroleum and required refiners to store substantial volumes of crude oil. Esso Standard, Mobil and Texas (later Caltex) of the American companies bought and built refineries in France, along with Royal Dutch Shell and British Petroleum.

The Caltex company grew out of a 1920 distribution agency of Texaco, which went into refining in France in 1932, and merged with the Standard Oil Company of California for European operations after World War II. company disappeared in 1962, converting its assets into a minority interest in Union Industrielle des Petroles, a company with a dominant state interest. This sale was made under government pressure [Gervais, 138].

Services

In the 1960s, a great many firms in the service industries: lawyers, accountants, advertising agencies, engineers, management consultants and the like have gone abroad to serve their American industrial clients, or like the banks and brokers, to serve the personal needs of the American colony. The first of these, so far as the record shows, was Dun and Bradstreet in 1872. This company which provides information on credit ratings had established a branch in London as early as 1857, and opened a Société à Responsabilité Limitée with a capital of 125,000 francs in Paris 15 years later [letter, Dun and Bradstreet International]. That its business had not developed widely by the turn of the century is suggested in an offer to the American Chamber of Commerce, reported at its meeting of February 7, 1900, from the Comptoir d'Escompte, to supply information on the financial standing of individuals and firms in France to American visitors to the Universal Exposition of 1900 who applied through the American Chamber of Commerce. In return the Chamber would be expected to give the friends and clients of the Comptoir all information in its possession regarding commerce and industries of the United States [American Chamber of Commerce, Minutes].[18/]

The first prominent law office, Coudert Brothers, was established in 1879 by a firm which had been begun in New York in 1853. The grandfather of the founding brothers had been an officer in the Napoleonic army who had migrated in 1805. A grandson started the firm primarily as a response to his love for France and Paris, and the opportunities for a practice of international law and a personal practice in wills, transfers of property, divorces, and so on among the members of the rich American colony. Until 1946, it had few corporate clients, though it represented the Bank of France and the French government in the United States. When it did diversify

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[18.] After some hesitation, the Chamber agreed to the exchange, despite the fact that it was contrary to its practice, because there was need for the information. It accepted the offer on a non-exclusive basis, but refused to take responsibility for the accuracy of the information.

its numbers of lawyers went from 6 in 1939 to 40 in 1972 [interview, Charles Torem]. The leaders of the firm served in prominent positions in the American Chamber of Commerce, of which Henry Peartree was the second president and Henry Cachaud, the third.[19/]

While Coudert Brothers was the most prominent, it was not alone in serving the expatriate colony. The New York Herald Tribune was started in 1877, and many individual American doctors, dentists, lawyers and other professional advisers including one professor for curing short-sightedness practiced in Paris. One lawyer, Frank E. Hyde, was under indictment for insurance fraud in the United States, but prepared to practice American and International law. The American colony was estimated in 1929 as on the order of 55,000, though not all were rich. Otto Kahn had $20 million in property in France when he died, and August Belmont a substantial amount. In addition, many American women married into the French aristocracy and brought large dowries. The record is given in one account as $7 millions, with others noted of $6 million, $4 million, two of $2 million, and so on. One American predecessor of Grace Kelley, Princess Alice of Monaco, born in New Orleans as Alice Heine, reversed the process by inheriting $15 millions from the Duke of Richelieu on his death in 1880 [Herald and Radin, 63-65].

The depression of the 1930s and World War II virtually destroyed these firms providing personal service, although they were mostly quickly reconstituted after the war. In brokerage Bache and Co. which had started in 1936 closed down in 1940 to open once more in 1947. Dewey, Ballantine,

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19. The first president, Dr. Stephen H. Tyng, represented one of the insurance companies. He had been a chaplain in the Civil War in the United States, but resigned from the church over "many vexatious controversies" in religion [American Chamber of Commerce, Minutes, Nov. 18, 1899].

Bushy, Palmer and Wood (previously Root, Clark, Buckner and Ballantine) opened first in 1929, closed down in 1933, and did not return to Paris until 1965 [American Chamber of Commerce, List].

Peat, Marwick, Mitchell & Co., public accountants who established a branch in Paris in 1906, were followed by a wave immediately after World War I, when other sizeable law firms and advertising agencies came along. Engineering began with Stone and Webster just before World War II. In the 1960s there were architects, public-relations firms, manpower specialists, market research, armored car service, and a variety of others [American Chamber of Commerce, List, passim].

Statistical Summary

The earliest estimates of American direct investment in Europe as a whole are those by Bacon for 1900 - $10 millions - and Osborne for 1910 - $200 millions including United States holdings of European securities of which there are "only a few."[20/] While Paul Dickens regarded the Bacon estimate as "very careful and comprehensive" and "reasonably accurate," [Dickens, 1931, 37] for Europe it is evidently far too low. United States investment in France in 1929 was about one-eighth of the European total, as compared to one-third for Britain and one-sixth for Germany [ibid, 10]. These relative proportions are broadly the same as the numbers of manufacturing subsidiaries in Europe in 1910 cited earlier from Wilkins: Britain, 25, Germany 23, France 14, if allowance is made for British

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20. Bacon [276] excludes the $45 millions of reserves of foreign securities held by the life insurance companies against their liabilities from his calculation. He makes no mention of direct investment. Keller [89] gives an estimate of $15 millions of European securities owned by United States investors in 1899, apart from the life insurance reserves.

subsidiaries to be somewhat larger than those on the Continent.[21/] The suggestion that U.S. direct investment in France was only $1.2 millions in 1900 and $25 millions in 1910 is not to be believed.

The first estimate which breaks down American investment by countries is that of Paul Dickens for 1929. Prior to that time, the Reports of the Department of Commerce in the 1920s had lumped together direct and portfolio investment, private and governmental, and those in separate countries. The figures for numbers of firms and book values for 1929 and 1936 are broken down by broad categories.

American Direct Investment in France

	1929		1936	
	Number of Firms	Book Value (in millions)	Number of Firms	Book Value (in millions)
Manufacturing	86	$91	77	$77
Distribution	56	14	55	13
Petroleum	23	25	7	40
Communication, transport	6	5		
Miscellaneous	25	9	25	14
Total	203	$145	164	$146

Source: same as footnote 21

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21. In 1929 and 1936, United States subsidiaries in France were distinctly smaller than those in Britain or Germany:

1929	Country	Number of Firms	Book Value	Average per firm
	France	203	$145 million	$ 700,000
	Germany	186	217	1,170,000
	Great Britain	389	485	1,240,000
1936	France	164	146	880,000
	Germany	151	228	1,500,000
	Great Britain	411	474	1,150,000

Source: Dickens, 1931, 10; Dickens, 1938, 3.

By 1950 the total has risen only to $217 million of book value, broken down $114 millions in manufacturing, $75 million in petroleum, $5 million in trade, $5 million in public utilities and $3 million in smelting and refining with total earnings of $29 millions - $20 millions in manufacturing and $7 millions in petroleum [Balance of Payments Statistical Supplement, 1919-1956, passim]. From approximately the same level in 1952, U.S. direct investment doubled in book value by 1956 and tripled by 1961, before rising to close to $3 billions by 1972.

Book values, of course, give a highly arbitrary and understated view of real values, although whether one should value direct investments on market, liquidation, replacement or capitalized earnings basis remains an unanswerable conundrum. In evaluating the Department of Commerce book value figue of $840 million for American investment in France in 1961, Jacques Gervais calculated that this investment was worth "certainly" $2 billion [Gervais, 53, 54].

An educated guess would thus put United States direct investment in France over time, in current dollars, as

1900	$ 12 million
1914	35
1929	250
1936	250
1950	450

Appendix

Table I. American Direct Investment in France to 1950

A. Manufacturing Companies with More than 1,000 Employees in 1972

Date Sales filiate	of Manu-facturing	Company	Product	1972 Employees in France	Book Capital 1970 (in millions F)	Per-cent ownec US
1872		Singer	sewing machines	4,750 950	64 32	100
	1879	Westinghouse Airbrake	railroad brakes	1,775	12	88.8
1880 ca	1913	Otis Elevator	building elevators	5,500	36	100
1880 ca	1893	Exxon (SONJ)	petroleum products	4,899	596	82
	1889	I.T.T.	telephone equipment	8,700	29	75
1890	before 1900	Studebaker Worthington	pumps	1,200	11	100
1893	before 1911	International Harvester	agricultural machinery	5,285	53	99.9
1893	1904	Mobil Oil	Petroleum products	2,580	249	100
1897	1927	Eastman Kodak	cameras and film	8,700	972(sales)	almos entir
1897	1934	National Cash Register	cash registers	2,050	28	99.9
	1898	American Standard	radiators	5,132	53	99.9
1904	1955	Burroughs Corp.	accounting machines	1,900	12	100
1914	1920	Intl. Business Machines	computers	18,000	524	99.9
	1920	Norton Co.	abrasives	2,090	31	92
	1920	C.P.C. International	corn products	2,270	53	n.g.
1921	1959	Goodyear Tire & Rubber	tires	2,453	n.g.	n.g.
	1922	Corning Glass Works	specialty glass	4,500+	n.g.	n.g.
	1923	Carnation Milk	evaporated milk	1,200	n.g.	100
	1925	General Motors	spark plugs, sales	2,526	2	100
	1926	Timken Co.	roller bearings	1,200	n.g.	100
1930	1934	Uniroyal	automobile tires	1,776	28	99.9
	1930	Bendix Corp.	automotive equipment	19,000	n.g.	n.g.
	1930	Dana Corporation	transmission systems	3,500	n.g.	n.g.

B. Manufacturing Companies with 100-1,000 Employees in 1972

Date	US Company	Product	Employees in France 1972	Book Capital 1970 (in millions F)	Percent owned by US
1892	General Electric	electrical apparatus	120	n.g.	n.g.
1898	W. W. Bliss	mechanical presses	420	10	99
1901	Westinghouse Electric Co.	electrical equipment	425	n.g.	n.g.
1901	U.S.M. Corp.	shoe machinery	500±	5	97
1905	Ingersoll Rand	industrial equipment	300	0.8	100
1910	Aris Gloves	kid gloves	250	n.g.	n.g.
1910	Carborundum Co.	abrasives	340	17	99.9
1913	Sperry Rand	appliances	625	n.g.	n.g.
1913	Gillette Co.	razors and razor blades	820	1	99
1916	Joy Manufacturing Co.	mining equipment	229	13	100
1919	Coca Cola Export Corp.	soft drinks	210	n.g.	n.g.
1921	Crane Co.	plumbing supplies	400	19	81
1921	Pennwalt Corp.	industrial equipment	252	6	100
1921	Lanvin, Charles of the Ritz	toiletries	206	n.g.	n.g.
1921	E. F. Houghton	lubricants, etc.	297	4	25
1923	Colgate Palmolive	soaps	600	n.g.	n.g.
1923	Atlas Chemical	chemicals	n.g.	n.g.	n.g.
1926	Armco Steel	steel	600	4	99.8
1927	NVF Co.	plastics	151	4	98
1927	Simmons	home furnishings	627	7	50
1928	Blaw Knox Co.	industrial equipment	350	n.g.	100
1929	Crown Cork and Seal	metallic packaging	364	n.g.	n.g.
1929	Helena Rubenstein	cosmetics	366	5	100
1929	Monsanto Co.	chemicals	490	n.g.	n.g.

B. Manufacturing Companies with 100-1,000 Employees in 1972 (cont)

Date	US Company	Product	Employees in France 1972	Book Capital 1970 (in millions F)	Percent owned by US
1930	Addressograph	office machinery	334	2	99
1930	Hoover Co.	home appliances	567	63	50 (50)*
1930	S. C. Johnson & Sons	waxes	320	n.g.	n.g.
1932	Union Carbide	graphite electrodes	630	18	56.5
1934	Ferro Corp.	ceramic glazes, colors	349	3	10.2 (89.8)*
1937	Parker Hannifin Corp.	hydraulic materials	237	2	92
1937	Abex Corp.	brake linings	101	n.g.	n.g.
1937	Max Factor	cosmetics	300	n.g.	n.g.
1946	Fruehauf Corp.	trailers	994	13	67
1947	Johns Mansville	insulation	875	n.g.	100
1947	Fischer & Porter Co.	industrial measures	438	n.g.	n.g.
1947	Bournes Inc.	electronic components	350	5	75
1949	Foster Wheeler Corp.	design, engineering chemical plants	640	n.g.	n.g.
1950	Chevron Chemical	petro chemicals	115 59	3 5	99 50
1950	Honeywell Inc.**	automatic controls	690	25	100

* Shares in parenthesis belonging to non-Americans owned outside France

** Not to be confused with HOneywell Information Systems capitalized at Ff 485 million, with a 66 percent participation in Compagnie Honeywell Bull engaged in data processing equipment.

C. Companies Engaged in Sales and Renting Only

Date	Company	Product	1972 Employees in France More than 10	Less than 10
1909	Swift & Co.	abbatoir products	33	
1912	Armstrong Cork	insulation	40	
1916	Ford Motor Company	automobiles	450	
1919	Smyth Manufacturing Company	book binding machinery		x
1919	Brackett Stripping Machinery	tape stripping machines		x
1922	United Fruit Co.	bananas	32	
1925	Dorr Oliver	engineering		n.g.
1927	International Nickel	nickel	30	
1930	Metro-Goldwyn-Mayer	film distribution	97	
1935	Walt Disney Productions	film distribution	32	
1945	International Mercury Outboards	outboard motors	50	
1948	Pan American World Airways	air travel	268	

D. Companies Engaged in Buying, or Buying and Selling

Date	Company	Product	More than 10	Less than 10
1921	Conde Nast Publications	fashions	135	
1922	Associated Merchandising	buying drygoods	40	
1927	<u>New York Times</u>	news gathering	n.g.	
1929	Warnaco	lingerie	66	
1944	United Press International	news gathering	66	
1949	Aviquipo	export-import aeronautical equipment	23	

E. Companies Engaged in Finance

Date of Founding	Bank or Firm	Activity	1972 Employees in France: More than 10	1972 Employees in France: Less than 10
1868	Morgan Guaranty Trust Co.	bank	481	
1875	American Express Co.	banking and travel	275	
1918	Chase National Bank	bank	400	
1920	Bankers Trust Co.	bank	40	
1921	First National City Bank	bank	330	
1936- (1947)	Bache & Co.	brokerage	19	
1938	Fahnestock & Co.	financial consultants		c
1949	Bank of America NT & SA	bank	237	

F. Other Services

Year	Company	Service	1972 Employees in France More than 10	1972 Employees in France Less than 10
1872	Dun & Bradstreet	credit ratings	130	
1877	Paris New York Herald Tribune	newspaper	n.g.	
1879	Coudert Brothers	law firm	40 lawyers	
1906	Peat, Marwick, Mitchell & Co.	accountants	200	
1919	Grey Advertising	advertising	136	
1920	Price, Waterhouse & Co.	accountants	n.g.	
1920	Porter & Dunham	law firm		x
1920	Ernst and Ernst	accounting	70-80	
1920	Haskin and Sells	accounting	n.g.	
1924	Arthur Young	accounting	n.g.	
1927	McCann Erickson	advertising	148	
1929-1933 (1965)	Dewey, Ballantine, Bushy, Palmer & Wood	law		x
1939	Stone & Webster	engineering	20-25	
1946	Parsons and Whittemore	engineering	95	
1947	Arthur Andersen & Co.	accounting	200	
1949	Cleary, Gottlieb, Steen and Hamilton	law firm	n.g.	
1949	Cahill, Gordon, Sonnet, Reindel & Ohl	law firm		x
1950	AAA World Wide Travel Inc.	travel agency	15	

n.g. not given

Source: The major source is the <u>List of American Firms in France</u> published by the American Chamber of Commerce in France, which deals with dates, nature of activity, employees in 1972. The figures on capitalization are from a cardfile in the American Chamber of Commerce. Dating has been amplified and corrected from other sources, not all of which are themselves accurate, especially the worksheets of Vapuel and Curhan, a special printout of which has been kindly provided by the Harvard Business School project on multinational business, company histories and the like. An inevitable residue of error and ambiguity remains.

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