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The Defence of Cosmopolitan Capitalism by Sir Charles Addis, 1914-1919: A Microhistorical Study of a Classical Liberal Banker in Wartime

Abstract: This study focuses on the efforts of Sir Charles Addis, a London merchant banker, to preserve and then restore the pre-1914 system of cosmopolitan capitalism. Our central research question is to understand why this business leader fought to preserve cosmopolitan capitalism when so many of his peers acquiesced to and even championed its demise. Addis's moral ideal was an international economic order in which the nationality of firms had a limited impact on the strategies of managers. The First World War profoundly changed the international business environment and dramatically increased the salience of firm nationality in international business. Addis, who was a committed classical liberal, fought against this trend to a degree that is hard to explain with reference to economic self-interest alone. The paper, which is based on a range of sources including Addis's diary, explores Addis's connections to, and views of, 'German' bankers, his relations with the British government, and the political economy of the reparations imposed on Germany by the Versailles Peace settlement.

Keywords: First World War; Banking; HSBC; economic nationalism; firm nationality

Introduction

Writing during the pre-2008 heyday of neoliberal globalization, the business historian Geoffrey Jones (2005, 18) noted that while many nineteenth-century firms were of ambiguous nationality, the First World War ended this era of "cosmopolitan capitalism" and ushered in an era in which a firm's nationality was far more important. Jones made this point in the course of addressing turn of the twenty-first century debates (e.g., Reich, 1990; Chandler and Mazlish, 2005) about globalization and the rise of the multinational firms that seemed to have no nationality whatsoever. In the period between the fall of the Berlin Wall and the 2008 financial crisis, various "hyperglobalist" authors (Ohmae, 1990; Friedman, 2005) asserted that emergence of a borderless world economy dominated by post-national firms was both irreversible and historically unprecedented (Dicken, 2007). Jones challenged this view by reminding us that the firm of ambiguous nationality is a phenomenon with historical precedents in the period immediately before the First World War. These precedents included the many Free-Standing Companies (da Silva Lopes et al., 2018) and other firms with blurry national identities.

Jones was drawing on his knowledge of previous cycles of globalization and deglobalization to suggest that it would be foolish to assume that the nationality of firms will inevitably decrease in salience. Events since the 2008 financial crisis include evidence of deglobalization and the increasing importance of firm nationality (Tooze, 2018; Munjal, Budhwar, and Pereira, 2018). Today, whether the nationality that observers associate with firms (e.g., whether a given company is viewed as “Chinese” or “American”) is more important than it was in the years immediately before 2008. While “liability of foreignness” is hardly a new phenomenon in international business (Lubinski, 2014), the recently political backlash against globalization has certainly increased the “liability of foreignness” faced by many firms (Witt, 2019). In retrospect, Jones (2005) seems to have been right to challenge the hyperglobalist narrative that held that the rootless, post-national multinational firm represented the wave of the future. At a time when rising geopolitical tensions and the populist backlash against globalization appear to be making firm nationality and national borders more, rather than less important, in international business (Munjal, Budhwar, and Pereira, 2018), it is helpful to examine how business leaders of the past responded when cosmopolitan capitalism was under attack.

This paper is about the efforts of Sir Charles Addis, a London merchant banker to preserve and then restore the pre-1914 system of cosmopolitan capitalism.. Addis was the effective head of the Hongkong and Shanghai Banking Corporation (HSBC) from 1911 to 1921. In this paper, the term *cosmopolitan capitalism* denotes a set of formal economic and political institutions in which the *nationality* of a firm has limited impact on the strategies of its managers and business partners. Beginning with Schumpeter (1919/1951), who distinguished nationalist capitalism from liberal capitalism, political economists interested in warfare have recognised that the broad term capitalism includes radically different sets of socio-economic institutions (Coyne and Mathers, 2011). As Rosencrance (1986) observed, capitalism comes in a wide variety of variants, some more compatible with economic nationalism and militarism than others: the ideal-type of cosmopolitan capitalism can be regarded as the polar opposite of nationalist (or mercantilist) capitalism. In cosmopolitan capitalism, the nationality of firms and the location of national borders are of little consequence. In a world of intensive economic nationalism, they become central facts in business life. The First World War profoundly changed the international business

environment: “cosmopolitan capitalism was replaced by much sharper national identities” (Jones, 2005, 29).

Historians have published extensively about the impact of the First World War on the strategies and structures of multinational firms (Kindleberger, 1986; Wilkins, 2005, 46-47; Frieden, 2006; Osterhammel and Petersson, 2005; Frieden, 2006; McKeown, 2007; Tooze and Fertik, 2014; Wubs et al, 2018). Economic historians have generally regarded the outbreak of the war as the start of a period of deglobalization (Findlay and O’Rourke, 2007, 429) in which borders and a firm’s nationality rapidly became more important. The business historian Robert Fitzgerald (2016, 157) stresses that the outbreak of the First World War disrupted multinational business, “reversing decades long growth.” Other business historians have documented how specific firms adjusted their strategies in response to the changes brought about by First World War (for reviews of literature see Smith, Tennent, and Mollan, 2016; Wubs et al., 2018).

The existing historiography has said far less about business leaders who worked to preserve and then restore pre-1914 cosmopolitan capitalism. Business leaders did more than passively adjust firm strategies in response to the changes in their environment wrought by political and military leaders: Sir Charles Addis and other businessmen lobbied for the preservation of cosmopolitan capitalism. Such liberal-minded business leaders fought to return to a world in which the nationality of firms and potential business partners was unimportant in international business.

Addis defended cosmopolitan capitalism during and after the First World War. In wartime, he argued that his and other “British” firms should continue to be able to do business with “German” firms. As the conflict drew to a close, he advocated a swift restoration of the pre-war status quo, which would have allowed Germany and “German” firms to resume their existing place in the international economy. As was John Maynard Keynes, Addis was thus opposed the imposition of harsh reparations on Germany. In articulating these views, he came into conflict with British business leaders who were strong economic nationalists and who wanted the British state to destroy “German” firms and the German economy more generally so that they would face less formidable competition in global markets.

In his study of nineteenth-century cosmopolitan capitalism, the historian Charles Jones defined economic liberalism as “a profound faith in the collective virtue of aggregated individual self-interest and the moral validity of market sanctions” (C. Jones, 1987, 28). For committed classical liberals such as Sir Charles Addis, the fact a given individual or firm happened to be associated with a particular nation-state should not matter. This perspective was congruent with the classical liberal ideology, which held that free markets, reduced taxation, and global commerce would help to ensure world peace (C. Jones, 1987). Classical liberals took the principle of methodological individualism seriously and some argued that in the event of a conflict between two governments, it would be unjust for the war to affect trade between merchants who just happened to be citizens of the two warring states (Searle, 1998, 206-9). At a time when so many in Britain turned away from classical liberalism and towards collectivist doctrines such as socialism and economic nationalism, Addis remained loyal to the Victorian ideal of cosmopolitan capitalism and nineteenth-century classical liberalism.

Some readers may be inclined to attribute Addis’s support for cosmopolitan capitalism to the fact that he had made his career in finance. Finance was, as historians have shown, a sector of the British economy in which extensive cross-border entanglements were the norm (Mollan and Michie, 2012) and in which cosmopolitan worldviews were widespread (Marrison, 1983, 164). Addis had few ties to manufacturing, a sector that contained many of Britain’s most protectionist and anti-German business leaders (Cain, 1979). Several historians who have examined the early twentieth century British debates about the rise of German industry have posited a close relationship between the source of a businessman’s income and whether or not he adopted the zero-sum view that Germany’s prosperity necessarily meant that Britain would be worse off (Semmel, 1960, 100; Rempel, 1972, 97, Sykes, 1979). These historians appear to operate on the assumption that a businessman’s political positions will *always* be determined by his business interests. Religion, childhood influences, inborn personality traits, and other factors that might influence one’s political positions are discounted by this relentlessly materialistic theory of political behaviour. For such scholars, the industry you are in determines your political views. These historians have adopted the belief (Ingham, 2016) that when British businessmen disagree over policy issues, the cleavage is consistently between the City (finance) on the one hand and industry (manufacturing) on the other.

Building on this scholarly tradition of emphasising antagonism between industry and City, Cain and Hopkins (2001, 452) argued that wartime debate over whether the British state should destroy the German economy and “German” firms with a punitive peace was marked by tension between manufacturing firms and the financial sector. In their analysis, the manufacturers favoured such a policy in the hopes it would benefit British manufacturing while the financiers of the City supported a more liberal policy towards Germany as being consistent with the needs of the City as a global financial hub. Cain and Hopkins associate the fact the British government sought to impose heavy reparations on Germany at Versailles to the influence within the wartime coalition of “industrial elite”, whose power had increased during the war at the expense of the financial elite of the City, which favoured classical liberal policies. They argue that the period in which the industrial elite shaped policy was short-lived and that “by 1921” the financial elite “were in charge again and their implicit internationalist assumptions guided British economic policy.”

Cain and Hopkins’s account of business lobbying and the making of the Versailles peace settlement stresses the political division between British industry and British finance. Their perspective would imply that Addis’s political positions were determined by the fact he was a banker rather than a manufacturer. However, as we show below, Addis’s fight for cosmopolitan capitalism pitted him against Lord Cunliffe, a London investment banker who had been converted by the war into a militant economic nationalist and advocate of massive reparations on Germany. Moreover, in fighting for the restoration of the pre-1914 liberal order, Addis cooperated with businessmen in the manufacturing sector who shared Addis’s liberal views.

In explaining why Addis courted unpopularity by publicly defending cosmopolitan capitalism, we need to do more than note that he was a financier rather than a factory owner. Instead, we should form a more complete picture of Addis that takes into account his intellectual formation and his religious commitments, and even what we know about his personality traits. The abundance of surviving documents created by Addis, which include his diary, permit us to write a microhistorical study.

The definitions and boundaries of “microhistory” are contested, particularly as this genre of historical research has evolved and has split into different sub-fields since it was pioneered by Carlo Ginzburg and other Italian scholars (Magnússon, 2017). In essence, microhistorical studies involve thick description to uncover how individuals understood their

worlds. Today, microhistorians are increasingly interested in connecting studies of individuals to macro phenomena such as the history of globalization (Gamsa, 2017; Berg, 2018). Within the field of business history, microhistory is often associated with the pathbreaking work of Carnevali (2011), whose approach was informed by both the work of Ginzburg and the work by US-based business historians interested in culture (Lipartito, 2013, 701). As the microhistorian Jeremy Adelman has noted, the recent populist backlash against globalization has influenced scholars' research priorities, with increasing attention being paid to the foundations of cosmopolitan capitalism (Adelman, 2018). The great advantage of microhistorical research methods is that they permit the researcher to explore how material (economic self-interest) and non-material consideration (e.g. the political and religious beliefs) influence how actors respond when the institutions that support cosmopolitan capitalism come under attack, thereby avoiding the use of simplistic theories of human behaviour. One such simplistic theory is the idea that a businessperson's political stance will be exclusively determined by their economic self-interest.

In the aftermath of the political events of 2016, which suggest that liberal principles are in retreat, microhistorians have become increasingly interested in researching the history of "cosmopolitan values such as travel, trade, and tolerance" (Brycroft, 2018). Studying Addis allows us to explore the history of these values. Addis's thoughts are recorded in documents that were preserved in HSBC's internal archive, and London's School of Oriental and African Studies (SOAS), which now holds Addis's personal correspondence and diary. The other primary sources important to this project were documents generated by the government departments with which Addis interacted, which are in the National Archives in Kew, and printed sources such as newspapers and magazines. The authors used these sources to reconstruct Addis's worldview and to develop a well-rounded picture of him as a political actor that incorporates material, religious, ideological, and other influences on his thinking. In reading this material, our aim was to reconstruct Addis's worldview and ideology and try to see the world as he did. By doing so, we deepen our understanding of how classical liberalism influenced how an important business leader understood geopolitical changes that had increased the importance of firm nationality.

Addis's Pre-War Banking Career

Charles Stewart Addis was born in Edinburgh in 1861. His father was a minister of the Free Church of Scotland, a Presbyterian denomination that had been founded in 1843 under the leadership of Thomas Chalmers, a minister whose extensive and influential writings on political economy were informed by a strong variant of the ideology of *laissez-faire* (Emmett, 2014; Kennedy, 2014). The economic theology taught in the Free Church of Scotland during Addis's youth implied that market forces were divinely ordained and that it would be immoral for the state to intervene through "unnatural, man-made" (Hilton, 1991, 68) measures, especially protective tariffs that separated producers of one nationality from consumers of another. Chalmers argued for Free Trade on moral grounds, arguing that such a policy would ensure the "peace and brotherhood of nations" (Chalmers, 1832, 449).

This interpretation of Christianity was congruent with and closely related to the Cobdenite theory of international relations, a worldview that captured the loyalties of many businesspeople in Britain during Addis's youth. The Cobdenites, who favoured Free Trade and the elimination of all government-imposed barriers to international trade, had a quasi-utopian vision of a world in which national border, allegiances, and animosities had been transcended by a global commercial nexus linking businesses of all nationalities (Ceadel, 2011). This ideology would shape Addis's thinking up until his death in 1945 (Dayer, 1988, 309-310).

At the age of eleven, Addis enrolled at the Edinburgh Academy, where he studied until 1876, when he was apprenticed to Peter Dowie and Company, a local grain importing firm. In 1880, Addis joined HSBC. As Cassis (1994, 110) notes, colonial banks such as HSBC "offered more promotion opportunities" for ambitious young men than purely domestic banks. Thereafter, he was posted to HSBC branches in Singapore, Hong Kong, China, India, and Burma, where he worked with businessmen of various nationalities, European, North American, and Asian, all of whom were motivated by the quest for profits. In 1905, Addis was transferred back to HSBC's London Office, becoming its head in 1911, a post he held until 1921. Addis was knighted in 1913. The Britain to which Addis returned in 1905 was far less committed to economic liberalism than it had been in 1880, when the mid-

Victorian consensus in favour of international Free Trade and domestic *laissez-faire* was still largely intact. The subsequent move away from so-called economic ‘individualism’ alarmed British classical liberals (Taylor, 1992, 36; Perkin, 1977). By 1905, classical liberalism in domestic and foreign policy was under assault from both the economic-nationalist right and the socialist left (Cronin, 1991, 29-30, 37-8; Palen, 2010, Pugh, 2011, 71-77; Scally, 1975; Semmel, 1960). Much of Addis’s post-1905 career was spent fighting a rear-guard action to defend the institutions of cosmopolitan capitalism against these forms of collectivism.

In 1921, Addis retired from active management at HSBC, although he remained on its board and those of other important firms connected to the Far East and served on the council of the Weimar Republic’s central bank. His appointment to the German Council of the Reichsbank in the 1920s was, in part, a function of his willingness to remain on cordial relations with German bankers despite the recent war (Dayer, 1988, 146, 164). Addis observed in the *Spectator* magazine (Addis, 1938, 173) that while economic liberalism was now deeply unfashionable, he was still an “unpenitent” classical liberal in the tradition of Adam Smith. In the same essay, Addis predicted that there would eventually be a resurgence in economic liberalism and a “return to the old paths, ‘the obvious and simple system of natural liberty,’ the free and unfettered play of national economic activities, in which alone are to be found the permanent elements of international peace and security.” This prediction appears to have been prophetic given that cosmopolitan capitalism was recreated in the neoliberal era that followed the collapse of the Soviet bloc in 1989 (Fourcade-Gourinchas & Babb, 2002; Frieden, 2006).

Addis’s Defence of Cosmopolitan Capitalism

Addis’s support for the institutions of cosmopolitan capitalism was, in part, a function of his upbringing and religious and political views, but his ideas were also consistent with the material interests of his employer, a firm that exemplified many of the features of cosmopolitan capitalism. HSBC had been incorporated in the British Crown Colony of Hong Kong in 1865 and was thus an indisputably “British” firm in the eyes of contemporary British law (Newman, 1918), regardless of its multinational shareholder base. Nevertheless, individuals of a variety of nationalities, races, and faiths were involved in the bank as

shareholders and directors (King, 1988, 18-21, 192-3, 537-595). The bank's first manager, who may have been French or German, was poached from the Comptoire d'Escompte, a "French" bank with an extensive presence in British India and other Asian markets (C. Jones, 1987, 82). Despite the deterioration in relations between Germany and Britain after the Adagir Crisis of 1911 (Kennedy, 1980), HSBC's four German directors did not resign from the bank's board until war actually broke out on 4 August 1914 (South China Morning Post, 12 August 1914). Over the course of the war, HSBC took steps to assert its British nationality and to ensure that the authorities in London came to regard it as an essentially "British", rather than cosmopolitan firm. The bank ostentatiously contributed to the British war effort and its managers in Hong Kong subjected managers in its far-flung branch network to greater central control. One of the bank's reasons for asserting control over distant branches was to ensure local staff did not continue to associate with "German" firms, as such association could have degraded the firm's legitimacy in the eyes of the British government (Smith, 2016).

With the outbreak of the war in August 1914, the British government was confronted with the question of whether and to what degree it should permit commerce with Germany to continue. Policymakers had two contradictory precedents to follow. One model was suggested by the laws of the mercantilist period, when states had sought to ban virtually all commerce between the subjects of enemy kings during wartime. The precedent-based nature of English-common law was one factor that encouraged policymakers to ban trade between "British" and "German" firms (Fridman, 1955). The other model was that of the Crimean War of the 1850s, when trading between British and Russian merchants had been permitted, notwithstanding the governments of the two countries were at war. The impeccably liberal logic underpinning the British government's Crimean War trade policy was that it would be unfair to attack a merchant's property just because he had the same nationality as the Tsar. Allowing British and Russian firms to trade as normally was in keeping with the principle of methodological individualism that was at the heart of the classical-liberal worldview (Searle, 1998, 206-9; Levy and Barbieri, 2004). As war with Germany became a real possibility after 1906, British policymakers had argued about the extent to which it would be morally permissible and politically prudent to attack the property and livelihoods of German private citizens in the course of a fight with the Kaiser's armies (Offer, 1988).

During the early phases of the First World War, the British government's approach to trading with the enemy blended these two approaches. Shortly after the declaration of the war, the British government banned trading with "enemy alien" citizens and firms anywhere in Europe. Criminal prosecutions of businessmen under the Trading With the Enemy Act soon followed (see United Kingdom Parliamentary Papers, 9 March 1915; Lobban, 2014). This law was a logical corollary of Admiral Fisher's strategy of blockading Germany into submission. This strategy, which had been developed by the British Admiralty between 1906 and 1911, had been opposed in pre-war discussions by (some) liberal-minded naval officers and politicians. Opponents of the blockade strategy associated it with a degree of interference in international trade that was incompatible with both international law and the distinction between the affairs of states and those of private firms. In implementing Fisher's blockade strategy in 1914, the British government demonstrated that it was willing to abandon rules of warfare that had prevailed in the nineteenth-century heyday of liberalism (Offer, 1988; Lloyd-Jones and Lewis, 2016, 34-36). During the war, the distinction in Britain between the German state and German individuals and firms quickly broke down, much to the dismay of Addis. Over the course of the war, growing anti-German sentiment led to crowd action against enemy alien property. The depth of British popular hostility to the enemy nation can be judged from the fact British musicians debated whether it was still appropriate to play the works of Mozart, an Austrian composer (Watkins, 2002, 40). Public hostility towards all things "German" extended to companies connected to Germany: politicians and newspapers repeatedly attacked HSBC for its previous and ongoing dealings with Germans in parliament and in the press (Addis Diary, 22 July 1915; Addis Diary, 2 November 1916; Gwynne, 14 November 1916; Prettyman, 14 November 1916).

British policymakers knew that measures designed to punish "German" firms would be popular with the electorate, particularly those who had male relatives at the front. At the same time, however, the British government accommodated domestic interest groups by permitting limited trading with some German firms (Lambert, 2012, 256-8). Due to lobbying by banks with counterparty claims on German financial institutions, the British government permitted the London branches of several leading "German" banks to continue operating. These offices were staffed by enemy aliens who were controversially exempted from the internment policy applied to other German males (Leaf and Vassar Smith, 1916, 2; Panayi, 1991, 132-5, 142-50).

The special rules most important to Addis related to business in Asia, specifically the use of “German” distributors to convey British textiles to consumers in China’s interior. Six months after the outbreak of the war, many of Britain’s textiles exports to China still passed through the hands of German-controlled wholesale companies in Chinese ports (Manchester Guardian, 15 March 1915). In May 1915, the British government held a secret meeting of business leaders on the subject of whether such trade should continue. The government’s representatives began the meeting by explaining that they wished to ‘cut down on’ the volume of trade between “British” and “German” companies in China but in a fashion that would avoid job losses in Britain’s textile manufacturing towns. It soon became evident to Addis and others in the room that the issue of whether to ban trading with the enemy in China had deeply divided the representatives of the Manchester Chamber of Commerce in attendance (Board of Trade, Transcript of Conference of 4 May 1915).

Siding with the liberal faction in Manchester’s textile sector, Addis argued for the continued use of “German” distributors in China. In his view, any attempt to transfer the distribution work to British firms would constitute dangerous interference with market forces. Addis reasoned that the existing international division of labour, whereby the British manufactured the textiles and the Germans distributed them in China, as taking advantage of the comparative advantage of each nation. Addis praised the ‘efficiency’ of the German firms in China and said that if British merchants wished to obtain more distribution work, they ought to emulate the admirable methods and work ethic of the Germans rather than looking to the government for artificial assistance in the form of the proposed ban.

The views Addis presented at the conference were entirely consistent with those he expressed in internal HSBC correspondence, where he wrote “I regard with equal disfavour the attempts of The China Association and others to induce the Government to boycott German firms in China. A British firm here and there might benefit, as you have clearly shown, at the expense of British trade in general” (Addis to Stabb, 12 March 1915). While Addis’s major arguments in favour of continuing to trade with German firms in China were essentially economic, he also invoked a classical liberal system of moral economy that held that an individual’s nationality should be irrelevant in making economic policy. He stressed the sanctity of private property in “trademarks” and “goodwill” when he, declared, rather naively, that no British official “would seriously contend that a state of war justifies stripping

even a German of his private property” (Addis, Memorandum on Conference with Runciman and Simon 4 May 1915).

Despite Addis’s eloquent speech in a favour of the continuation of trade with Germans in China, the British government enacted a more stringent ban on trading with enemy alien firms and citizens in Asia. Thereafter, any British cotton mill or broker who continued to use the services of ‘German’ distributors faced the threat of criminal prosecution. For instance, in November 1915 two cotton dealers were convicted and fined £100 at a trial in Manchester for sending twenty cases of shirts to a “German” firm in Shanghai (Manchester Guardian, 16 November 1915). The rules for HSBC and other British-controlled firms incorporated in the Far East remained, however, more relaxed, as they were allowed to pay dividends to German shareholders resident in China (General Licences Under King’s Regulations, No 10 of 1915). HSBC’s branches in Qingdao and Shanghai also worked with German customers to mutual commercial advantage, thereby flouting the spirit of the trading with the enemy law (Inspector’s Report on Tsingtao branch, 24 July 1915; Inspector’s Report on Shanghai, dated 22 October 1915, 28, 29).

Throughout the war, Addis used public statements and private letters to challenge the increasingly widespread view that the disruption of German overseas trade would benefit rather than impoverish the British economy (Addis to Mills, 17 May 1919; Nicholson to Addis, 10 December 1916). This view had been championed by “Tariff Reformers” who had complained about German commercial competition before the war (Winch, 2014, 758). Sailing boldly against the current of public opinion in Britain, Addis firmly distinguished German government property from “German” private firms and their assets, suggesting that while it was legitimate to try to destroy ‘German militarism,’ it would be immoral for the British state to ‘prey on private property’ (Paper enclosed with Addis to Mills, 9 January 1915).

Addis and the Politics of British Banking

After 1918, Addis participated in the public debate about the future of British banking institutions. Debating whether British banks were doing enough to help British industry was a perennial issue that had been debated before the war and which would lead to the establishment in 1929 of the investigatory Macmillan Committee (Scott and Newton, 2007). During the First World War, however, this issue became closely tied to the question of whether the lending decisions of British bankers were insufficiently patriotic. During the war, those who thought that “British” banks should be required to redirect their lending to “British” firms listed pre-war cases in which “British” banks had lent money to “German” exporters that were in direct competition to “British” manufactures (Firth, 1916, 8).

Such demands for changes in British bank lending practices were made by such exporters as Wedgwood, the ceramics firm, Hornby, the toy company, and the British Electrical and Allied Manufacturers Association (Board of Trade Committee, 1916, 30). In the eyes of these critics, British banks were failing in their patriotic duty to channel British savings into firms that were unambiguously “British”. Speaking of this issue, one witness denounced the “cosmopolitan element with whom profit always come first” (Board of Trade Committee, 1916, 22). In a 1918 book that incidentally denounced the treasonous cosmopolitanism of the English bankers, Sir Oswald Stoll declared that “the four great German Banks keeps [the German] population in shackles more complete than was serfdom in England in the days of Feudalism” (Stoll, 1918, 145).

For their part, Addis and many other British bankers denied that they had a patriotic duty to channel capital to “British” rather than “foreign” firms: in their view, purely commercial considerations rather than firm nationality should dictate how a bank made loans. Addis presented a robust defence of commercial cosmopolitanism and laissez-faire in his 1918 essay *Problems of British Banking*. Addis’s paper argued the government should refrain from imposing burdensome regulations on banks and praised particular features of the German banking system in a fashion that revealed that he had continued to follow developments in German banking since 1914.

Addis said that German banks had a “more efficient administration” than British ones because German bank boards included technical experts who were capable of evaluating loan issues. Referring to his observations of bank board meetings in pre-war Berlin, Addis favourably contrasted the quality of their debates with the discussions in British bank boardrooms. German board meetings about proposed loans were characterised by ‘animation’

and the display of extensive “knowledge” by individual directors. A bank board meeting in London, he said, involved the difficulty “of withdrawing its members even temporarily from their country pursuits” and “their obvious anxiety to lose no time in returning to them... only one or two here and there who had no train to catch are willing to discuss the matters in hand with attention” (Addis, 1918, 51). Addis also touched on the issue of executive compensation, complained that English bank shareholders were reluctant to emulate their German counterparts by awarding directors higher fees. The main thrust of Addis’s pamphlet was to praise the German way of banking.

In addition to lavishing praise on Germany’s institutions of bank governance and director compensation, Addis also commended the managers of the leading German banks for maintaining high capital ratios, a technical banking issue that had been discussed by the Colwyn Committee, which had been appointed in March 1918 to investigate bank amalgamation (Billings et al., 2019). The German banks’ adequate cushions of capital reduced the probability that they would have to rely on the government or some other lender of last resort. As a classical liberal, Addis thought banks should be self-reliant. In his eyes, the evident commitment of the German bankers to self-reliance made them exemplary role models to bankers in Britain. Addis described how war had encouraged a wave of bank mergers in both Germany and England. The crucial difference between the two countries, he said, was that the newly merged banks in Germany “have increased their paid-up capital and reserves while the English banks have not” (Addis, 1918, 51).

It is striking that in the last year of a particularly sanguineous war, Addis would invest time in writing an essay that praised the bankers of Germany. The publication of his essay involved some risk to his political capital, for it could easily have been interpreted as non-patriotic, even treasonous. Addis had earlier been called into the Foreign Office for “unpleasant” interviews in which HSBC had been accused of giving excessive assistance to enemy alien firms in China (Addis diary, 2 December 1915; 14 January 1916). Given that other British businessmen had actually been sent to prison for trading with the Germans (Millar, 1915), his decision to praise Germany’s banking institutions was a risky political move. The impression one forms from reading Addis’s 1918 essay in light of the ongoing demonization of all things German in wartime Britain was that his commitment to liberal principles meant that he was sometimes politically tone-deaf.

Addis's 1918 essay was unapologetic in its defence of cosmopolitan capitalism. Taking aim at the critics who wanted the state to force a redirection of bank lending away from foreign trade finance and towards domestic manufacturing, he said that the British tradition of "untrammelled competition" and "freedom", of *laissez-faire* and openness had made London the financial centre of the world and the home of large numbers of foreign banks and commercial agencies. Prior to the war, some Britons had objected to the diversion of credit from domestic lending to the financing of trade between pairs of foreign countries on the ground that this use of capital did not benefit Britain's domestic economy. To such critics, Addis replied that government intervention in international trade finance would "place in jeopardy the financial supremacy of London as the clearing house of the world. A free market means that anyone can send bills here for discount and be sure of getting gold for it when he wants it." He declared that "freedom is the breath of life for credit and commerce" and the "best service government can render the London money market is to leave its management and control to the bankers whose business it is to understand it." (Addis, 1918, 56).

In his discussion of the wartime mergers of banks in Britain and Germany, Addis acknowledged that while there was often a strong business case for amalgamating banks, the current wave of bank mergers in the two countries might eventually lead to increased state regulation of the financial sectors of the two countries, which would be bad for all concerned. He reasoned that the newly-merged banks would be too big to fail and would thus enjoy a "virtual" guarantee from the State. "From government guarantees to Government control is but a step and but a step more to nationalization." Referring to a prominent socialist intellectual, Addis wrote that "we are playing into the hands of Mr. Sidney Webb and the socialists." He reported to his British readers the alarming news that the new Prussian Minister of Finance 'is said to be considering a state monopoly of banking' in that country (Addis, 1918, 10). As a member of the international fraternity of professional bankers, Addis appears to have felt sympathy for the German bankers who were now confronted with what he clearly regarded as a dangerous socialist demagogue.

Addis and the Carthaginian Peace

Addis recognized that the future institutions of the global economy would be shaped by whatever peace treaty emerged at the end of the conflict. From 1916 onwards, Britons debated whether punitive reparations payments should be imposed on Germany after its defeat (Bunselmeyer, 1975). In 1916, the economists John Maynard Keynes and William Ashley had authored a report urging Britain to not seek reparations and to instead focus on reviving Anglo-German trade as quickly as possible after the conclusion of the hostilities. These authors clearly favoured the restoration of the pre-1914 institutions of cosmopolitan capitalism, a point of view supported by Addis, who became an ally of Keynes. Reparations set at a level calculated to destroy the German economy were favoured by many protectionist manufacturing companies, especially those that had complained loudly about German competition before 1914 and who viewed Germany's pre-war industrialization through the zero-sum worldview lens associated with the pre-war Tariff Reform movement (Thackeray et al., 2018). Business leaders who had feared German competition prior to the war joined ordinary citizens who had lost menfolk in demanding the peace settlement that Keynes would later famously denounce as the 'Carthaginian Peace' (Skidelsky, 1983, 386).

Addis clashed with a fellow investment banker, Walter Cunliffe (1855–1920), even though their backgrounds exhibited some similarities: both men had been born in the mid-Victorian era and had spent their careers in banking. Both men worked for financial institutions that had had dealings with "German" firms before the war, although those of Addis's HSBC were, admittedly, much larger than the known German connections of Cunliffe Brothers. Both men were wealthy enough to maintain elegant country houses outside of London. Addis and Cunliffe came from what Cassis (1994, 93) calls Social Class I in his analysis of the social origins of Edwardian bankers. However, Addis and Cunliffe were very different in political views and, perhaps more fundamentally, in temperament. Addis was a cosmopolitan liberal who favoured giving Germany a soft peace while Cunliffe revealed himself to be an economic nationalist with a zero-sum understanding of the world economy that impelled him to call for the imposition of maximum reparations payments on Germany. The surviving primary sources strongly suggest that Addis was extremely curious, a trait that present-day psychological research associates with Openness to Experience and liberal-internationalist political views (Graham et al., 2009, Iyer et al., 2012). The same research shows that individuals with a strong desire for order and regimentation in their lives generally adopt conservative and nationalist views.

We know that Addis was an omnivorous reader, attempted to learn Chinese and German, and frequently attended academic lectures in London (Dayer, 1988), all of which suggests that he would get high scores for Openness to Experience in a modern psychometric test of personality traits. In contrast, Cunliffe was described by his contemporaries, and by his biographer (Burk, 2008) as uninterested in intellectual pursuits. He preferred hunting and fishing to books and conversation. Burk observes that nobody ever called Cunliffe “clever” and that “he frequently reacted by emotion and intuition.” Cunliffe clung to opinions with dogmatic certainty and a contemporary said that he “had the advantage of knowing his own mind, perhaps not a very difficult one to know.” During the First World War, “the autocratic and aggressive, even bullying, tendencies of Cunliffe’s character” increased (Burk, 2008). Seen in the light of the psychological research cited in the previous paragraph, the clashes between Addis and Cunliffe can be viewed as a contest between both two political ideologies and two personality types.

In fighting Cunliffe and his supporters, Addis enjoyed the support of two important manufacturing entrepreneurs: Lord Leverhulme of Lever Brothers and Hugo Hirst of the England’s General Electric Company. Leverhulme’s worldwide network of soap companies included a soap factory in Germany. In 1916, Leverhulme had advocated offering Germany soft peace terms in the hopes of ending the war quickly and then restoring the pre-war economic system (Knight to Lever, 15 May 1916). Leverhulme, of course, had a vested interest in any political settlement that restored the ability of German households to spend on consumer products, so his adoption of liberal attitudes towards Germany can be viewed as a function of his firm’s business interests.

Addis also enjoyed the support of Hirst, a German-born British citizen who had established one of the UK’s most advanced electrical goods firms. Prior to the war, Hirst had complained that his company had suffered from unfair competition from German companies such as Siemens and AEG, which had acquired lucrative contracts in British colonies (Fitzgerald, 2016). During the conflict, Hirst’s firm had profited from the exclusion of German competitors from world markets military contracts (Davenport-Hines, 2005; Fitzgerald, 2016). Given that Hirst’s material interests were congruent with those of the many protectionist manufacturers who now demanded the imposition of severe reparations on Germany, Hirst’s opposition to a collective punishment on Germany is perhaps best understood in relation to his German birth.

Addis had the opportunity to share his views about peace terms when he was called to testify before a government committee to investigate the issue of a war indemnity to be levied on Germany (Skidelsky, 1983, 355–356). He testified that any indemnity imposed on Germany should be no more than £60 million per annum, a relatively low figure. Addis claimed that hostile members of the committee such as William Morris Hughes of Australia and Lord Cunliffe repeatedly ‘heckled’ him during his presentation. When he reported back to the Imperial War Cabinet, the committee’s chairman was dismissive of Addis’s opinions noting that he had ‘German interests and associations’ (IWC, 24 December 1918). Ignoring the advice of Addis and Hirst, the Hughes Committee decided that Germany should be required to pay the entire costs of the war, £24 billion. The annual interest and amortization costs on this debt load would amount to £1.2 billion, a figure vastly greater than that suggested by Addis (Dayer, 1988, 103).

The British Prime Minister, Lloyd George, appointed Cunliffe, along with Lord Sumner, a judge, and Prime Minister Hughes of Australia, as the British members of the Reparations Commission of the Paris Peace conference. Cunliffe, who wanted to saddle Germany with the largest possible reparations payment, repeatedly fought John Maynard Keynes, a liberal-minded civil servant who opposed the plans to cripple the German economy with onerous reparations, and Thomas W. Lamont, the J.P. Morgan partner who subsequently arranged a major loan to the Weimar Republic (Lamont, 1930; Trachtenberg, 1979, 33). Cunliffe was, however, supported by the French and by those in the British delegation who shared his goal of destroying Germany’s ability to compete in international markets. Since his goal was to arrive at the highest possible reparations bill, Cunliffe did not employ a rigorous methodology in determining the figure to be presented to the German delegation: Cunliffe admitted that he arrived at the astronomical figure of £40 billion on the basis of a guess about Germany’s ability to pay (Lentin, 1999, 61).

When the Peace Conference was underway at Versailles, Addis and likeminded businessmen launched a campaign to persuade the British delegates to oppose the heavy indemnities advocated by the French government. As part of this campaign, Addis presented a paper to the Institute of Bankers (5 March 1919). In this paper, he held that the interdependence of nations ‘makes it impossible to cripple Germany without to some extent crippling British trade.’ The aim of policymakers, he implied, was to restore the pre-war international business institutions as quickly as possible. Addis also pointed out that any

German indemnity would be paid not to British individuals but to the British government, and that the State had a decidedly mixed track record in managing funds wisely. Here, Addis was arguing that Britain would be better off if the proposed indemnity payment was left in the pockets of consumers in Germany rather than being transferred to the public sector in the United Kingdom. Addis's belief in the superiority of the private sector was so strong that he preferred to leave resources in the private sector of an enemy nation rather than in the coffers of his own nation's elected government.

Conclusion and Implications for Future Research

As we have seen, Addis continued to defend cosmopolitan capitalism throughout the First World War. He lobbied on behalf of firms to continue trading with firms controlled by enemy alien citizens. As the conflict came to a close, he advocated a political arrangement that would have given Germany a soft peace that would have allowed German firms to resume their pre-war role in the international division of labour. Addis bold stand on such policies in a social context marked by intense xenophobia involved considerable risks to his political and social capital. In our view, Addis's willingness to speak up on behalf of cosmopolitan capitalism was a function of his temperament, his deep philosophical commitment to classical liberalism, and his view that the long-term interests of his firm would be best promoted by the preservation of cosmopolitan capitalism.

As we observed in the introduction, the political trends associated with the post-2008 backlash against globalization (Witt, 2019) has increased the "liability of foreignness" faced by many firms. The period since the U.S. presidential election of 2016 has witnessed the intensification of political tensions between capitalist Great Powers. Policymakers and other observers (Coker, 2014) have expressed concern that the United States and China are falling into the "Thucydides Trap", a scenario in which there is confrontation rather than cooperating between the rising power and the previously hegemonic power (Rosencrance and Miller, 2014; Allison, 2017; Yang, 2018). The term Thucydides Trap, which was used by Chinese President Xi Jinping in a speech to a concerned group of US and Chinese MNE executives in Seattle (Xi, 2015), is frequently employed to analogize the current Sino-American relationship to the pre-1914 Anglo-German relationship. Many find this analogy

persuasive because these countries were both geopolitical rivals and interdependent trading partners (Krause, 2014; Tooze, 2018).

Whilst it is difficult to predict what the impact of a further escalation of Sino-American tensions on MNEs would be, the historical record can provide some insight into how present-day business leaders would respond to the approach of an actual war between these two powers. The historical research presented here suggests that while some business leaders would work to preserve cosmopolitan capitalism, as Addis did, other business leaders would work to replace cosmopolitan capitalism with a system in which a firm's nationality would become more central to firm strategy. These business leaders would likely behave in an opportunistic fashion, seeking to use the new political environment to their advantage. How any individual business leader would behave in these circumstances would, according to the working theory of human behaviour we have used to understand Addis, be influenced by some combination of material considerations, temperament, and deeply held political principles. We suspect that only a small minority of business leaders would have the courage to defend liberal values such as openness to international trade and interacting with each firm based on its individual characteristics rather than the firm's presumed nationality.

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