

## SITUATIONISM À L'ENVERS?

**I**N HIS THOUGHTFUL consideration of Adam Tooze's *Crashed: How a Decade of Financial Crises Changed the World*, Cédric Durand salutes the magnitude of Tooze's achievement—a 'landmark account' of the mechanisms precipitating the economic disaster that started to engulf the West in 2008 and of the remedies and ruins that followed. Particularly impressive, he remarks, is the way the book illuminates 'the technical workings of financial markets and asset-backed commercial paper without losing sight of the political dynamics at stake':

As Tooze writes: 'Political choice, ideology and agency are everywhere across the narrative with highly consequential results, not merely as disturbing factors but as vital reactions to the huge volatility and contingency generated by the malfunctioning of the giant "systems" and "machines" and apparatuses of financial engineering.' *Crashed* is, indeed, a highly political book.<sup>1</sup>

At the same time, Durand observes, its narrative is no simple—or rather in this case, of course, highly complex and intricate—empirical tracking of the crisis and its outcomes. It possesses definite 'conceptual underpinnings', suggested by Tooze himself in acknowledging his debt to Wynne Godley's use of 'stock-flow consistency' modelling of the financial interactions between public, private and foreign sectors. This in Durand's view supplies 'the unstated backbone' of Tooze's general argument.<sup>2</sup>

Both judgements appear sound. But in Durand's exposition a paradox attaches to each of them, since by the end of his review, somewhat different notes are struck. For Godley, one of the key advantages of the stock-flow consistency approach was that it integrated the financial with the real economy, as alternative models did not. Durand, however, remarks that *Crashed* 'does not discuss the concrete intertwining of

the financial and productive sectors in the global economy at all', and so 'fails to set the financial crisis in the context of the structural crisis tendencies within contemporary capitalist economies.' This observation in turn generates another, which might seem to put in question Durand's overall tribute to the book. For there he writes of 'Tooze's unwillingness to investigate the relations between the political and the economic', a reluctance that 'ultimately undermines his account of the crisis decade.' Logically, the question then arises: do these two apparent contradictions lie in Tooze's work, or in Durand's review of it? Or can both be coherent in their own terms?

### I. CONCEPTUALIZING FINANCE

Perhaps the best way of approaching this question is to turn to Durand's own work on the metastases of contemporary capitalism. With a reticence that does him honour—all but unheard of in an Anglosphere where even bibliographies so often become mere catalogues of self-promotion—he makes no reference to *Le Capital fictif*, which appeared in France in 2014 (its English edition *Fictitious Capital* in 2017), though its bearing on the concerns of *Crashed* is plain. A succinct, luminous study, it displays a combination rare in the literature on the economic landscape of the new century: in a bare 150 pages, a driving conceptual energy joined to a controlling empirical grasp of statistical data across all the major capitalist states. Organized around the growth in the object of its title—a term coined by the first Earl of Liverpool, Secretary for War in North's administration under George III, received by Ricardo, theorized in differing ways by Marx and Hayek alike, whose history it traces—*Fictitious Capital* sets out to show the character and logic of the financial system that brought the world to crisis in 2008, and has only continued to burgeon since.

What are the leading themes of the book? At the root of the instability that has triggered successive crises in the last forty years, first in the

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<sup>1</sup> 'In the Crisis Cockpit', NLR 116/117, March–June 2019, pp. 201–2, 212. *Crashed* was received with virtually unanimous applause in the periodical press—*New York Times*, *Financial Times*, *Washington Post*, *Guardian*, *New York Review of Books*, *London Review of Books* etc.—but, if only for reasons of space, little or no engagement in depth.

<sup>2</sup> 'In the Crisis Cockpit', p. 208.

periphery and then in the core of the global capitalist economy, lies the peculiarity that distinguishes financial markets from markets in goods and services.

Whereas in normal times rising prices weaken demand in the real economy, the opposite is generally true of financial securities: the more prices increase, the more these securities are in demand. The same applies the other way round: during a crisis, the fall in prices engenders fire sales, which translate into the acceleration of the price collapse. This peculiarity of financial products derives from the fact that their purchase—dissociated from any use-value—corresponds to a purely speculative rationale; the objective is to obtain surplus-value by reselling them at a higher price at some later point.

On the way up, ‘the self-sustaining price rise fuelled by agents’ expectations is further exaggerated by credit. Indebtedness increases prices, and since the securities can serve as the counterpart to fresh loans, their increasing value allows agents to take on more debt.’ On the way down, as asset bubbles start to burst, ‘economic agents trying to meet the deadlines on their debt repayments are forced to sell at discounted prices’, unleashing ‘a self-sustaining movement towards depression, which only state intervention can interrupt’.<sup>3</sup>

Since the deregulation of capital flows in the eighties, this general mechanism has been turbo-charged by the huge expansion of financial markets within the global economic system, with not only vastly larger forms and magnitudes of private credit, public bonds and equities—the three forms of fictitious capital designated by Marx—but the development of new kinds of transaction still further removed from processes of production, as shadow banking and financial innovations twist and lengthen the chains of indebtedness. ‘Contract swaps, structured products and option contracts are multiplying and combining among themselves. They are limited by nothing other than the imaginations of the financial actors.’ High-volume speculation ceases to be an outgrowth of booms: thanks to the flexibility of derivatives, ‘it becomes an activity independent of the business cycle’.<sup>4</sup> The result is a radical transformation of the relations between financial and commercial transactions, and a vertiginous rise in the weight of finance in the world economy. By

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<sup>3</sup> Cédric Durand, *Fictitious Capital*, London and New York 2017, pp. 28–9. Henceforward *FC*.

<sup>4</sup> *FC*, pp. 66, 69.

2007, the total (notional) value of derivatives was some ten times that of global GDP. By 2013 the value of purely financial transactions outclassed those of trade and investment combined by a hundred to one.<sup>5</sup>

That such an inverted pyramid should in one way or another topple into crises is no surprise, each time requiring central banks to act as unlimited lender of last resort, and governments to sustain demand by letting deficits soar, to save the system—the crash of 2008 being the latest and most spectacular case to date. But as Durand observes, the very success of such rescue operations breeds the conditions for the next crisis. If ‘economic policies have undeniably succeeded in their effort to keep the collapse under control: all the post-war financial crises have been contained’, the subsequent return of confidence in due course undoes itself, as financial operators become increasingly willing to take new chances in the knowledge that central banks ‘will do everything to prevent systemic risk becoming a reality’. Such is the paradox of government intervention. ‘As capacities for crisis-management improve and financial actors as well as regulators become more optimistic’, financial innovation revives and regulation relaxes, leading to yet more complex and sophisticated products, expanding credit at the cost of the quality of the assets acquired. ‘This, in turn, leads to small crises which are rapidly overcome thanks to the improved capacity to handle them. This cumulative dynamic produces a financial super-cycle through which the accumulated risks become increasingly large—that is, the relative weight of speculative finance and Ponzi schemes constantly increases’, and with it the scale and cost of state intervention to contain the crisis. According to IMF calculations, between the autumn of 2008 and the beginning of 2009, the total support extended to the financial sector by states and central banks of the advanced capitalist countries was equivalent to 50.4 per cent of world GDP.<sup>6</sup>

### *Profits without accumulation?*

The swollen size of the financial sector in the economies of the West has meant, as is well known, that its share of total profits has increased too. For Durand, this raises the question, which has puzzled others working in a more or less Marxist tradition, of where these profits come from. But here, as he notes, there is a larger problem. Since the eighties, the rate of investment in the core zone of capitalism has steadily fallen, and with

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<sup>5</sup> FC, pp. 69–71.

<sup>6</sup> FC, pp. 31–2, 39.

it rates of growth, decade by decade. Yet in the same period, profits have remained high. Indeed, as David Kotz has shown in these pages, in the United States the years between 2010 and 2017 saw a rate of accumulation lower, yet a rate of profit higher, than in any decade since the time of Reagan.<sup>7</sup> So where are these profits in general coming from? Durand's answer is that they represent an updated version of Hobson's vision of the future at the start of the twentieth century: namely the extraction of high levels of profit from investment in production in zones of cheap labour on the periphery of the system, above all in Asia. If this is so, the 'enigma of profits without accumulation' would dissolve, because firms are indeed investing; not in their domestic economies, where growth, employment and wages stagnate, but in overseas locations, where they have secured very high rates of return.

*Prima facie* there are two difficulties with this argument. The first is where in principle the boundary of 'fictitious' capital—if defined as capital which 'circulates without production having yet been realized, representing a claim on a future real valorization process'<sup>8</sup>—lies, since formally speaking virtually all investment meets this criterion, as capital laid out in anticipation of profitable returns.<sup>9</sup> The second is how in practice the significance of purely financial payments, as distinct from straightforward profits from productive operations, is to be estimated in the flow of FDI to cheap labour markets.<sup>10</sup> In taking dividends from foreign assets as a proxy for these—he cites research from the US and France—it is

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<sup>7</sup> David Kotz, 'End of the Neoliberal Era? Crisis and Restructuring in American Capitalism', *NLR* 113, Sept–Oct 2018, p. 45.

<sup>8</sup> *FC*, p. 55.

<sup>9</sup> See on this Costas Lapavistas, *Profiting Without Producing: How Finance Exploits Us All*, London and New York 2013, pp. 28–9, who defines Marx's concept of fictitious capital, distinguishing it from loan or other interest-bearing forms of capital, as 'a technical idea amounting to net present value accounting—that is, to ideal sums of money that result via discounting streams of future payments attached to financial assets. These ideal sums correspond to financial prices that could fluctuate independently of the money capital originally expended to purchase the financial asset in question.' Put in other terms, capital is 'fictitious' if expended not on anticipated future returns from production or physical assets, but on values generated at one or more—today, infinitely many—removes from these, which can diverge very sharply from them.

<sup>10</sup> Suggesting a hesitancy in his exposition, Durand speaks both of the financialization of non-financial firms, and of the paradox of profits without accumulation, as 'partly' an illusion or an artifice, without further specification: *Fictitious Capital*, pp. 145, 149.

unclear how far Durand is simply re-tabling the first difficulty. That a ‘knot between financialization and globalization’, as he puts it, exists, is not in doubt. But how analytically it is tied remains elusive.

No such ambiguity attaches to the conclusion of his book. Contrary to received wisdom, though financial instability has ‘negative externalities that affect all actors’, it does not follow that its absence is therefore a blessing for all. Financial stability is not in itself ‘a public good from which everyone benefits’. It is enough to see the pay-offs of the operations to restore it in 2008–09. A year later the share of US government bonds held by the richest 1 per cent of the population had climbed to over 40 per cent. Durand’s verdict is trenchant:

The hegemony of finance—the most fetishized form of wealth—is only maintained by the public authorities’ unconditional support. Left to itself, fictitious capital would collapse; and yet would pull down the whole of our economies in its wake. In truth, finance is a master blackmailer. Financial hegemony dresses up in the liberal trappings of the market, yet captures the old sovereignty of the state all the better to squeeze the body of society to feed its own profits.<sup>11</sup>

## II. A STAGGERED TRILOGY

Enough has been said to indicate why Durand could, for all his admiration of *Crashed*, conclude that ultimately it falls short of the promise of its postulates. In itself, however, such a limiting judgement offers no specification of what might explain the gap perceived between the two. What kind of method permits bracketing of the real economy in a diagnostic of the vicissitudes of finance? What sort of politics informs the architecture of the ensuing work? Initial clues to these questions can be found in two passages from Tooze’s writing. In the first, a review of Geoff Mann’s *In the Long Run We Are All Dead: Keynesianism, Political Economy and Revolution* (2017), he defines the distinctive virtue of Keynes’s outlook as a ‘situational and tactical awareness’ of the problems for liberal democracy inherent in the operations of the business cycle in a capitalist economy, requiring pragmatic crisis management in the form of punctual adjustments without illusion of permanency.<sup>12</sup> In the second, from the Introduction to *Crashed*, he puts his political cards on the table. ‘The

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<sup>11</sup> *FC*, pp. 155, 100.

<sup>12</sup> Tooze, ‘Tempestuous Seasons’, *London Review of Books*, 13 September 2018, p. 20.

tenth anniversary of 2008', he writes, 'is not a comfortable vantage-point for a left-liberal historian whose personal loyalties are divided among England, Germany, the "island of Manhattan" and the EU.'<sup>13</sup>

To see how these remarks bear on the issues raised by Durand, it is best to consider *Crashed* as the third volume of a trilogy, preceded by Tooze's two previous works, *The Deluge: The Great War and the Remaking of Global Order* (2014) and *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (2006), a set which has arguably made Tooze the outstanding modern economic historian of his cohort.<sup>14</sup> As a public voice, he is more than this, ranging across the pages of the *New York Times*, *Wall Street Journal*, *Die Zeit*, *Der Spiegel*, *Financial Times*, *Guardian* and more, as well as radio and television. The trio of books that now defines his career does not trace a continuous narrative, and its composition does not follow a chronological sequence—the first book deals with the years 1933 to 1945, the second 1916 to 1931, the third 2006 to 2018—nor possess a uniform focus. But that it displays a governing thematic unity is plain.

### *Hitler's war*

A massive work of detailed historical scholarship, *Wages of Destruction* unfolds a commanding account of the German economy that Hitler inherited on coming to power in the depths of the Depression, the rapid recovery that the Nazi regime engineered with a high-speed rearmament programme, the resource constraints it had hit by the end of the thirties, its ensuing military conquests to overcome these, their over-reaching in the invasion of the Soviet Union, and the desperate ratcheting up of production, with an intensified resort to slave labour, as defeat loomed in the east and the Allies closed in from the west. If Tooze overstates the comparative backwardness of the German economy, dragged down by its ailing small-peasant and archaic-landlord agriculture, and under-rates the rise in popular consumption under the Third Reich so long as

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<sup>13</sup> *Crashed: How a Decade of Financial Crises Changed the World*, London 2018, p. 21.

<sup>14</sup> Niall Ferguson, an obvious alternative candidate, after a trio of impressive works in the nineties, culminating in *The Pity of War* (1998), altered course in the new century, a turn described in a later volume: 'Like four of my last five books, *Civilization* was from its earliest inception a television series as well as a book': *Civilization: The West and the Rest*, London 2011, p. xviii. Tooze, a close contemporary of Ferguson, grew up partly in West Germany—he is bilingual—and has held positions successively at Cambridge, Yale and Columbia.

it remained at peace,<sup>15</sup> such questions of emphasis scarcely affect the scale of his achievement, above all as his account moves into high gear, plotting the interplay between economic and military decisions in the Second World War itself.

Framing this narrative, however, is a thesis whose connexion with it is disconcertingly forced: a claim essentially supererogatory, tenuously stitched around the story it tells of the ‘making and breaking’ of the Nazi economy. Contrary to common belief, Tooze argues, in Hitler’s mind the supreme enemy against which his mobilization of the Third Reich for continental war took aim lay not in the steppes to the east, but across the ocean to the far west. Not the bacillus of Bolshevism but the might of the United States, headquarters of world Jewry, was the existential threat to Germany that obsessed him, and governed his ambitions of aggression. The destruction of Communism and conquest of Russia was just a means, not an end, Operation Barbarossa no more than a way-station—the acquisition of a territorial and resource platform capable of rivalling the vast open spaces of the American colossus, in the battle for world domination. Historically, then, ‘America should provide the pivot for our understanding of the Third Reich’. Projects of eastern expansionism, along with rabid anti-Communism and anti-Semitism, were generic features of the German right after 1918. What distinguished Hitler, defining ‘the peculiarity and motivating dynamic’ of his regime, was the centrality of America in his world-view as ‘the global hegemon in the making’, and ‘fulcrum of a world Jewish conspiracy for the ruination of Germany and the rest of Europe’.<sup>16</sup>

On what evidence did Tooze base this construction? Principally, Hitler’s so-called ‘Second Book’, an unfinished and unpublished sequel to *Mein Kampf*, probably composed in 1928; and a scattering of *obiter dicta* during the War. But neither his words nor deeds provide any coherent support for it. Like any European of his time, Hitler knew how large was America’s population and domestic market, but in the 900 pages of *Mein Kampf*, where the ‘infamous mental terror’ of socialism and the Jewish features of the ‘grinning, ugly face of Marxism’ have pride

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<sup>15</sup> For these criticisms, see Robert Gordon, ‘Did Economics Cause World War Two?’, National Bureau of Economic Research, Working Paper 14560, December 2008; and Harold James, review of *Wages of Destruction* in *Central European History*, vol. 40, no. 2, June 2007, pp. 366–71.

<sup>16</sup> *The Wages of Destruction: The Making and Breaking of the Nazi Economy*, New York 2007, pp. xxiv, 657, 284.



of place from the start, the United States is accorded not so much as a single page, even paragraph; while the occasional mentions it earns are not especially hostile. In his 'Second Book', Hitler did talk of the future threat to Europe from America, given the size of its population and wealth of its market, its lower production costs and stream of inventions, which could give it predominance over the Old World. But neither the substance nor the salience of the ensuing thoughts correspond to Tooze's characterization of them.

For Hitler went on to explain that the key advantage of America lay in its ethnic composition. Nordic emigration to the New World had created in the United States a 'new national community of the highest racial quality', a 'young, racially select people', filtering immigration to extract the 'Nordic element' from all the nations of Europe, while barring the door to Japanese and Chinese. Russia might have a comparable land-surface, but its population was of such poor quality that it could pose no economic or political threat to the freedom of the world, merely flood it with disease. Pan-European schemes to counter the rise of America, hoping to cobble races of every sort together into some sort of union, were a delusion of Jews and half-breeds. If Germany continued to allow its best blood-lines to emigrate to the US, it was bound to deteriorate into a people of no value; only a state that could 'raise the racial value of its people into the most practical national form' could compete with America. In the future, conflict between Europe and America might not always be peacefully economic in nature, but the nation that would be most in danger from the US was not Germany but England.<sup>17</sup>

In other words, when Hitler turned his mind to America, in his only real disquisition on the country, it was in admiration rather than denunciation of the US, not merely as economically more advanced, but essentially and explicitly as more Aryan than Germany itself was in danger of becoming. How large did these thoughts loom in 1928? Attention to America lasts for a dozen pages—just 5 per cent of the manuscript of his Second Book. South Tyrol commands double the space. Nor is there evidence of any continuing preoccupation with the US in the succeeding years. Far from being central to his world-view, in the thirties America faded from Hitler's horizon, as he decided that it was not, after all, a stronghold of manly Nordic virtues, but a sink-hole of mongrels and degenerates, in which at best only half—at other times they became a

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<sup>17</sup> *Hitler's Zweites Buch*, Stuttgart 1961, pp. 123–32, 173.

sixth—of the population were of decent stock, and with Jews uppermost: a state of weaklings, wracked with unemployment and enfeebled by neutrality laws, which could be discounted as a force in *Weltpolitik*.<sup>18</sup>

Once entrenched in power, Hitler laid out the international tasks of the Third Reich as he saw them in his 'Four Year Plan' memorandum of August–September 1936. It contains not a line about America. After explaining that 'politics was the leadership and conduct of the historical struggles for life of peoples', whose intensification since the French Revolution had found its most extreme expression in Bolshevism—bent on 'eliminating the traditional elites of humanity and replacing them with world-wide Jewry'—and declaring that no state could withdraw or keep its distance from the ensuing confrontation, he announced in italics: '*Since Marxism has by its victory in Russia converted one of the largest empires in the world into its base of further operations, this question has become critical. An ideologically founded, closed authoritarian will to aggression has entered the ideologically tattered democratic world.*' The democratic states were incapable of waging a successful war against Soviet Russia, leaving Germany—'as always the ignition point of the Western world against Bolshevik attacks'—the duty of securing its own existence against impending catastrophe with every means at its disposal. '*For the victory of Bolshevism over Germany would not end in another Versailles, but the final destruction, in fact extermination of the German people.*' The scale of such a disaster was incalculable. '*In face of the need to defend us against this danger all other considerations recede as completely irrelevant.*' Expanded rearmament, at top speed, was required to ready the German army and nation for war in four years.<sup>19</sup>

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<sup>18</sup> 'Oscillating between admiration and contempt, Hitler's conceptions of America possessed neither any realistic nor stable content': Detlef Junker, *Kampf um die Weltmacht: Die USA und das Dritte Reich 1933–1945*, Dusseldorf 1988, p. 24, much the best treatment of Hitler's attitudes to the US. Toose singles out Philipp Gassert's *Amerika im Dritten Reich* for praise, as a study superseding all others, but in fact it has little to say about Hitler's strategic relationship to America. Noting that up to the early thirties, 'power-political' considerations played 'virtually no role at all' in his thinking about the US, and even after coming to power, 'gaps in Hitler's image of America' have to be filled in by recourse to the 'cultural environment' in which his foreign-policy decisions were taken, rather than any pronouncements by the Führer himself, Gassert's book is actually a 'broad reception history' of German attitudes to America under the Third Reich, rather than a study of Hitler's own intermittent mish-mash of these: *Amerika im Dritten Reich: Ideologie, Propaganda und Volksmeinung*, Stuttgart 1997, pp. 87–8.

<sup>19</sup> 'Denkschrift Hitlers über die Aufgaben eines Vierjahresplans', *Vierteljahrshefte für Zeitgeschichte*, April 1955, pp. 204–5, 210. Italics in original.

Here the abiding phobias of *Mein Kampf*, in its fusion of anti-Communism and anti-Semitism, had become state doctrine; the fight against Bolshevism, in Ian Kershaw's words, 'the lodestar of Hitler's thinking on foreign policy'.<sup>20</sup> The future of German expansion lay in the east, not in the west. When in 1939 his invasion of Poland led, contrary to his calculations, to British and French declarations of war with Germany, and he defeated France in short order, he expected Britain to come to terms with him, as a long-time admirer of its empire, which he had no wish to break up. Baffled by its refusal to do so, and unable to invade it by sea, as early as July 1940 he decided instead to attack Russia—in defiance of any rational strategic calculus, re-creating the war on two fronts he had always maintained was the overriding reason for German defeat in 1914–18. Military common sense would have directed the Wehrmacht south rather than east, forcing Spain—where Franco's regime, little more than a year in the saddle, was in no position to resist an ultimatum to fall into line—into war with Britain and, with control of both sides of the Straits of Gibraltar, closing the Mediterranean, seizing Egypt and the Iraqi oilfields: a saunter compared with Operation Barbarossa.<sup>21</sup> But the ideological premium lay where it had always been: wiping out Bolshevism and colonizing the east, in a war of extermination without counterpart in the west. Nor, in the expected aftermath of its success, was there any talk of a conquered Russia providing a platform for taking on America. Hitler's Directive No. 32, 'Preparations for the Period after Barbarossa', drafted eleven days before the Russian campaign began, was free of any thought of Washington, projecting instead a sweep of the Wehrmacht around the Mediterranean, closing in on the Suez Canal—just what he had fatally foregone.

### *Orphaned Europe*

Where America did feature in Hitler's outlook was in the Far East, where he hoped Japan would pin down the US, preventing it from helping Britain in Europe, and incited Tokyo to launch an attack on it already in

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<sup>20</sup> Ian Kershaw, *Hitler: 1936–1945: Nemesis*, London 2000, p. 12.

<sup>21</sup> It is sometimes argued that Hitler did not proceed because of the conflict between the French possession of Morocco and Spanish designs on it, not wishing to antagonize Pétain's regime by granting expansion to Franco's, both ideologically aligned with his own. This can scarcely have been an insuperable problem: in a similar conflict, he had little difficulty imposing the second Vienna Award, dividing Transylvania between Romania and Hungary, with a view to brigading both states for what became Barbarossa.

April 1941, before Japan was either resolved or ready to do so. In itself a rational enough calculation, Hitler rendered it lunatic by promising that Germany would declare war on America as soon as Japan did, and being as good as his word in December, bringing down on him the world's greatest power without having any possibility of so much as reaching it by land, sea or air.<sup>22</sup> Tooze correctly observes that this 'sealed the fate of Germany',<sup>23</sup> without registering how fatal it also is to his construction of the centrality of America to Hitler's world-view. For what the Führer's gratuitous gift to Roosevelt (who would have had great difficulty in declaring war on Germany in the wake of Pearl Harbor, when national outrage and demand for retribution were focused on Japan) revealed was Hitler's staggering level of inconsequence and ignorance where anything to do with the United States was actually concerned.

In a respectful but wide-ranging critique of *Wages of Destruction*, the most substantial engagement with it to date, Dylan Riley cites Adorno's cool verdict: 'The German ruling clique drove towards war because they were excluded from a position of imperial power. But in their exclusion lay the reason for the blind and clumsy provincialism that made Hitler's and Ribbentrop's policies uncompetitive and their war a gamble.'<sup>24</sup> From 1942 onwards Hitler would, in his rambling monologues to intimates, have more to say about the US, increasingly vituperated in Nazi pronouncements as—an inherently mobile location—the headquarters of world Jewry, but never rising above know-nothing bluster and dilettantism. His world-view comprised a limited number of *idéés fixes*—anti-Communism, anti-Semitism, a racialized social Darwinism—to which passing moods or fancies could add a wide variety of temporary hobby-horses and inconsistent opinions, vague and self-contradictory ideas about America among them.

In framing *Wages of Destruction* by Hitler's relationship to America, however, Tooze was not making an arbitrary decision. For the starting-point of

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<sup>22</sup> In January 1942 Oshima, the Japanese ambassador in Berlin, reported to Tokyo: 'The Führer is of the view that England can be destroyed. How the USA can be defeated, he doesn't yet know'; see Junker, *Kampf um die Weltmacht*, who makes short work of the notion that Hitler ever had a serious plan for the conquest of America: pp. 25, 31–2.

<sup>23</sup> *Wages of Destruction*, p. 668.

<sup>24</sup> Dylan Riley, 'The Third Reich as Rogue Regime: Adam Tooze's *Wages of Destruction*', *Historical Materialism*, vol. 22, nos 3–4, 2014, p. 346. The quotation is from *Minima Moralia*, London and New York 2005, p. 106.

his narrative is not the backdrop that might be expected of a study of the Nazi economy, the Great Depression. More devastating in its effects in Germany than in any other industrial society, the slump is taken as given, without causal explanation. What takes centre stage is the tragic failure of the German elites to hold fast to the wisdom of Stresemann, the leading statesman of the twenties, in seeing that the path to recovery after defeat in the First World War lay not in futile rebellion against the settlement at Versailles but in signalling Germany's willingness to pay reparations, and thereby opening the door to 'a special relationship with the United States' as the 'dominant force in world affairs, both economically and as a future military superpower', with the aim of positioning Germany as a key ally of Washington in a transatlantic partnership.<sup>25</sup> But after the Dawes and Young Plans, hopeful steps in the right direction, Stresemann died and Wall Street crashed. The result was 'the collapse of American hegemony in Europe', leaving the continent 'orphaned as it had not been since World War I', and Germany at the mercy of Hitler's demonic ambitions. Happily, with the defeat of the Third Reich, Adenauer could realize Stresemann's vision, at last sheltering a German parliamentary democracy in the safe harbour of America, orphanage over.<sup>26</sup>

### III. WILSONIAN PEACE?

Published eight years later, *The Deluge* supplies the prequel to *Wages*. Its theme is the emergence out of the Great War of 1914–18 of a new world order, led by America, which outlasted the demise of its architect and gave way only under the strain of the Great Depression. The narrative opens with the military deadlock in Europe in 1916, and Wilson's decision to enter the War in support of the Entente in the spring of 1917, making of the struggle 'something far more morally and politically charged' than a mere great-power conflict—'a crusading victory', an American president in the lead, 'fought and won to uphold the rule of international law and to put down autocracy and militarism'. With the defeat of Germany and the dissolution of Austro-Hungary, the US—already a super-state towering above all others in economic might—became the master power of the succeeding peace. Its post-war hegemony, however, would be no mere replacement of what had once been the Pax Britannica. It was a paradigm shift in international relations, a deliberate attempt to construct a global

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<sup>25</sup> *Wages of Destruction*, pp. 5, 25, 33.

<sup>26</sup> *Wages of Destruction*, pp. 657–8.

economic and political order, as conceived by Wilson—a system of a new kind: ‘by common agreement, the new order had three major facets—moral authority backed by military power and economic supremacy’.<sup>27</sup>

True, though the agreement was common, it was not quite universal. By the time Wilson had taken America into the War, the February Revolution had broken out in Russia. ‘First and foremost a patriotic event’, this spelt no defection from the ranks of the Entente, whose leaders were justifiably confident that ‘Russia’s democratic revolution would re-energize the war effort, not end it’. ‘Kerensky, Tsereteli and their colleagues set themselves frantically to rebuilding the army as a fighting force’, and in the early summer of 1917 troops ‘under the dynamic command of the young war hero, Lavr Kornilov’ were making headway against the Habsburg forces in front of them.<sup>28</sup> But to the north, Bolshevik subversion led to mutiny, and the Russian front collapsed. As peasant soldiers ‘abandoned the cause en masse’, and radicalized units around Petrograd marched on the city, the Provisional Government—‘despite its profound commitment to democratic freedom’—‘had no option but to order the mass arrest of the Bolshevik leadership’, but made the fatal mistake of failing ‘to decapitate it’ as the circumstances required, a taboo on the death penalty inhibiting the necessary executions. Three months later, Red Guards stormed the Winter Palace and nascent Russian democracy was extinguished. In power, the Bolshevik dictatorship repudiated Russia’s foreign debts—an action amounting to a rejection of ‘the very foundations of international law’, severing any possibility of an understanding with the Entente—and, signing the Treaty of Brest-Litovsk with the Central Powers, exited the War. The Allied interventions in Russia which followed this capitulation were not motivated by any counter-revolutionary intent, but simply by the aim of ousting a regime that had become, objectively speaking, a ward of German militarism. Lenin was only saved from the political bankruptcy of his collusion with Berlin by the collapse of the Second Reich in the autumn, which took the wind out of the need for these.<sup>29</sup>

The self-exclusion of Russia from the new world order in the making in 1919 did not materially affect its birth at Versailles. Treatment of Wilson and Lenin as if they were equivalent figures, ranged against each other, is a retrospective illusion, so dramatic was the implosion of Russian power

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<sup>27</sup> *The Deluge: The Great War and the Remaking of Global Order*, London 2014, pp. 8, 14–5.

<sup>28</sup> *Deluge*, pp. 70, 81–2.

<sup>29</sup> *Deluge*, pp. 82–3, 129, 156–7, 170.

at the end of the war, and so pitifully weak the emergent Bolshevik regime. The year 1919, Tooze observes, had nothing in common with 1945, when the United States and the Soviet Union squared off against each other in a bi-polar international system. Rather, it ‘resembled the unipolar moment of 1989’, when ‘the idea of reordering the world around a single power bloc and a common set of liberal, “Western” values seemed like a radical historical departure’, but in fact it was a reprise of the dramatic outcome of World War One.<sup>30</sup> Much arguing and bargaining marked the negotiations at Versailles, but the victors stuck together in a moderate settlement, the fruit of compromise, that allowed for the eventual re-integration of Germany into the comity of leading powers under the aegis of Wilson’s brain-child, a League of Nations whose covenant was signed by all in advance of negotiations over the Treaty itself.

Tragically, however, on his return to the US, Wilson was unable to secure ratification of American membership of the League from the Senate, a ‘heartbreaking fiasco’ that was certainly in part due to his personal rigidity, and by then physical frailty.<sup>31</sup> But the deeper roots of this disaster lay in the paradox that America, the advance guard of economic and cultural modernity in the world at large, had yet to modernize its own political order at home. Despite the Progressivist vision of leaders like the first Roosevelt and Wilson, the US state remained crabbed and confined within its eighteenth-century constitutional matrix. The archaic prerogatives of the Senate, requiring a two-thirds vote for approval of any international treaty, without equivalent anywhere else in the world, were one expression of this lag, the most direct obstruction to Wilson’s hopes. The fiscal underdevelopment of the Federal state, still essentially dependent on customs-and-excise revenues, was another. The War had been financed essentially by monetary loosening, bank credits that doubled prices. In lieu of an income tax, this was in effect an inflation tax, which when abruptly reversed by the Treasury in 1920 plunged the country into deflation and mass unemployment, putting a Republican back into the White House with the largest electoral majority of the century.

For Tooze, underlying the rhetoric of Wilson and his domestic opponents alike, and culprit for the failure of the US to rise to the challenges of the hour, was the quite recent ideology of American exceptionalism, essentially a higher form of nationalism at odds with the internationalist requirements of global leadership. Yet he detects a kernel of Burkean

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<sup>30</sup> *Deluge*, p. 10.

<sup>31</sup> *Deluge*, pp. 18, 336, 338.

wisdom in this outlook, a sense of the need to preserve the continuity of the country's history after the trauma of the Civil War. Nor did it in practice mean any decisive retreat from the tasks of building a new world order. Contrary to legend, Harding's Administration presided over a demonstration of it more successful than Versailles: the Washington Conference of 1921–22, which saw Wilson's defeated Republican rival of 1916, Charles Evans Hughes, pull off a triumph of internationalist diplomacy in persuading Britain and Japan to cede naval ascent gracefully to the United States, in the manner of Gorbachev yielding to Bush seventy years later. Thereafter, successive presidents and their envoys, public or private, laboured to stabilize Europe in the wake of the tensions left by the reparations clauses of Versailles, with constructive proposals for easing financial difficulties in Germany like the Dawes and Young Plans, and eventually even a moratorium offered by Hoover on the war debts of France and Britain to the US itself. Nor were these efforts at pacification of international relations without admirable European, and for that matter Asian, counterparts. In England Austen Chamberlain, in France Aristide Briand, in Germany Gustav Stresemann—every one a Nobelist—were all convinced Atlanticists, looking to the US as their indispensable partner in the pursuit of peace; so too a resolute Ramsay MacDonald and the courageous Taisho reformers in Japan.

Why then was the progressive liberal project of these forward-looking statesmen in the end derailed? Its flaw lay in the limitation of the American hegemony that it required and embodied. For common to Wilson and his successors was a refusal, not of enlightened engagement with the affairs of the rest of the world, but of the ultimate responsibility of leading an international coalition of powers to preserve free trade and collective security. Instead, their basic impulse was 'to use America's position of privileged detachment, and the dependence on it of the other major powers, to frame a transformation of world affairs', the 'better to uphold their ideal of America's destiny'—a radical vision abroad, tied to a conservative attachment at home.<sup>32</sup> For a decade, the combination yielded impressive achievements. But when the tragic test of the Great Depression came, it was not enough. International cooperation collapsed, and revolt against the once-hopeful moderation of the twenties erupted in the fanaticisms of the thirties, anticipated in their different ways by Hitler and Trotsky. But the very extremity of such reactions was evidence of the strength of the emergent order they sought to overthrow.

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<sup>32</sup> *Deluge*, p. 516.



The spectacular escalation of violence unleashed in the 1930s and 1940s was a testament to the kind of force that the insurgents believed themselves to be up against. It was precisely the looming potential, the future dominance of American capitalist democracy, that was the common factor impelling Hitler, Stalin, the Italian fascists and their Japanese counterparts to such radical action.<sup>33</sup>

Yet the visions of statesmen like Briand were not in vain. For the ‘restless search for a new way of securing order and peace was the expression not of a deluded idealism, but of a higher form of realism’, which understood that only international coalition and cooperation could secure peace and prosperity on earth. ‘These were the calculations of a new type of liberalism, a Realpolitik of progress’.<sup>34</sup> That came to fruition under the second Roosevelt. It is still much needed. Striking without hesitation a contemporary note, Tooze asked: ‘Why does “the West” not play its winning hands better? Where is the capacity for management and leadership? Given the rise of China, these questions have an obvious force’.<sup>35</sup>

### *A Chatham House version*

Clearer answers to the two questions raised by Durand—what method is implied in Tooze’s work, and what politics inform it?—start to come into view once *The Deluge* and *Wages of Destruction* are read together as instalments of a common project. In each, a ‘situational and tactical’ approach to the subject in hand determines entry to it *in medias res*, dispensing with a structural explanation of its origins: in *Wages*, the Depression, in *Deluge*, the First World War. In both, the overarching theme is the dynamism of American power as skeleton key to the twentieth century. In both, the political standpoint is, as self-described, that of a left-liberalism. Each of the terms around the hyphen is liable, however, to a range of meanings, and the compound has often, perhaps typically, proved unstable, one or other of its elements acquiring greater valence. *Wages*, as a study of the Nazi economy, offers less scope for considering the balance between them. Viewed in historical context, its central claim that Hitler’s real antagonist, the enemy that mattered, was America, not Russia, of course fitted well with axiomatic assumptions of the Cold War. If the Nazi war machine was ultimately directed against the United States, the

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<sup>33</sup> ‘Once the extremists were given their chance, it was precisely the sense that they faced mighty opponents that animated the violence and lethal energy of their assault on the post-war order’: *Deluge*, pp. 7, 18.

<sup>34</sup> *Deluge*, pp. 517–18.

<sup>35</sup> *Deluge*, p. 19.

binary struggle between democracy and totalitarianism was preserved—the Soviet Union, rather than being the principal target of Hitler’s regime and the overwhelming agent of its downfall, as in historical fact it was, becoming the even greater totalitarian danger further east, to be dealt with in due course. But gratifying though such a deduction might be to American and West German audiences, Tooze never suggests it, and the salience of the Red Army in the narrative of *Wages* discounts it.<sup>36</sup>

*The Deluge*, composed after Tooze’s move from Cambridge to Yale, is politically more outspoken, a full-throated endorsement of the victors’ self-understanding of the First World War and the abiding vision that, for all their differences, inspired their efforts to build a progressive peace after it. Historiographically it can be described, with apologies to Elie Kedourie, as a distinctive exercise in the Chatham House version of the

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<sup>36</sup> See by contrast Brendan Simms, *Hitler: Only the World Was Enough*, London 2019, a mammoth inflation of the claim that a battle with ‘Anglo-America’—above all the United States—was Hitler’s over-riding obsession. Simms, an Irish neo-conservative, founder of the Henry Jackson Society, depicts a Führer consumed less by anti-Semitism or anti-Communism than by a rabid anti-capitalism. His hostility to Anglo-Saxon capitalism was ‘crucially, anterior’ to his anti-Semitism, and ‘dwarfed his fear of Communism’—in his eyes simply an inferior ‘instrument of international capitalism’. ‘Hitler’s principal preoccupation throughout his career was Anglo-America and global capitalism, rather than the Soviet Union or Bolshevism’: (pp. 22, 87–8, 53, xviii). Geo-politically, it was ‘the immense American industrial potential’, which had been ‘a staple of his thinking in the 1920s, and had dominated his strategy since the late 1930s’, that motivated his invasion of Russia in 1941. Operation Barbarossa was ‘ultimately directed against the Western Allies’, and ‘the push on Stalingrad, like the entire war, was primarily driven by the contest against Anglo-America’: (pp. 457, 408, 471). Mining his sources single-mindedly in pursuit of this case, Simms not only ignores evidence making a mockery of it—he can cite Hitler’s Four Year Plan without letting drop it ever mentions the USSR (pp. 260–1)—but himself contradicts it with admissions that demolish it. Far from planning any world-historical show-down with America, as promised by the book’s subtitle (‘Only the World’), in 1933 ‘Hitler envisaged a future peaceful relationship between the new Reich and the United States, based on a common set of so-called racial values’; in 1938 ‘would have greatly preferred to remain at peace’ with the British Empire and United States; in 1941 ‘sought not world domination, but world power status’ and ‘had no strategy for defeating the United States, because there obviously wasn’t one’: (pp. 164, 328–9, 450). The upshot is a construction not much less incoherent than Hitler’s own confusions of the time. But the ideological purpose of a consecration *a contrario* is transparent enough: if what Hitler really hated above all else was global capitalism and its stronghold in America, how could these be other than quintessentially good? That he never laid a significant finger on capitalism within the Third Reich hardly matters.

period. By starting his narrative in 1916, Tooze avoids any reckoning with the question of what determined the outbreak of hostilities in 1914, and so of the nature of the War itself, simply asserting without further ado that American entry, provoked by German aggression, converted it into a battle for democracy and international law.

Imperialism, in this accounting, was a very recent phenomenon, global competition just a few decades old—the Seven Years' War and conquest of India might never have happened—and once the War had come to a successful end, the world was confronted with the problem of how it was to be peacefully ordered 'after imperialism'.<sup>37</sup> The narrative is constructed, in other words, by taking for granted the Entente apologetics in contemporary usage, a literature now so abundant that Tooze may have felt it unnecessary to spell out its truths once again, although they have little or nothing to do with a serious understanding of the conflict. 'The structural reality', as Alexander Zevin has written in these pages, 'is that the First World War took place over empires, for empires and between empires'.<sup>38</sup> For the extent of this bed-rock fact it is enough to consult the survey of the combatants in a recent comprehensive account, *Empires at War*, which covers all of them, down to the Portuguese wing of the East African theatre of hostilities, where the British imperial death-toll exceeded the total of American dead in Europe.<sup>39</sup> It was the uneven distribution of planetary spoils that precipitated the Great War: in a system where every state took for granted the connexion between power and possessions, Germany, the largest and most rapidly expanding industrial economy, surrounded by the three largest territorial powers of the continent, had no commensurate share of the plunder, while Britain had such a hugely disproportionate empire, compared with any other, that no stable international equilibrium was possible, as Lenin saw at the time and as more critical historians have pointed out since.<sup>40</sup>

The sponge that palaeo-Entente justifications pass over the First World War, taken as read by Tooze, permits an enormity to follow.

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<sup>37</sup> *Deluge*, p. 20.

<sup>38</sup> Alexander Zevin, 'The Snuffer of Lamps', *NLR* 94, July–August 2015, p. 139.

<sup>39</sup> See Robert Gerwarth and Erez Manela, eds, *Empires at War 1911–1923*, Oxford 2014, p. 143. To prevail in the struggle, Britain mobilized some two and a half million, France half a million troops, from their overseas empires.

<sup>40</sup> See *inter alia* David Calleo, *The German Problem Reconsidered*, Cambridge 1978, pp. 4–5, 24–5, 83–4, 158–9.

The inter-imperialist slaughter that cost some 10 million lives on the battlefield, and 40 million casualties of one kind or another, is exonerated from any responsibility for the violence that followed it, attributed instead to an extremist rebellion against the pacific strength of the post-war settlement—Hitler and Trotsky twinned for the purpose. No word even refers to the scale of the killing unleashed by the liberal civilization of the Belle Époque, let alone to its socio-psychological consequences in hardening the world to more of the same, with scarcely a break after 1918. In treating of the Russian Revolution, Tooze even regrets there was not more of it during the War: had only a few more tens of thousands of peasant soldiers been able to hold on under commanders like Kornilov, without Bolshevik sedition sapping their patriotism, the solidarity of the Entente would have been saved, and the Central Powers held at bay in the East, instead of acquiring Lenin, foolishly spared the firing-squad by the Provisional Government, as their pawn. In Ireland, where ‘extreme Irish nationalists launched a suicidal assault on British power’ in 1916, damaging the responsible backing of Redmond and his party for the war effort, and the guerrilla war for independence of 1919–21 took ‘a terrible toll’, compounded by a civil war provoked by Sinn Fein’s ‘apocalyptic radicalism’, the upshot of all this mayhem ‘stored up violence for the rest of the century’.<sup>41</sup> Some 1,400 lives were lost in the war for independence; perhaps 2,000 in the civil war. Whereas 30,000 Irishmen died in the trenches of France, the Balkans and the Middle East. Non-violently? Missing in *Deluge* is any sense of Henry James’s reaction to the war:

The intense unthinkability of anything so blank and infamous in an age we have been living in and taking for our own as if it were a high refinement of civilization—in spite of all conscious incongruities; finding it after all carrying this abomination in its blood, finding this to have been what it *meant* all the while, is like suddenly having to recognize in one’s family circle or group of best friends a band of murderers, swindlers and villains—it’s just such a similar shock.<sup>42</sup>

If the War ended as a victory for democracy and the rule of law, what of the peace that followed it? Did it embody these? Tooze finds no

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<sup>41</sup> *Deluge*, pp. 180, 376–7.

<sup>42</sup> Letter to Claude Phillips, first Keeper of the Wallace Collection, three days before the outbreak of the War. Though soon an adoptive English patriot, James confessed a ‘terrible sense that the people of this country’ might with ‘brutal justice’ now have to pay for their ‘grossness and folly and blatancy’, exhibited from ‘so far back’: Percy Lubbock, ed., *The Letters of Henry James*, London 1920, vol. II, pp. 389–90.

special fault with the Treaty of Versailles, giving credit to Wilson, Lloyd George and Clemenceau—with particular sympathy for the last—for their understandably differing concerns and willingness to compromise between them to impose a satisfactory common settlement on the country they had defeated. Since Germany was the aggressor, the war-guilt clause of the Treaty, the formal ground for extracting open-ended reparations from it, could be taken as given. What mattered was that Germans, however much they detested it, should—in their own interests—take their medicine. Keynes’s philippic against the Treaty, rhetorical *tour de force* though it may have been, was an irresponsible piece of mischief-making, not only encouraging reckless German resistance to paying up, but poisoning relations between London and Paris, and handing a propaganda gift to Lenin and Trotsky into the bargain. ‘No single individual did more to undermine the political legitimacy of the Versailles peace’; and no danger of the time exercises Tooze more than the possibility that the new-born German Republic would have the nerve to reject the Allied ultimatum that it must sign the Treaty on the dotted line.

Thankfully, the madness of ultras like Max Weber, who called for guerilla resistance to it, and even such a moderate social democrat as then premier Philipp Scheidemann—who advocated a stance all too reminiscent of Trotsky’s ‘Neither Peace Nor War’ at Brest-Litovsk—was at the last minute overcome, and the Treaty accepted by Germany. There was still much recidivism in Weimar, whose Rapallo Pact with the pariah Soviet state reached by Rathenau three years later—‘a self-indulgent nationalist fantasy’—was not in keeping with the spirit of Versailles; and another high-risk crisis the next year, when France occupied the Rhineland to ensure its portion of reparations was coughed up. But Stresemann, unlike Rathenau, had understood all along that Germany must look to America to improve its situation, and in 1924 the Dawes Plan, supplying funds from Wall Street to ease reparation payments, rescued German democracy by taking the sting from Versailles.

Such judgements follow naturally from the premise that the Great War saw a triumph of relative good over evil. Retribution was required, and to rejoin the ranks of respectability the offender must for its own good accept the measure of punishment, by no means excessive, meted out to it. That no stable peace could be built on such a self-serving historical fiction, rejected as dishonest and unjust by the virtual entirety of the nation

forced to accept it, is a consideration that cannot occur within this mental framework. So too the thought that Germany might have avoided the rise of Hitler had it taken the course advocated by Weber or Scheidemann, refused the diktat of the Allies and let them see what benefit occupation of the country would bring them, in face of all the inevitable resistance, and how long their own populations would have put up with it.<sup>43</sup> In the Germany of 1919, such resistance would have united most of the politically active country. By their capitulation, the centrist politicians who feature as the heroes of the hour in Tooze ensured that the banner of a rejection which they themselves knew was perfectly justified, and was bound in due course to prevail, would pass to the radical Right alone. The foundations of the edifice erected at Versailles were rotten from the start, foreordained to collapse.

### *Stripling hegemon?*

The fate of Germany—so hopeful as long as Stresemann was at the helm—forms the central thread of Tooze's narrative of the new world order that emerged after 1918. But the panoramic scope is wide, a notable strength of the book, encompassing China, Japan, India, Egypt, South Africa, even a slide inserted from Patagonia. What balance-sheet of American hegemony, as postulated by Tooze, emerges from it? If the conceptual setting of *Deluge* situates it at a point along the political spectrum where liberalism ceases to have any particular implication with the left—its account of the Russian Revolution is of pure-bred Cold War stock<sup>44</sup>—the subsequent story it tells is much more ambiguous. Tooze does not venture full-scale portraits of any of his protagonists, but much of what he reports of Wilson is plainly incompatible with the role initially assigned him of prophet and principal architect of a world made safe for peace and democracy. 'Thrilled' by America's victorious war with Spain and seizure of her Caribbean and Pacific colonies,

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<sup>43</sup> Tooze dismisses this prospect, which the French High Command was ready to jump at, contending that the Allies would instead simply have lopped off big chunks of Germany and waited for the starving residue to come to its senses, in a kind of Morgenthau Plan *ante diem*, no less fanciful or more likely to have been adopted than the Treasury Secretary's ruminations in 1944: *Deluge*, p. 315.

<sup>44</sup> Coinciding with his move to Yale, Tooze could report that he now enjoyed 'entrée to a new world of American policy debate' at confabulations with the National Intelligence Council: *Deluge*, p. xxiii.

‘more aggressive than any of his predecessors’ in dispatching troops to the Caribbean and Mexico, devoted to the preservation of—in his own words—‘white supremacy on this planet’, Wilson made no mention of self-determination in his Fourteen Points, vetoed discussion of Ireland at Versailles, and had no truck with Japan’s call for a commitment to racial equality in the Covenant of the League, enthroning instead the Monroe Doctrine as one of its founding principles.<sup>45</sup>

In 1919, having cut off financial aid to Italy to oblige it to scrap the treaty with Britain and France which awarded its entry into the War on their side with gains in Tyrol and the Adriatic, within days Wilson was telling China it must abide by the treaty extorted from it according to Japan’s gains in Shandong and Manchuria, because ‘the sacredness of treaties’ was one of the principles for which the War had been fought.<sup>46</sup> At home, the world champion of democracy presided over the greatest single wave of political repression in modern American history, replete with a pogrom against immigrants of the wrong ethnic background. All this can be found in *Deluge*. But it is never aggregated, and the mass arrests of 1919 are tacitly deflected to Wilson’s Attorney-General.

Beyond the person, the larger question is whether Tooze’s picture of global American dominance already in the inter-war period—over allies, effectual up to the Depression; in the imaginary of opponents, throughout—is accurate. Certainly, the signal merit of *Deluge* is its demonstration of the continuing leverage enjoyed by the US over the leading European states by the loop between the war debts to it of Britain, France and Italy, and the reparations owed France and Britain by Germany, leaving Washington in a position to adjust the two as suited its interests. The gist of Tooze’s exposition of this financial chokehold is that it was generally, though not invariably, put to benign purpose, seeking to temper the sharp edge of the arrangements at Versailles and restore Germany to what today would be called ‘the international community’. Underplayed, however, are two features of the transatlantic relationship: the implacability of the avarice of the American state—entitled, one might argue, to the later sobriquet of vulture capitalism—in extracting compensation for

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<sup>45</sup> *Deluge*, pp. 44, 60, 120, 193, 326, 269.

<sup>46</sup> To credit Wilson with a gift for hypocrisy in cases like these is unnecessary: vanity and self-deception sufficed.

its support of the Entente regardless of the relative burdens of the War; and the unsleeping fear of revolution that led the US to back political reaction wherever required to crush any threat of it, nurturing excellent relations with Mussolini from the start.<sup>47</sup>

To the financial arsenal of US power, the Washington Conference added naval gains. But how far did these two assets—money and warships—permit an American *hegemony*, the term persistently used by Tooze to describe the US role in the world from 1919 to 1932? This was a period when the size of the American army, under 200,000, was smaller than that of Portugal; when the US Foreign Service, dating only from 1924, was still pupal;<sup>48</sup> when it had no embassy in Moscow; when its presence in China could not compare with that of Britain, effectively in charge of the country's fiscal system; when in Europe it was a bystander to the sequel to Versailles at Locarno. What was the initiative for which it was best known? The Kellogg–Briand 'Peace Pact' of 1928, a wish-list of feel-good futility, leaving scarcely a trace in the history of the thirties.

All this followed from the reality to which Tooze himself draws attention in describing the fiasco of Wilson's project when he got back to America in 1919: the stunted, only half-modern character of the Federal state machine itself. But after arguing and illustrating that

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<sup>47</sup> While it set the tone for hyperbolic narratives of 'US pre-eminence' permeating interbellum Europe with 'an impressive display of economic, political and moral power' (even, many contemporaries would have been surprised to learn, 'from Switzerland to the Soviet Union, Europeans acknowledged America's cultural leadership'), Frank Costigliola's study *Awkward Dominion* (1984), the first of several precursors to *Deluge*, was less euphoric in outlook. Conceding that US determination to 'preserve the economic benefits of the international gold standard, the war debt settlements, the foreign investments, and the trade surplus' for itself 'assigned most of the adjustment burdens to Europe', Costigliola also noted that in the hope of 'containing revolutionary upheaval', Washington consistently 'favoured reactionaries' where necessary, State Department analysts optimistically comparing the Nazis in 1933 to 'the Italian Fascists with whom the United States had worked so closely': *Awkward Dominion: American Political, Economic and Cultural Relations with Europe, 1919–1933*, Ithaca, NY 1984, pp. 263, 217, 178, 164, 139, 260.

<sup>48</sup> Martin Weil opens his study of the narrow composition of the service: 'This is the story of a small group of Christian gentlemen who founded the profession of diplomacy on a permanent basis in America': *A Pretty Good Club: The Founding Fathers of the US Foreign Service*, New York 1978, p. 9.



with force, he fails to remember it when otherwise writing throughout of American hegemony—even of European orphanage once it faded, as if kindly parental guidance by Washington had alone kept the Old World safe till the slump. The claim is jumping the gun. The world of 1919 was in no sense unipolar. US hegemony would, of course, come in due course. But backdating it to the time of Harding and Coolidge is an anachronism, answering to an authorial hobby-horse rather than the historical record.

#### IV. FINANCIAL CRISIS

With *Crashed*, Tooze's problematic finally enters into its own. Durand has provided so full an account of the very great achievement of the book that there is little need to recapitulate it here. It is enough to recall its main case. The financial crisis that broke out in 2008 was the product of a sudden paralysis of the interlocking matrix of corporate balance-sheets, as the interbank lending on which it depended seized up in the US and EU in the wake of the Lehman default; its global fall-out was a dramatic demonstration that the central axis of world finance was not, as often imagined, American-Asian, but American-European. As the danger of a second Great Depression loomed, it was the United States alone that averted it, with emergency measures taken by the Fed and the Treasury in a set of bold innovations—central bank swaps, quantitative easing, macroprudential regulation—stabilizing the system. European response, by contrast, was not only laggard but counterproductive, until Draghi repositioned the ECB four years later. Out of the crisis, US hegemony was reasserted, and the dollar emerged more dominant than ever in the global financial system. But a pragmatic managerialism that bailed out bankers and stock-holders left society as unequal and even more divided than before, detonating populist revolts that have destabilized both America and Europe in a mutation of the crisis that has yet to end. In spatial sweep, narrative brio and striking detail, no other work on the crash comes near Tooze's account of it.

Where does his conclusion of the trilogy leave Durand's two queries, of politics and method? In keeping with its predecessors, *Crashed* takes the hypertrophy of finance that is the heuristic object of Durand's study as a situational given, without structural explanation. In that sense, it

too starts *in medias res*. The conditions that generated the crisis of 2008 are reduced to the demise of Bretton Woods—attributed to pressure from ‘the struggle for income shares in an increasingly affluent society’ and ‘the liberalization of offshore dollar trading in London’, as if the war in Vietnam was a cost irrelevant to Nixon’s decision to cut the painter to gold—and the ensuing need for neoliberal discipline to halt inflation: three trifling sentences in a work of six hundred pages. It is as if the decade-by-decade decline in growth of the real economy, across advanced capitalism—the long down-turn that arrived in the seventies—had occurred on another planet.

If that structural framework, determining a system-wide displacement of productive capital into bloated global finance, is missing, the American response to the crisis suffers in this telling from a similar blankness of background, if more paradoxically. For at the outset, after stating that the US alone proved able to master the challenge posed by the crisis, Tooze writes: ‘that capacity is an effect of structure—the United States is the only state that can generate dollars’, then immediately adding ‘but it is also a matter of action, of policy choices—positive in the American case, disastrously negative in the European case’. The work that follows, however, brackets the structural capacity completely—it is not mentioned once thereafter—delivering instead an encomium of the policy choices taken by the Fed and the Treasury under Bernanke and Geithner as saving the world from disaster, albeit at the cost of some unhappy side-effects. What this edifying story omits is the simple, central fact of the unique leeway the US enjoyed in the prerogatives of the dollar, as the world’s premier reserve currency and store of value.

A historical comparison is enough to show why the Obama Administration could avert a depression as the Hoover Administration could not. When the Kreditanstalt collapsed in Austria in 1931—the real trigger, rather than the Wall Street crash of 1929, for the onset of the slump—Hoover, less rigid than his legend, passed the most expansionary budget of the decade, with a deficit of over half Federal expenditure. So strong, however, was domestic and foreign disapproval of such license that he back-tracked with tax increases the following year. For so long as the US was tethered to the gold standard, it could not afford significant fiscal or monetary loosening without risking a run on the dollar, which its

authorities were not prepared to incur.<sup>49</sup> Eight decades later, by contrast, the US could run a huge trade deficit and print money as it wished without fearing retribution from foreign bond-holders or investors, typically all the keener on T-bills and Wall Street stocks the more anxious economic conditions at large became. So the Obama Administration could run up the biggest peacetime fiscal deficit in US history—it jumped from 2.7 per cent of GDP in 2007 to 13 per cent in 2009—with impunity. No Eurozone country could do anything like this. There, the Stability and Growth Pact of 1997–99 in principle banned any deficit above 3 per cent, a rule cemented by the Fiscal Compact of 2013, even written into the constitutions of Italy and Spain. This enormous structural difference disappears in *Crashed*, where the institutional framework of the Treaty of Maastricht and the monetary union it created do not rate so much as an entry in the index. The divergent responses to the crisis of America and Europe were not just a question of policy options: they were the product of two radically contrasted—one enabling, the other inhibiting—structures.

### *The missing piece*

Those who enjoyed the imperial latitude of the dollar have boasted not just of the success of the actions they took, but of their valour in taking them. The ghost-assisted memoirs of Bernanke and Geithner, entitled respectively *The Courage to Act* and *Stress Test*, present their time in office as a nerve-racking ordeal, bravely confronted and boldly surmounted, saving the nation with measures of unprecedented novelty as it teetered on the edge of an abyss. *Crashed* criticizes the implication that they themselves had no responsibility for the dangers they battled

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<sup>49</sup> Hoover 'shared with many contemporary economists the view that fiscal and monetary policies must be directed to support gold rather than directly to promote domestic economic expansion or bank stability': Nicholas Crafts and Peter Fearon, 'Lessons from the 1930s Great Depression', *Oxford Review of Economic Policy*, vol. 26, no. 3, 2010, pp. 285–317, which also disposes of the opposite legend that the New Deal was based in large measure on fiscal stimulus. For the classic demonstration that failure to loosen monetary policy—for Friedman and Schwartz, the principal cause of the Depression—was essentially determined by a rational fear under the gold standard of an exchange-rate crisis and devaluation of the dollar, see Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939*, New York 1992, pp. 295 ff.

with, and that the upshot of their efforts was of undivided benefit to all. But it doesn't seriously question the self-serving pathos of power heroically exercised.<sup>50</sup>

That is in part because there is a missing piece in the jigsaw puzzle of global finance that Tooze otherwise puts together with such skill. Japan, the third largest economy in the world, is scarcely to be found in *Crashed*. That is certainly not due to any lack of competence or interest on Tooze's part; *Deluge* pays due attention to the country and its economy in the inter-war period. Rather, its omission is a requirement of the narrative, on which its inclusion would have cast a different light. For virtually all of the daring innovations with which Tooze credits the US authorities for stopping the crisis of 2008—and more—had been pioneered by their Japanese counterparts, most of them well beforehand, starting in the nineties, and in wider and ampler measure, without resort to chest-thumping. Not only QE—central bank purchase of bonds to inject cash into the financial system—and forward guidance, but PKO—'price-keeping operations' (ironically so-named after the UN euphemism) to support stock values, and QQE—central bank purchase of corporate bonds and equity. Not only ZIRP—zero interest rate policy—but the first use of negative interest rates, and of yield-curve control. All this on a scale making American use of heterodox tools look modest. The excess reserves created by the Bank of Japan's use of QE have been larger than

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<sup>50</sup> 'The terror of those days . . . the overwhelming burden of responsibility combined with the paralysing fear of catastrophic failure . . . the loneliness and the numbness'—Geithner's ghost-writer, on loan from *Time*, in top gear: *Stress Test*, p. 200. Tooze: 'There is no reason to doubt the sincerity of these professions. It was a fearful situation': *Crashed*, p. 164. Since then, in a lecture for the *London Review of Books* this year, he has gone further, recounting an interview—'the conversation went extremely well'—with the former Treasury Secretary, now banker for Warburg Pincus, in which he describes the 'formidable charisma and energy that Geithner exudes to an extraordinary extent—he is a truly Napoleonic figure', and repeats a phrase of Geithner's that above all impressed him: 'Since the nineties, we've been defying gravity'. Tooze continues: 'That really shocked me'. Why? Because 'for somebody of my disposition, America isn't subject to gravity; America *is* gravity: America is the gravitational force that organizes global power in the twentieth century.' There was no occasion to be surprised. The same trope was already on display in *Stress Test*: p. 105. At work is a not-so-subliminal image of the US from the popcorn culture of the speaker, to be read in the opposite register: America cruising aloft, Superman in his cape.

those created by the Fed, in an economy a quarter the size of the US.<sup>51</sup> As a percentage of GDP, the BOJ's balance-sheet is nearly four times bigger than the Fed's.

This enormous injection of liquidity into the economy was possible not only because, unlike the United States, Japan has posted a trade surplus for most of the past forty years, but also because 95 per cent of its public debt, denominated in its own currency, is held by domestic institutions and households, making it virtually as proof against loss of foreign confidence as the supremacy of the dollar renders America's, if not more so, even though the debt is double in size. So too, the most important innovation of all in 'the completely new range of policy tools', as Durand summarizes Tooze, 'macro-prudential supervision' of the financial system: in 1998–99 the Japanese Ministry of Finance's resolution of eleven 'city banks' into just three 'mega-banks' and a domestic-operations-only fourth, not to speak of the Bank of Japan's grip on a stock market where it is owner of 75 per cent of the exchange-traded fund market and a top ten share-holder in 40 per cent of Japanese companies,<sup>52</sup> puts Geithner's squeamish tinkering with Citigroup and the rest, and its enfeebled issue in Dodd–Frank, in the shade. More radical in all these ways than the Treasury, so too was the Ministry of Finance in the more traditional area of fiscal policy, unleashing 'the largest single peace-time government expenditure in history',<sup>53</sup> amid successive stimulus packages in the nineties totalling some \$1.3 trillion—nearly twice the size of Obama's American Recovery and Reinvestment Act.<sup>54</sup> In doing so, it could draw on historical precedent. Pre-war, Japan led the world in recovering from the Depression with its coordination of monetary expansion and full-throttle

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<sup>51</sup> Fed: \$2.1 trillion; BOJ: \$2.87 trillion [¥305 trillion]: see Richard Koo, *The Other Half of Macroeconomics and the Fate of Globalization*, Chichester 2018, p. 131.

<sup>52</sup> *Financial Times*, 27–28 July 2019.

<sup>53</sup> See R. Taggart Murphy, *Japan and the Shackles of the Past*, New York 2014, p. 190, whose analysis of the institutions and vicissitudes of the post-war Japanese economy is in a class by itself. The bail-out package of October 1998 came to ¥72 trillion. (In absolute size, the PRC package of 2009 was double that of Japan's in 1998, though on a per capita basis five times lesser).

<sup>54</sup> Sean Ross, 'The Diminishing Effect of Japan's Quantitative Easing', *Investopedia*, 25 June 2019. Taking alarm at the potential cost of the ensuing deficits should interest rates rise, the MOF would periodically lame expansion by increasing the sales tax, each time to negative effect, as emphasized by Murphy.

fiscal stimulus—something never attempted by the New Deal—under Finance Minister Takahashi Korekiyo.<sup>55</sup>

When the crisis of 2008 broke, manufacturing was hard hit: Japanese exports plunged by half and the country suffered a fall in GDP, something it had never known since the mid-seventies, even when the property bubble burst in 1989. But the financial system was little shaken by the Lehman shock:<sup>56</sup> tribute to the fact that Japanese banks, unlike European ones, were not entangled in such a fatal nexus with their American counterparts. If the BOJ drew on dollar swaps from the Fed to lend to them, it was never obliged to do so, since the foreign-exchange reserves in Tokyo were over seven times larger than such loans, ‘so it could be said that Japan did not need its swap line’<sup>57</sup>—and so has no place in Tooze’s narrative of the crash. Yet few stock images of the period are so familiar as the awful fate of Japan, dutifully conjured up for White House consumption by Geithner: years of persistent stagnation since 1989, compared with buoyant American growth before 2008 and rebound since. Don’t they make its recent history an object lesson in what to avoid? Certainly, the Japanese variant has not escaped the common blights of advanced capitalism in this era—increased poverty, precarity, inequality; declining unions,

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<sup>55</sup> See *inter alia* Barry Eichengreen, *Hall of Mirrors: The Great Depression, the Great Recession and the Uses—and Misuses—of History*, Oxford 2015, pp. 256–7: ‘This, then, was an aggressively reflationary monetary policy made credible by fiscal expansion. In other words, it was precisely the policy claimed, erroneously, to have been followed in the United States under FDR. But in Japan, unlike the United States, the fiscal expansion was real.’

<sup>56</sup> See Mitsuhiro Nakano, *Financial Crisis and Bank Management in Japan (1997 to 2016)*, London 2016, p. 94. The plight of the manufacturing sector, of course, affected banks as creditors to firms that fell into difficulty, a conventional pressure altogether distinct from a freeze-up of interbank lending.

<sup>57</sup> William Allen, *International Liquidity and the Financial Crisis*, Cambridge 2013, p. 136; peak use of swaps by the BOJ was \$127.6 billion; foreign-exchange reserves stood at \$971.6 billion: p. 129. Why did the BOJ have recourse to swaps at all? Formally speaking, Japan’s reserves—held in a Foreign Exchange Special Account—are controlled by the Ministry of Finance. But though since 1998 the BOJ has been technically independent of the MOF, and in outlook the two are not always at one, the MOF is a ‘sovereign’ administration, as the BOJ—55 per cent state-owned—is not, and can dispose of its reserves as it wishes; so this was scarcely an insurmountable difficulty. See Akio Mikuni and R. Taggart Murphy, *Japan’s Policy Trap: Dollars, Deflation and the Crisis of Japanese Finance*, Washington, DC 2002, pp. 48–9, 115. The Fed, however, was anxious that dollar holdings held by foreign Treasuries not be cashed out, for fear of causing panic, and probably the Japanese authorities complied to appease it, the BOJ applying for swap lines in a spirit of solidarity—also status as a member of the club of major central banks—rather than necessity.

arrested wages, rising profits. Yet its growth rate per capita has been not that much worse than America's, as even Bernanke concedes;<sup>58</sup> unemployment has never risen as high, there is less polarization of opulence and misery, the health, education, safety and life expectancy of its citizens are all superior. Behind a veil of Rawlsian ignorance, who would prefer existence in the Land of the Free?

### *Intensifying competition*

More largely, if the underlying nature of the Great Recession, and what it might portend for the future, is never really addressed by Tooze, it is in part because here too the exclusion of Japan from his compass exacts a significant cost. In the nearly 2,000 footnote references of *Crashed*, there is none to the remarkable Taiwanese economist at Nomura Research, Richard Koo, one of the most original minds in the field,<sup>59</sup> whose *Balance-Sheet Recession* of 2003 first explained the reasons why, after the collapse of Japanese asset prices in the nineties, ultra-low interest rates and massive injections of liquidity into the economy by the BOJ failed to overcome stagnation: essentially because companies had switched from the normal imperatives of profit maximization to debt minimization, ceasing to borrow—and invest—no matter how cheap or abundant the funds available to them.

But why then was there insufficient demand to induce firms to invest? Fifteen years later, in *The Other Half of Macroeconomics and the Fate of Globalization*, Koo went on to offer an answer. Historically, paths of growth could be divided into three periods: an era before the Lewis turning-point, when an abundant supply of surplus labour from the countryside allowed industrialization based on cheap wages and

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<sup>58</sup> Ben Bernanke, 'Some Reflections on Japanese Monetary Policy', Brookings 2017, p. 4. Bernanke has consistently preened himself on his foresight in criticizing shortcomings of Japan's management of its economic affairs, and failure to exhibit 'Rooseveltian resolve' of the sort he would embody: see his 'Japanese Monetary Policy: A Case of Self-Induced Paralysis?', 1999, and subsequent puffing ('much of what I wrote about Japan in the decade before the global financial crisis has held up reasonably well'). In *The Courage to Act*, he informs the reader with Pooteresque self-satisfaction that 'the Bank of Japan adopted my suggestions fourteen years later'; even better, the Tokyo press now expected incoming BOJ governor Kuroda to 'adopt more "Bernanke-like tactics"': pp. 41, 552.

<sup>59</sup> Son of a leading opponent of the Guomindang take-over of the island who after 1947 went into exile in Japan, where Koo was born and grew up; later working for a time under Volcker at the New York Fed, before moving back to Tokyo.

widening inequality to take off; a 'golden age' when the LTP was reached, as urbanization became standard, labour markets tightened, employers had to raise wages and productivity, and inequality contracted, powering mass consumption and much faster growth; finally a 'pursued' stage, post-LTP, when competitors enjoying pre-LTP wage-levels yet modern technologies invade the markets of those who are henceforward chased, shrinking their opportunities for domestic investment, and driving firms to export capital to cheap-wage locations abroad, depressing growth rates and increasing inequality at home. Workers, 'exploited' in the first phase, 'pacified' in the second, are 'on their own' in the third, deserted by employers and left on their uppers. The United States was the first to suffer from pursuit, by Japan and Germany in the sixties and seventies; Japan in turn was pursued by South Korea and Taiwan in the eighties, and now China was the pursuer of all of these. Characteristic of the contemporary period, Koo argues, is the quickening arrival and shortening life of the golden ages enjoyed by newcomers, as more and more countries join the global bandwagon.<sup>60</sup>

It can immediately be seen how the upshot of this comparative historical schema converges with Durand's hypothesis of the vent of financialization in the 'pursued' economies; as too with Robert Brenner's explanation of the long downturn that set in across them from the seventies onwards.<sup>61</sup> Without taking note of Koo's work, Lawrence Summers has recently offered a scenario that fits it in striking fashion from another angle. What if the standard recipes of the hour for avoiding another crisis—monetary flexibility, fiscal expansion, macro-prudential regulation—became inadequate? Then extreme measures might prove necessary. 'Think of what Japanese macroeconomic policy has had to resort to in order to sustain demand and maintain 1 per cent annual growth over the last twenty years: interest rates, both short and long, close to zero, large fiscal deficits leading to a very large increase in public debt, massive central bank purchases, and recourse to external demand in the form of a current account surplus—the last, crucially, 'an option that would not be available to other countries if the same weakness were to affect all of them. Were Japan to be a template of things to come for the rest of the advanced countries, what would be needed would indeed be a macroeconomic policy revolution'. Was this a realistic prospect? 'If the United States or Europe were to go into recession in the next couple of years, in all likelihood their situation would look much like that of

<sup>60</sup> Koo, *The Other Half of Macroeconomics and the Fate of Globalization*, pp. 54–77.

<sup>61</sup> Brenner, *The Economics of Global Turbulence*, London and New York 2006, *passim*.



Japan, with zero rates, large fiscal deficits, below-target inflation, and inadequate growth. We may be one cyclical downturn away from the need for a revolution'.<sup>62</sup> Cutting the temerities of the Fed drily down to size, this from the embodiment of neoliberal swagger at Clinton's side in the confident nineties.

### *Roots of the Eurocrisis*

In the crisis, one monetary innovation which the Fed did claim as its own were its swap lines supplying dollar liquidity to European banks, on which Tooze lays legitimate emphasis as an unadvertised transgression of its domestic mandate.<sup>63</sup> Yet the very interlocking of American and European financial systems that forms the central theme of his book makes it clear that, once embarked on bailing out US banks and insurance companies, the Fed had no option but to follow suit with European counterparts, so intertwined were the two—the latter indeed dominating the market in the riskiest layer of securitized mortgages in America. There is no call to make heroism out of such necessity. On the other side of the swaps, it seems fairly clear that European central banks, rather than being startled and overwhelmed by the generosity of US largesse, counted on it in advance. As one of Tooze's anonymous central bankers—perhaps Mervyn King—told him: 'Given our long history of relations with the Fed, we didn't expect to have any difficulty getting hold of dollars'. Why this should be described as 'an astonishingly audacious assumption', rather than its comfortable opposite, is obscure.<sup>64</sup>

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<sup>62</sup> Without even so much as a need to mention the \$17 trillion worth of negative-yielding debt—up from \$8.3 trillion just nine months ago—currently weighing on the global economy. Olivier Blanchard and Lawrence Summers, 'Introduction: Rethinking Stabilization Policy: Evolution or Revolution?', in *Evolution or Revolution? Rethinking Macroeconomic Policy after the Great Recession*, Cambridge, MA 2019, pp. xxxviii–ix; a volume containing contributions from the *crème de la crème* of the central banking world and the areopagus of scholarly reflection: Bernanke, Draghi, Haldane, Coeuré, Rubin, Gopinath, Rodrik, Rajan, Eichengreen, Reinhart, etc.

<sup>63</sup> In their joint self-congratulation for popular consumption, Bernanke, Geithner and Paulson allocate just four discreet sentences to swaps: *Firefighting: The Financial Crisis and its Lessons*, New York 2019, pp. 42–3. In historical reality, as distinct from current legend, central bank swaps were not a brain-wave of 2008. They date from the sixties, when the Fed chairman of that period, William McChesney Martin, instituted them to defend the dollar from speculative attack and halt the drain of gold from US reserves during the Vietnam War. For particulars, see 'The Fed's Novel Idea', in Daniel McDowell, *Brother, Can You Spare a Billion? The United States, the IMF and the International Lender of Last Resort*, New York 2017, pp. 54–63.

<sup>64</sup> *Crashed*, p. 90.

Nevertheless, Tooze's mastery of the North Atlantic nexus within the landscape of global finance yields a striking picture of its European wing, puncturing complacent self-images of the Old World. The notion that 'social Europe' differed in any significant way from the logic of financial capitalism in America he exposes as an illusion. In reality, Europe was far more heavily over-banked than the US. In size of assets, the three biggest banks in the world in 2007 were European, while the liabilities of the banking system in every member state of the Eurozone, measured against their GDP, were at least three times larger than those of America.<sup>65</sup> It was no accident that the first tremors of the earthquake to come originated not in the US but in the EU, with the crisis of BNP Paribas and collapse of Northern Rock in August–September 2007. Entanglement with America to the west; predation in Europe itself to the east, where Tooze shows the extent of the financial appropriation of local assets in the former Communist countries by Dutch, Austrian and Scandinavian capital. Nor, of course, has he anything but scorn for the role of the ECB and the turn to austerity once the crisis broke.

There, in one of the many gripping set-pieces of the book, Tooze delivers a damning verdict on the treatment of Greece by the Commission, the ECB and the IMF, and subsequently the European Council, which presided over its fate from 2010 onwards. The crushing of Syriza's attempt to negotiate less draconian terms for its society and economy is not only vividly portrayed, but set in the wider context of the thwarting of governments of the left in these years by the external imposition of 'political and financial discipline' on them. No one could doubt on which side Tooze's sympathies lie in this exercise of brute power. But just where did this discipline come from, and how far did it extend? At this crux, his account takes leave of absence. At its centre lies the nature of the European Union, and the position of Germany within it. Evasive on the first and inconsistent on the second, *Crashed* offers no coherent account of the relationship between them, for it is too protective of each.

Decisive in this regard is the book's abstraction of the decisions taken by policy-makers from the structures in which they were working. What was the matrix of the monetary union created at Maastricht? In *Crashed*, Tooze vouchsafes barely a word on the Treaty, though elsewhere he has spoken of its aims as creating a 'European society by stealth', and 'binding

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<sup>65</sup> *Crashed*, p. 110.

Germany to Europe'.<sup>66</sup> Ignored is the carefully crafted ordo-liberal design of a single currency managed by a supranational bank, elevated clear of any democratic electorate, insulating market forces from a popular will inherently destructive of them—advocated by Hayek already before the War, and realized by his Freiburg disciples after it; the intellectual world of Quinn Slobodian's *Globalists*. The sole mandate of the ECB would be price stability, to which a fiscal straitjacket was added in the nineties. The authors of each were German: Karl-Otto Pöhl and Theo Waigel. The provisions of the latter were soon flouted by Germany itself, penalties unenforced; of the former with more difficulty, since they prohibited the central bank from purchase of government bonds. But in due course that rule too was circumvented when need arose.<sup>67</sup> QE started under Trichet at the ECB, if far too meagrely for Tooze.

### *Reorganizing Europe*

Dismissing the idea that any inescapable conflict between markets and peoples, capitalism and democracy had much to do with pressures on Greece and weaker members of the Eurozone in the crisis, Tooze blames instead the refusal of the ECB to buy bonds in the required quantity. Once it did so under Draghi, however, the squeeze on Greece did not abate, but continued, as he himself notes.<sup>68</sup> His account of the role of Germany in these years contradicts itself no less freely. On the one hand, he insists that its history forbade any 'strategies of domination or even overly assertive leadership', acquitting its political class of any such temptation. On the other, he is obliged to report that when Papandreou and Berlusconi were ousted as premiers of Greece and Italy in 2011, senior officials in Berlin could be heard boasting: 'We do regime change better than the Americans'; and to admit that the Fiscal Compact of 2013 was a straightforward imposition of the German 'debt brake' on the rest of the Eurozone. Even Habermas could speak with dismay of Germany openly claiming hegemony in Europe.<sup>69</sup>

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<sup>66</sup> Tooze, 'A General Logic of Crisis', *London Review of Books*, 5 January 2017, p. 7. Of its economic intent, he merely remarks antiseptically that it sought 'to install a permanent disinflationary regime'.

<sup>67</sup> 'The whole concept of getting around European rules and doing QE without calling it QE was extremely clever', Lucrezia Reichlin—former head of research at the ECB—told the *Financial Times* on 8 February 2012, adding that it was Trichet's idea.

<sup>68</sup> Compare *Crashed*, pp. 397 and 532.

<sup>69</sup> Compare *Crashed*, pp. 113–14 with 412, 417–18, 534.

The reality is that the European Union, as it came to be constructed at Maastricht, half-way between confederal and federal principles, was an institutionally complex, *sui generis* structure whose logic, as its membership expanded, virtually required a leading state or bloc of states to give it direction. By reason not only of the size of its economy and population, but also the local ideology and experience of its political class, Germany was the natural candidate for this role, as itself at once a federal union, architect of the central bank that would guide the monetary union of Europe, and source of the legal culture behind it. Perceptive German minds, contrary to Tooze, had no difficulty explaining their country's role as the hegemonic power within the EU of the new century, as necessary to its coherence as Prussia had been to the Second Reich, another federal structure, under Bismarck.<sup>70</sup> At inter-state level, of course, as Hayek had shown, popular sovereignty was excluded. At national level it remained, if now properly qualified. Regrettably, however, direct expression of the popular will, unacceptable in the Federal Republic, persisted in not a few member states. A referendum in France had nearly undone Maastricht itself, one in Denmark had excluded the country from the single currency, another in Ireland had threatened the same to the Treaty of Nice, and worst of all—truly dismaying—a European Constitution laying down the free market as a core value of the Union was overwhelmingly rejected, not only by the famously fickle French but even the staunch Dutch in the referendums of 2005. What was to be done? Germany lost no time. Merkel swiftly confected a facsimile of the charter as a treaty for signature by governments, who could be relied on to do their duty, as opposed to voters who could not, and at Lisbon the requisite document was adopted *nem con*.

How do these events feature in *Crashed*? 'Left-wing hostility to the pro-market character of the EU and nationalist hostility to Brussels' united to deliver a profound shock to Europe's elite. 'Whatever the rights and wrongs of the constitution, popular democracy had asserted itself'. For the space of a sentence, one might say. Imperturbably, Tooze continues:

Given the reality of increasingly close economic and financial integration and the extension of the EU to Eastern Europe, the project of reorganizing Europe could not be simply abandoned. A substitute had to be found. If a true constitution was no longer a viable proposition, Europe would have to proceed by the tried-and-tested formula of intergovernmental treaty.

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<sup>70</sup> For two leading cases, see *The H-Word*, London and New York 2017, pp. 169–76.

This gave a key role to Germany and from November 2005 that meant Chancellor Angela Merkel.<sup>71</sup>

In other words, the vital task of ‘reorganizing Europe’ had nothing to do with democracy—quite the contrary, and the appointed leader in neutering it was—not a word of explanation is even required: who else?—the Chancellor of Germany. Its ‘key role’ was simply ‘given’.

Not that the nested structures of an ordo-liberal confederation and hegemony of Berlin within it have ever been a complete fit, or that the operationalization of the first invariably requires the second. Elsewhere, Tooze can be blunter about the activities of the ECB, German-designed but whose head has never so far been a German, describing the demand by Trichet and Draghi that the Spanish and Italian governments cut spending and increase taxes—in Italy, if necessary by invoking emergency Cold War powers, on pain of being denied purchase of local bonds—as a ‘blatant attempt to shift the balance of social and political power by means of monetary policy’.<sup>72</sup> But neither episodes like this, nor the subsequent imposition of the Fiscal Compact—not by coincidence, grotesquely rammed into the constitutions of Spain and Italy—nor even the racking of Greece, not to speak of the still harsher fate of Cyprus (punished with a ruthless expropriation of local depositors, while EU financial institutions lost not a cent), which is passed over in silence, ever yield a critical overall reflection on the Union responsible for them. Of its own accord, a situational-tactical narrative excludes this.

Behind it, however, in this instance plainly lies a *parti pris*. The single currency is the ark of a covenant that is not to be questioned. Tooze does not enter into the particulars of its untouchability, depositing allusion to these into a footnote supported by a couple of technical say-so’s declaring doubts irreceivable. But an extreme susceptibility on the issue is plain from treatment of arguments at variance with this core value as little better than regression to tropes of national socialism.<sup>73</sup> Evidence of

<sup>71</sup> *Crashed*, p. 113.

<sup>72</sup> *Crashed*, pp. 398–9.

<sup>73</sup> Insinuation in ‘A General Logic of Crisis’ that Wolfgang Streeck, a leading critic of the EU since Maastricht, must be infected with anti-Semitism belongs in the *sottisier* of a Euro-dovecote prone to being flustered into such flights of imagination, alongside Habermas’s warning to French voters that if they rejected the European Constitution of 2005 they would be inviting a second Auschwitz. In Tooze’s case, it should be said, this was a rare lapse: in debate he has usually been even-tempered and generous.

the economic benefits of the euro, hard to come by, is not required.<sup>74</sup> Explaining his pledge to do whatever it took to save it, Draghi did not waste time trying to demonstrate these. He simply told his listeners, in words Tooze might echo, that they should not underestimate ‘the amount of political capital that is being invested in the euro’. Political capital: what is that? The investment of the political class in its own immunity from popular jurisdiction within the *zone franche* of the single currency.

Yet though it is taken as granted in *Crashed* that the Union of Maastricht is a public good, its performance after 2008 offers Tooze few grounds for satisfaction. If at the end of the day the eurozone remained intact, it was not of its own doing. So utterly inadequate was its response to the crisis that by 2010, ‘European affairs could no longer be safely left to the Europeans’.<sup>75</sup> Only American leadership and example, once the ECB had learnt to follow the Fed, could extricate it from floundering—‘the Eurozone was saved by its belated Americanization’. But that was in keeping with the origins of European integration, and the early, heady vision of its future that could now be envisaged once again: ‘America had reasserted a new version of liberal hegemony. Europe resumed the forward march to a United States of Europe it had begun under American guidance in 1947.’<sup>76</sup>

### *Feet of clay*

What then of the United States itself? There, paradoxically, Trump’s victory in 2016, a more drastic reversal than any development in Europe, leads to a verdict on Obama’s record more caustic and consolidated than

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<sup>74</sup> Writing on the eve of the crisis in 2008, Andrea Boltho and Barry Eichengreen, both supporters of European integration, concluded that the Common Market may have increased GDP by 3–4 per cent from the late fifties to the mid-seventies; that the impact of the EMS was negligible; that the Single European Act may have added perhaps another 1 per cent; and that it was unlikely that the Monetary Union had had ‘more than a very small effect on the area’s growth rate or even level of output’. For these judgements, see ‘The Economic Impact of European Integration’, Discussion Paper No 6820, Centre for Economic Policy Research, May 2008. None of the writers—Martin Sandbu, Waltraud Schelkle, Erik Jones—cited by Tooze as concurring with his attachment to the euro (*Crashed*, p. 619) offer a single figure in support of the notion that it has promoted growth.

<sup>75</sup> *Crashed*, p. 398.

<sup>76</sup> *Crashed*, p. 444. After attributing this prospect to unnamed academic optimists, Tooze ratifies it as ‘a reasonable assessment’, even if the stabilization of 2012, and ‘the important phase of state building’ it involved, would come at a steep political price.

can be found in Tooze's treatment of either the institutions or leading states of the EU. Due homage is paid to those who averted Armageddon. But they did so with technocratic fixes and 'spectacularly lopsided bail-outs' that made American capitalism even more concentrated and oligopolistic than before, yielding a 'dismal recovery'—one so inequitable that 95 per cent of what growth it generated was annexed by the top 1 per cent of Americans, the remainder seeing virtually no improvement in their income after the crisis. Obama's much touted health-care reform, the Affordable Care Act, even if it had created its own constituency, was by any larger measure 'deeply disappointing'. Little or no support was forthcoming to distressed mortgage-holders: unlike the bankers and fund managers among whom Bernanke and Geithner would slide into luxurious berths after departing government service, 'they were the powerless ones'. Centrist liberalism might seem to have triumphed, but its complacency was unwarranted. In 2014 the Democratic electoral rout should have been warning enough. Trump a few months away, Obama was telling people to ignore dark talk about society, and just take a walk in the sun, watch their kids playing and hear the birds chirping, to remind themselves what normal American life was like.<sup>77</sup>

Abroad, his administration had rescued Europe from financial breakdown and institutionalized the swap lines between the six principal central banks of the OECD. Even as the political scene was deteriorating at home, 'the global dollar system was being given a new and unprecedentedly expansive foundation'.<sup>78</sup> Yet however technically effective, this was an extension of the reach of American power without public authorization, comparable in its way to the electronic surveillance system of the NSA—each in their fashion offering a security blanket for the US and its allies. This pairing, unsettling for any patriot, is followed by the least conventional chapter of the book, a spirited critique of Western policy towards Russia and intervention in Ukraine, in which the US and EU share the odium of arrogance and blundering.

Already unexpectedly laudatory of Putin's response to the financial crisis of 2008, 'one of the largest in the world', a package of measures 'dwarfing those undertaken by West European governments',<sup>79</sup> Tooze leaves no doubt of his view about where primary blame lay in the descent of Ukraine into civil war five years later. When the arrival of a client regime

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<sup>77</sup> *Crashed*, pp. 454–60; 581, 321; 565.

<sup>78</sup> *Crashed*, p. 483.

<sup>79</sup> *Crashed*, p. 225.

mentored by US proconsuls in Kiev met retaliation from Moscow with a Russian take-over of the Crimea, the Obama Administration reached for its weapon of choice with states recalcitrant to the American will, and imposed sanctions—their first and only appearance in *Crashed*, though from the beginning of its story they were the inseparable, geopolitical face of the global dollar system whose expansion it records. Steadily ratcheted up by Washington, complemented with follow-my-leader steps from Brussels, and compounded by a steep fall in oil prices, the result was a worse economic crisis in Russia than in 2009, hitting the population much harder. The Treasury's war, as an exultant practitioner has termed it, had racked up another benchmark as Obama exited: a new Cold War with Russia.<sup>80</sup>

*Crashed* ends with a chapter, 'The Shape of Things to Come', on China. Is that where the epic of American leadership of the world, in the trilogy Tooze has devoted to it, finally encounters its limits, terrain beyond its inspiration or control? By no means was the PRC immune to the crisis of 2008, exports tumbling and unemployment rising. The CCP's response was a 'gigantic surge in stimulus spending', amounting to over 19 per cent of GDP, that commands Tooze's unstinting admiration. This was the largest Keynesian operation in history, a mobilization of resources on a scale Western economies had only ever achieved under the pressure of war. Its global impact was decisive. 'In 2009, for the first time in the modern era, it was the movement of the Chinese economy that carried the entire world economy'. Relieved at the outcome though Washington might be, could it be altogether reassuring? For what it now faced, 'for the first time since the rise of Nazi Germany', was 'a power that was, at one and the same time, a potential geopolitical competitor, a hostile regime type and a capitalist economic success story'. Integrated into the global economy though the PRC might be, 'deeply shared economic interests of the kind that legitimated the Fed's swap lines to Europe' would 'be far harder to develop'. Not that all was necessarily lost. The descent of the Shanghai stock market and flight of wealth overseas in 2015 revealed not only the inexperience of the Chinese authorities in handling capital markets, but their dependence in managing the crisis on a helpful decision by the Fed not to raise interest rates. There, solidarity of financial purpose held

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<sup>80</sup> See Juan Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare*, New York 2013; the author, an official of Cuban background, worked for the Bush Administration. For a gratified follow-up from the Obama regime in the shape of a manual of how to apply the lessons of successfully bringing Iran to its knees, see Richard Nephew, *The Art of Sanctions*, New York 2018.



good. But the Obama administration was not letting down its guard: its campaign for TPP was clearly designed to contain the PRC. For the fact remains that ‘the victory of the West in the Cold War was far from complete. China’s triumph is a triumph for the Communist Party. This is still the fundamental reason for doubting the possibility of truly deep cooperation with China in global economic governance. Unlike South Korea, Japan or Europe, China is not a subordinate part of the American global network’. The concluding anxious concatenation says everything. What is ‘truly deep cooperation’? Subordination. What is ‘global economic governance’? One more cloying euphemism for US control. Tooze neither assumes the syllogisms as his own, nor repudiates them.

#### V. LIBERALISM’S FAULTLINES

Enough has been said to bring home the virtues of Tooze’s trilogy, an enterprise of formidable energy, ambition and imagination, vaulting in scope, absorbing in detail. What light then does a reading of it cast on the paradox of Durand’s judgement of its concluding volume? Methodologically, Tooze’s ‘situational and tactical approach’ plunges the reader immediately into the stream of events; structural features emerge only from the point of view of actors attempting to deal with them. Thus the inter-imperialist War, the Great Depression, and the hypertrophy of finance are taken as givens, as are in different ways the world-views of Wilson, Hitler or Geithner. The method makes for compelling historical narrative, but it is premised on repressing structural explanation. Politics and economics are indeed interrelated, as Durand observes, but restrictively: treating the latter simply as the pragmatic field within which the heroes and villains of the story make their policy decisions.

Thematically, the trilogy is unified by a single, highly individual optic: it is star-struck by America. Not uncritical of it; but, as it were, mesmerized. Tooze’s background in the Bonn Republic, where a long-lasting strand in post-war culture mingled wide-eyed excitement with studious reverence for the USA—a cross, one might say, between the fandom of a Wenders and the pupillage of a Habermas—clearly accounts for much of this. ‘Perhaps particularly as one who grew up in West Germany in the seventies and eighties, as I did’, Tooze explained to his LRB audience, ‘America is gravity’. That belief is the kink in the arc of his work. It is not an ideological vow, like Habermas’s ‘unconditional orientation to the West’, but something closer to a personal—or, as he would have it, generational—quirk. Some

political consequences, of course, ensue. Domestically, Tooze has no difficulty finding fault with institutions, policies or persons in the US. Internationally, on the other hand, the US always looms too large in the balance of things—extravagantly in *Wages*, conspicuously in *Deluge*, still perceptibly in *Crashed*; and—not invariably, but too often—from Wilson and Dawes to Bernanke and Geithner, in the role of *salvator mundi*. The stripe of a particular exaggeration runs through the work.

The politics of a left-liberalism require no special reference to America, and if this is set aside, need to be considered in their own right. The compound, as noted, tends to be unstable. Tooze's version is no exception, swerving from a marked inflexion to the right in *Deluge* to a critical turn to the left in *Crashed*. If a single token were to be picked of the change, it would be the disappearance in the latter of the Manichean establishment binary, dividing the world into 'moderates' and 'extremists', pervasive in the former. A radicalization is unmistakable. But it is uneven. Certain of its limits can be seen if *Crashed* is compared with two earlier works covering the crisis of 2008–09 and its resolution, Simon Johnson and James Kwak's *13 Bankers* (2011) and Martin Wolf's *The Shifts and the Shocks* (2014).<sup>81</sup> Neither Johnson, former chief economist at the IMF, nor Wolf, columnist and leader-writer for the *Financial Times*, would think of themselves as connected to a left, however liberal. Yet their treatment of Bernanke and Geithner is more stringent, and their conclusions harder-hitting, than anything to be found in *Crashed*.

Opening his book with Bernanke's vainglorious speech of 2004 on the Great Moderation—hymning, in his words, 'a world of outstanding stability and superlative monetary policy'—Wolf terms it, with polite contempt, 'quaint'.<sup>82</sup> It was the Panglossian confidence of economists like these that, absent exogenous shocks, crises were impossible, which four years later generated the crisis. For Johnson:

Paulson, Bernanke, Geithner and Summers chose the blank cheque option, over and over again. They did the opposite of what the United States had pressed upon emerging market governments of the 1990s. They did not take harsh measures to shut down or clean up sick banks. They did not cut major financial institutions off from the public dole. They did not touch the channels of political influence that the banks had used so adeptly to secure decades of deregulatory policies. They did not force out a single CEO of a

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<sup>81</sup> Subtitled, respectively: *The Wall Street Takeover and the Next Financial Meltdown* and *What We've Learned—and Have Still to Learn—from the Financial Crisis*.

<sup>82</sup> Martin Wolf, *The Shifts and the Shocks*, London 2014, p. 2.

major commercial or investment bank . . . The total cost of all those blank cheques is virtually incalculable.<sup>83</sup>

The difference is palpable, too, when it comes to prescription. What, post-crisis, is to be done? Johnson, after a blistering attack on the ‘American Oligarchy’ of half a dozen mega-banks, says the only remedy is to break them up, confining any financial institution to a hard cap of 4 per cent of GDP, and investment banks to 2 per cent. Wolf is willing to go much further, urging renewed consideration of Irving Fisher’s plan to abolish the ability of private banks to create money altogether, by obliging them to hold 100 per cent reserves against their deposits, and giving the state the exclusive right to issue money. No comparable proposals of any kind can be found in *Crashed*. Tooze can legitimately reply they would be out of place in the work of a historian. But as a prolific topical commentator in a wide variety of publications, the same does not apply. There too, however, abstention would seem to be the rule.

Liberalism has always contained different shades, and its dominant version has varied across countries and periods. In the capitalist world, going back to the eighties, the line of division separating a liberal politics from a politics of the left is their respective attitudes to the existing order of things: does it require structural change or situational adjustment?<sup>84</sup> The degree envisaged of each defines relative locations on either side of the dividing-line. To see where Tooze’s position might lie requires a sense of the dominant liberalism of the period. That comes in two inter-related packages. Between states, the ‘liberal international order’ has for thirty years been the touchstone of geopolitical reason: free markets, free

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<sup>83</sup> *13 Bankers*, p. 173. Reviewing *Crashed*, Johnson noted that Tooze ‘treads gently’ where US deregulation is concerned: ‘The people who get off lightest are senior officials at the Federal Reserve, including Timothy Geithner, president of the New York Fed during the go-go years’, whose self-serving claims Tooze accepts with unwarranted credulity: *Washington Post*, 11 October 2018. For Geithner’s crammings of his Treasury team with Wall Street operatives—his chief of staff was a former top lobbyist for Goldman Sachs, others came from Citigroup, Blackstone, Merrill Lynch—and constant communing—over eighty times in his first seven months in office—with the heads of Goldman, JP Morgan and Citigroup, see *13 Bankers*, pp. 186–7. A major theme of Johnson’s book, scarcely broached at all in *Crashed*, is the political corruption of Washington by the country’s financial institutions.

<sup>84</sup> Matters differed in the Communist world: there, of course, liberalism did mean commitment to structural change, and in an exceptional figure like Dmitri Furman could produce a liberalism of the left of a purity and power unlike anything to be found in the West in the same period: for a description, see *London Review of Books*, 30 July and 27 August 2015.

trade, free movement of capital and other human rights, policed by the most powerful nation on earth with help from its allies, in accordance with its rules and its sanctions, its rewards and its retributions. Within states, ‘neoliberalism’: privatization of goods and services, deregulation of industries and of finance, fiscal retrenchment, de-unionization, weakening of labour, strengthening of capital—compensated by recognition of gender and multicultural claims.

The first has reigned far more unchallenged than the second. Very few liberals have seriously contested the principles of free trade, the primacy of the United States, or the rule of international law as enshrined in a United Nations whose decisions the US has for the most part been able to determine at will. The liberal international order remains a precious icon. Many, on the other hand, have questioned or resisted the full application of neoliberal measures within their own societies, nowhere implemented in their entirety. The extent to which the first shapes the intellectual universe of contemporary liberalism can be judged by the adaptation of leading minds once on liberalism’s left to its requirements: thinkers like Rawls, Habermas and Bobbio all furnishing apologetic glosses on US wars of intervention against states declared outlaws by Washington, with or without the affidavit of the Security Council.<sup>85</sup> Tooze has never compromised himself in this way. But the language of ‘global economic governance’, cleansed of any reference to its most prominent innovation, the proliferation of sanctions to strangle or bludgeon recalcitrant countries into line—‘war by other means’, as Ambassador Blackwill candidly describes it—offers a route to much the same.<sup>86</sup>

What of the national plane of politics? Tooze has written with all due trenchancy: ‘Under modern conditions, neoliberalism is, de facto, an anti-democratic politics, which resolves the tension between capitalism and democracy either by limiting the range of democratic discretion or by interfering directly in the democratic process’.<sup>87</sup> He has attacked the

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<sup>85</sup> See ‘Arms and Rights’, NLR 31, January–February 2005, pp. 5–40.

<sup>86</sup> Robert Blackwill and Jennifer Harris, *War by Other Means: Geoeconomics and Statecraft*, Cambridge, MA 2016. The liberal consensus around sanctions exceeds even that in favour of its cousin, humanitarian intervention. In Congress, there were just five votes in the House and the Senate against CAATSA—Countering America’s Adversaries Through Sanctions Act. Four were Republican, the fifth was Sanders, who—unlike the others—explained that he was, of course, in favour of sanctions against Russia. Every single Democrat in the two chambers voted for the bill.

<sup>87</sup> ‘Tempestuous Seasons’, p. 19.

escalation of economic inequalities under the neoliberal regimen with no less vigour, and criticized Pollyanna solutions to it. Piketty's well-meaning proposal of a global wealth tax, he writes in *Crashed*, 'wasn't wrong':

It just sidestepped the reason it was needed in the first place, the brutal struggle for privilege and power, which for decades had enabled those at the top to accumulate huge wealth, untroubled by any serious effort at redistribution. The answer, if there was one, was clearly not technical. It was political in the most comprehensive sense. Power had to be met with power.<sup>88</sup>

When writing in this vein, Tooze has certainly earned his place on the left of liberalism. But the compound is labile. Elsewhere in *Crashed*, he can write without demur of Obama's failure to deliver 'a concerted drive to unify American society around a sustained programme of investment-driven growth and comprehensive modernization'.<sup>89</sup> Unify American society—or, power against power—cleave it?

If there is no clear-cut resolution of these tensions in *Crashed*, it is in part because so much rhetorical emphasis falls on the technical complexity of the 'giant "systems" and "machines" of financial engineering', and the vital role of a pragmatic managerialism in keeping them running. Central banks, Tooze has insisted, far from being stoppers of democracy, have often been flywheels of progress. After all, without the good sense of the Bank of England and the Federal Reserve, could the Entente have won the First World War, or the Allies the Second? Without helpful counteractions by Carney and Draghi, could the fall-out of unfortunate developments like the victory of Brexit in one referendum, or the defeat of Renzi in another, have been contained? 'It would be a grave theoretical error and missed practical opportunity if technocratic structures were held to be a diminution of politics'. They can enhance them. Think of the 'astounding flair for the situation'—magic term!—of someone like Mario Draghi.<sup>90</sup>

When he writes in this mode, rather than looking to possible avenues of democratic control over them, Tooze explains that 'there are good reasons to defend technocratic government against the unreasoning passions of

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<sup>88</sup> *Crashed*, p. 462.

<sup>89</sup> *Crashed*, p. 454.

<sup>90</sup> 'Für eine Politik der Geldpolitik: Habermas, Streeck und Draghi', co-authored with Danilo Scholz, *Merkur*, May 2017, pp. 19–21, which extends Tooze's criticisms of Streeck, and takes Habermas's conversion to the president of the ECB as a measure of its wisdom.

mass democracy. It is all too obvious today how important it is to be able to identify matters of potential technical agreement beyond politics.’ Sanity and lunacy so distributed, how can irrational masses be brought to accept rational decisions taken by the Bernankes and the Draghis? There, essential is that ‘coalitions be assembled for unpopular but essential actions’—not just as a conjunctural, but as a permanent necessity: ‘building such ad hoc and lopsided political coalitions is what the governance of capitalism under democratic conditions entails.’<sup>91</sup>

Unpopular but essential actions: Tooze’s indictment of the EU brutalization of Greece is searing enough. But does he have anything to say about Tsipras’s shredding of a referendum to comply with it? Nothing. A silent sigh of relief can be deduced. For wasn’t such surrender the responsible course of action, as Stresemann showed? It is enough to recall Durand’s verdict in *Fictitious Capital* on the overall tale Tooze’s book tells to see the difference between the two writers: ‘Finance is a master blackmailer. Financial hegemony dresses up in the liberal trappings of the market, yet captures the old sovereignty of the state all the better to squeeze the body of society to feed its own profits.’ That note is missing in *Crashed*. There, blackmail—not called as such—is regrettable, but acceptable.

Ad hoc and lopsided coalitions: to date, the most specific illustration Tooze has offered comes in a recent piece on Germany, his European land of reference, in the LRB. In it, he argues for the creation of a Red–Red–Green alliance of the SPD, Die Linke and the Greens, in place of the current Black–Red coalition of the CDU–CSU–SPD that has ruled the country since 2013, as previously from 2005 to 2009. Within the alternative bloc of his hopes, his preference plainly goes to the SPD, hailed as ‘no ordinary political party’, but one that for 150 years, from the time of Bismarck to that of Merkel, has ‘stood for a vision of a better, more democratic and socially just Germany’—as if these were adjectives that could encompass the vote for war credits in 1914, the use of the Freikorps to dispatch Luxemburg and Liebknecht, the McCarthyism of the *Radikalerlass* in the seventies, and the practice of renditions in this century: not the whole record, but an indelible part of it. Today, obstructing the prospect of a Red–Red–Green alliance is ‘Die Linke’s ingrained hostility to NATO’.<sup>92</sup> The good sense of the SPD’s *Kaisertreu* fealty to it goes without saying.

<sup>91</sup> ‘Tempestuous Seasons’, pp. 20–1; *Crashed*, pp. 615, 613.

<sup>92</sup> Tooze, ‘Which Is Worse?’, *London Review of Books*, 18 July 2019, pp. 19, 21.

Such questions aside, what should be the programme of a future Red–Red–Green government? Formally speaking, Tooze’s article is a review of four recent books on Germany, to which he adds three others as he proceeds, though as often in the LRB reference to them is cursory, none accorded the dignity of an actual review. Much of the substance of the piece is devoted to the social consequences of Hartz IV, Schröder’s ‘tough new system of welfare and labour-market regulation’, imposed in 2005. Though he prefers a more to a less lenient view of its neoliberal agenda, and complains that the SPD gets no credit for ‘earnest efforts to rebalance’ its consequences—a minimum-wage law has since belatedly ended a situation in which Germany was one of the last countries in Europe without one<sup>93</sup>—Tooze leaves no doubt that the condition of the country is far from ideal: inequality has soared, precarity has spread, and with it social and political unrest. To remedy such ills, what agenda of social repair does he outline for a Red–Red–Green coalition? Answer: Germany needs ‘a more pro-European government’, one capable of responding to the ‘bold vision of Europe’s future’ offered by a ‘charismatic’ Emmanuel Macron<sup>94</sup>—a leader famously capable of constructing a transverse, if lopsided coalition and taking unpopular, but essential decisions. Nothing else. ‘Europe can ill afford further delay’. That empty signifier is all.

It would be wrong to make too much of this. Tooze spreads himself widely, and his accents and formulations vary from place to place. That’s often the price of a growing reputation—*la primadonna é mobile*—and shouldn’t be taken too seriously. To criticisms of inconsistency, he can in any case reply quite reasonably that nothing he has written falls outside the parameters of a basic commitment to liberalism as it has developed in the West from the time of Wilson and Lloyd George to that of Geithner and Macron, and no one can accuse *Crashed* of lacking a social sensibility in keeping with this tradition. Yet in today’s world, the question can be asked: how far does that differ from running with the hare and hunting with the hounds—indignant sympathy for the hare, awed admiration for the hounds? ‘Power must be met with power’. Truly?

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<sup>93</sup> A minimum wage was repeatedly proposed to the SPD by Die Linke and declined by it, at a time when the two parties had sufficient votes to pass one in the Bundestag.

<sup>94</sup> ‘Which Is Worse?’, pp. 19, 22; for ‘bold vision’ and Macron, see *Crashed*, pp. 595, 562.