

Whose century?

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What Eric Hobsbawm called the ‘short 20th century’ is supposed to have ended in 1989 with the United States winning the Cold War. Yet today America faces a powerful and assertive China, a one-party state with an official ideology it calls 21st-century Marxism, which is busy building a powerful military on the back of an economy set to become the world’s biggest in the foreseeable future. This development has shaken the assumptions that have underpinned economic and national security decision-making in Washington for the last thirty years.

The change in circumstances has been dramatic. In 2001, after years of painful negotiation, the US managed China’s accession to the recently established World Trade Organisation, which sets the world’s trading rules. With this, the WTO became a truly global organisation, incorporating the vast majority of the world’s population. The hope, as expressed by President Bush’s trade representative Bob Zoellick, was that China would become a responsible stakeholder in the global system. Twenty years later, it is the second largest national economy in the world. The US and China are deeply interconnected through trade and investment. Yet they are locked in a conflict which, according to President Trump, may yet result in a complete ‘uncoupling’ of the two economies. The Trump administration, meanwhile, is doing its best to sabotage the WTO, in large part because it has failed to tame China’s rise.

The Covid-19 crisis has pushed into the background the smouldering trade war between the US and China, but it has not prevented their economic rivalry morphing into a dramatic grand strategic stand-off. The financial hub of Hong Kong has become a political battleground; the US has launched an all-out campaign against Huawei, China’s leading tech firm; and both sides have announced sanctions against senior politicians. The movement of people between the two countries, previously in the millions, has reduced to a trickle. Whether it will resume when the Covid-19 crisis passes is anyone’s guess. What’s more, the conflict is spreading to America’s allies, including Australia, Canada, France and the UK.

It is hard to escape the impression that we have reached a point of historic rupture, and that is the feeling conveyed by this recent crop of books on Sino-American tensions. Not only do they offer a chronicle of mounting tension but, though some of them were completed just a few months ago, they seem to speak from a world we have lost. The questions they ask are still urgent, but in our current situation they are being reframed with each passing day.

On the American side the reassessment of US-China relations began nearly ten years ago, during Obama's first term, when Hillary Clinton was secretary of state. Clinton had taken a close interest in Chinese affairs as far back as the 1990s, when she was first lady. In 2011, as secretary of state, she initiated the pivot to Asia of the navy's carrier groups, the most conspicuous weapons in the US strategic arsenal. The Trans-Pacific Partnership (TPP), an obscure trade pact in which America had until then shown little interest, was refashioned as a tool for containing China. If Clinton had been elected president in 2016, the relationship with China would doubtless have been at the heart of her foreign policy. She would have personified continuity in the US position, but under any administration the remarkable growth of China's economy would have warranted a new strategic response, as would President Xi's regime, which since 2012 has promoted the pre-eminence of the Chinese Communist Party, an intolerance of ideological pluralism, a forceful assertion of Chinese sovereignty and a capacious new vision of China's role in the world.

Donald Trump's unexpected election victory changed the debate by putting the spotlight back on the US. The Trump presidency is a Rorschach blot onto which analysts project their diagnosis of a crisis that is as much American as Sino-American. Self-critical American liberals see the Trump presidency as the result of the derailment of US globalisation policy, above all in relation to China: blue-collar resentment, stoked by unbalanced trade, put Trump in office. Meanwhile, Trump and his team put the blame for the China crisis on their predecessors in the Obama, Bush and Clinton administrations. For hawks, such as the US trade representative Robert Lighthizer and Trump's favourite economic adviser, Peter Navarro, the question is why the effort to enrol China in the world economy was undertaken in the first place, and who benefited from an experiment that has gone so badly wrong.

The crude Trumpian take, which is perhaps also the kindest, is that the US negotiators of the 1990s and early 2000s were chumps, suckered by the Chinese. The more sophisticated version is that Bill Clinton's team were too committed to the kind of modernisation theory Frances Fukuyama spun in his 'end of history' essay in 1989. They believed the liberal story that as China's economy matured it would inevitably develop a need for the rule of law and representative democracy. If the Communist regime refused this logic and clung to its old ways, the laws of social science would condemn it to economic stagnation. Either way America had nothing to fear.

In his cool-headed history, *Schism*, Paul Blustein takes issue with both these interpretations. So too do Bob Davis and Lingling Wei in their more journalistic account, *Superpower Showdown*. With hindsight it is clear that the policymakers of the 1990s and early 2000s did get some things wrong. They didn't anticipate Xi's restorationist, personality-driven model of CCP leadership. But neither did plenty of Xi's rivals in Beijing. Xi is a transformative leader of a conservative kind. What cannot reasonably be said is that the Clinton or Bush administrations were naive about the ease of convergence with China. The terms of its accession to the WTO were demanding; thousands of Chinese laws had to be brought into compliance. As Blustein recounts, Zhu

Rongji, the Chinese premier who negotiated the deal, faced widespread denunciation at home for selling out to America. The terms of China's WTO accession were, one senior Communist Party official blurted out, no better than the infamous '21 points' which imperial Japan had tried to foist on the Chinese republic in 1915.

The boom in China's exports in the new century wasn't the result of a sweetheart deal, but of the extraordinary mobilisation of labour and capital that began in the 1990s. And in that process Western capital played a key role. The question asked by the American left, as well as more hard-nosed right-wingers, is not whether the US negotiators were naive or incompetent, but whose interests they were representing. Were they negotiating on behalf of the average American, or American business? As Davis and Wei show, US economic policymakers were committed to advancing the interests of American business more or less as business articulated those interests to them. US manufacturers such as Boeing, GE and Pepsi, banks like Goldman Sachs, Morgan Stanley and JP Morgan, and the insurance giant AIG all wanted the new market, and they wanted the cheap labour. From 1994, when the Clinton administration abandoned its hard line on the legacies of Tiananmen, the thrust of policy was to open up new markets and opportunities for investment, even in the face of strong objections from American trade unions. To get approval for the deal in Congress American business mounted the most expensive lobbying effort ever. So eager were American firms to be seen as the chief advocate for China, they had to form a committee to make sure they didn't fall over each other.

In 1949, 'Who lost China?' was the question that tortured the American political establishment. Seventy years later, the question that hangs in the air is how and why America's elite lost interest in their own country. Coming from Bernie Sanders that question wouldn't be surprising. But it was more remarkable to hear William Barr, Trump's attorney general, describe American business as 'part of the problem' because its corporate leaders are too focused on their stock options and have lost sight of the 'national view' and the need to ensure that 'that the next century remains a Western one'. He warns corporate executives lobbying for China that they may be treated as foreign agents. This is all a long way from the 1990s, when America's corporate leaders could confidently assume that their way of seeing the world was so deeply entrenched in the US political system that their desired version of integration with China would go unchallenged, whatever the costs it imposed on American society. They folded China into their corporate planning as though all that was involved were private business decisions, not a wholesale rewiring of the global order. Today, that wager on the world as a playground of corporate strategy is unravelling.

The first miscalculation was to underestimate the capacity of the Chinese regime to retain control. As Beijing coolly points out when faced with complaints from the Americans, no one forces Boeing, GE or GM to invest in the Chinese market: they do it for profit. If American trade negotiators return, year after year, to ask for further concessions from China and modifications to its economic system, it is because they want more security and transparency, which will inevitably be at the expense of the

sovereign discretion of the Chinese regime; and they want to limit the ability of Chinese businesses to acquire American expertise and work their way up the value chain. Leaders in Europe and the US are increasingly concerned about the ferocious competition from Chinese firms, and the many ways in which China subsidises its own producers to compete both in domestic markets and abroad.

As Trump's trade warriors point out, the range of instruments that China deploys in industrial competition makes a nonsense of trade policy as defined by the WTO. Complexity and opacity are key to the success of China Inc. As Blustein shows in an illuminating cameo about tractor tyres, the network of state support for Chinese industry extends from central and local government grants and tax exemptions to subsidised land deals, cheap electric power and a raft of subsidised low interest loans, from the government as well as public and private banks. When rubber prices surged in the early 2000s Beijing devised a scheme to supply it at a reduced price and gave a set of inducements to rubber producers. The arrangements are all-encompassing yet almost entirely deniable, as the American lawyers retained by Chinese firms demonstrate when they face unpleasant questions from the US Department of Commerce.

But, as Matthew Klein and Michael Pettis argue in their brilliant polemic *Trade Wars Are Class Wars*, industrial policy instruments are only part of the story. The more fundamental reason for the Sino-American trade imbalance is macroeconomic. When we look at the world economy as a whole the dollar is the hegemon. The US economy is still the largest; US capital is the most profitable; the US elite is the most prosperous. And it was the US elite that pushed for China to be admitted to the WTO. But when we look instead at the flow of money and goods around the world, it is clear that non-American actors have always played a key part in shaping them. Using the dollar system as their anchor, mercantilist export-driven economies have repeatedly remade the pattern of world trade. After 1945 it was the resurgent West European economies. In the 1970s and 1980s it was Japan and the 'Asian tigers'. As Klein and Pettis show, since the 1990s it has been Germany and China.

For both, 1989 was a turning point. With the lifting of the Iron Curtain, Germany's manufacturing firms gained access to the labour markets of Eastern Europe. Beijing's fearsome repression of dissent at Tiananmen set the stage for a huge export drive based on holding down wage costs, shedding seventy million jobs from inefficient state-owned enterprises and suppressing domestic consumption. Both China and Germany have seen dramatic increases in pre-tax inequality since the 1990s. Though the incomes of virtually all households in China have made a huge leap forward, household consumption as a share of GDP fell as low as 36 per cent, on a par with the Soviet industrialisation drives of the 1930s. Savings surged, despite interest rates so low they amounted to a form of taxation, which made space for huge volumes of investment and export. This export drive on the backs of the Chinese working class is one aspect of what Klein and Pettis describe as a 'class war'.

The result of this deliberate stunting of domestic purchasing power was a restriction of imports and a surge of exports which has delivered cheap goods to the rest of the world.

This export-driven growth engine has raised hundreds of millions out of poverty in China and in Germany has secured the future of Europe's pre-eminent manufacturing powerhouse. Neighbouring low-cost economies such as Hungary and Slovakia in Eastern Europe, or Vietnam in East Asia, have been recruited to add capacity to the main manufacturing hubs. Suppliers of raw materials, such as Brazil and Australia, have benefited from the bonanza. At the same time, America's vast consumer markets have been flooded with cheap manufactured goods; the blow to its blue-collar workers is sometimes referred to as the 'China shock'. This is the second aspect of Klein and Pettis's 'class war'.

The remedy, some American conservatives argue, is for the US to put its fiscal house in order. If the US reduced its government deficit and adopted austerity, its economy would be less overheated, its firms would be more competitive and its trade deficit would disappear. But as Klein and Pettis show, this is not borne out by the data. When the US has shrunk its government deficit in the past, its trade deficit hasn't always fallen. This is because it isn't the government account alone that decides the balance of saving and investment in the economy, but America's households and businesses and government taken together, and effects in these spheres largely cancel each other out. What accounts for the fluctuations in America's balance with the rest of the world is above all the inflow of capital from abroad. This is driven by export surplus countries, notably China, investing their export earnings in safe American assets, above all American government debt. By 2013, Chinese dollar holdings had risen to more than three trillion dollars, driving up the dollar and crowding out American manufacturing. An imaginative American policymaker might have decided to treat this inflow like proceeds from oil wells, directing it into a ring-fenced sovereign wealth fund, which could have been used to fund much needed infrastructure projects or an industrial policy to match those of China and Germany. Instead, it was Wall Street that profited in its role as the chief conduit of global finance – opening a third front in the class war.

Clearly this system, if one can call it that, delivers significant benefits for some parties. The regime in China can claim the legitimacy that comes of having improved the material circumstance of hundreds of millions of people. It has also created a wealthy business class and an army of prosperous professionals, many of whom have been enrolled into the ranks of the party. Foreign manufacturers that use Chinese labour – Apple is the most prominent example – reap huge profits from low-cost assembly operations. Bankers around the world take a cut on every transaction. Hong Kong boomed on the back of the capital flow in and out of China, becoming, after Wall Street and London, the third great centre for dollar-based finance and one of the world's least affordable places to live. Consumers around the world, meanwhile, benefited from abundant cheap imports.

This situation has continued for as long as it has because enough powerful people have an interest in its continuing. But driven to extremes, as it has been lately, it requires some delicate handling. In recent years China has allowed its exchange rate to appreciate. Wages have risen strongly. Xi has added unceasingly celebration of the

Chinese dream, positive energy and, when those aren't enough, repression. Germany presided over a near disaster in the Eurozone, but at least at home, the welfare and tax system effects a significant redistribution such that despite rising pre-tax inequality, the disparity in post-tax incomes is substantially moderated. If the jerry-rigged global economic system is in jeopardy, it is because of the spectacular failure of the American political establishment.

Not every part of the American government machine has failed. The world economy relies on the dollar as a common currency, and the Fed has been essential to sustaining the system in the face of a series of shocks. Other central banks, the ECB, the People's Bank of China, the Bank of Japan, as well as smaller banks like the Bank of England and the Swiss National Bank, have played their part. The gigantic quantities of liquidity supplied by the central banks keep the engine running. If the central banks declined to act, the world economy would be threatened by a sudden heart attack. What that might look like was starkly illustrated by the ruinous financial crisis in the Eurozone between 2010 and 2012, brought on by the conservative brinksmanship of the European Central Bank. Faced with the Covid-19 crisis, even the ECB appears to have learned its lesson.

Yet, pivotal though it is to the world economy, the Fed's role is limited to technocratic crisis-fighting. It has no more than indirect influence over domestic labour markets and welfare arrangements; it has no influence at all on trade policy, let alone over the political process. And this is where the failure of the American elite lies. Since the Clinton era, the Democratic establishment has held up its side of the bargain, deflecting opposition to globalisation from trade unions. What it did not reckon with was the ruthless cynicism of the Republican Party in opening its doors to xenophobic, know-nothing white nationalism, inciting talk of a nation betrayed and swinging over to protectionism. The Democrats also didn't take into account the dogged refusal of the Republicans to co-operate in their efforts to patch together America's welfare state, even, or especially, when it came to fundamentals such as unemployment insurance and health coverage.

Every advanced economy in the world – Japan, South Korea, European countries (Italy in particular) – felt the 'China shock'. But only in the US has it led to the kind of political crisis we have witnessed since 2016. It is this that requires explanation. Thanks to the painstaking work of labour economists we can trace, county by county, the impact of Chinese imports and the loss of factory jobs across the US. The evidence of the shock is clear enough, but so too are its modest proportions. High-side estimates put the total number of jobs lost in the US because of Chinese imports at 2.5 million, which is little more than 2 per cent of the workforce. To describe this as 'American carnage' is a dramatic rhetorical inflation. The significant fact, though, is that 2.5 million amounts to 20 per cent of the manufacturing labour force. These were the fabled well-paid manual jobs that stand for the vanished American dream of blue-collar prosperity.

Given the resources of American government, a shock on this scale could have been cushioned through spending on welfare, education, reinvestment and relocation. But that would have required creative politics, which is precisely what has been obstructed

by the Republicans. Instead the problem wasn't addressed, unleashing a pervasive status anxiety among lower-middle-class and working-class white Americans, especially men. It was in the counties where the highest number of jobs were lost because of the China shock that Trump scored best in the 2016 election. There wasn't a huge national swing in electoral terms, any more than the China shock was a huge national labour market crisis. But thanks to the rickety construction of America's 18th-century constitution, all that Trump needed to do to win the presidency was exploit a series of concentrated local crises.

The sound and fury of trade war has been one of the few consistent motifs of Trump's administration. But he is torn schizophrenically between his desire to pose as the champion of blue-collar workers and his obsessive interest in the Dow Jones index, which doesn't react well to his economic nationalism. While Trumpian rhetoric emphasises the dignity of labour, even economists inclined to favour protectionism have struggled to find any substantial group of American workers that has benefited from Trump's tariffs. No major business coalition has backed his trade policy. When the wrecking ball swings too wildly – when, for example, Trump threatened to overturn Nafta, on which essential supply chains in Canada and Mexico depend – the business lobby pushes back. Steve Mnuchin, the Treasury secretary, once of Goldman Sachs, is the figure in Trump's administration who has channelled a more traditional pro-business Republican politics. After some nail-biting moments Nafta has re-emerged as the United States-Mexico-Canada Agreement (USMCA). But when it comes to China, as Davis and Wei show, the business community, once so active in pushing for integration, has changed its tune. Beijing has repeatedly asked its well-connected contacts, such as the billionaire investor Stephen Schwarzman of Blackstone private equity, to intercede with America's business leaders, only to be told that they don't have the sway or aren't inclined to use it. They are afraid of being pilloried as unpatriotic globalists. And, after years of frustration in their negotiations with China, they appear to be willing to allow Trump's team to extract whatever concessions it can from Beijing. Given the decades of investment involved, it is a high-stakes gamble.

A political front has formed in Washington consisting of veterans of the trade fights of the 1990s and 2000s from both parties, hawkish advisers led by Lighthizer and Navarro and the president himself. The old war horses of American trade policy would like to refight the battles of 15 years ago, when China used low wage costs and currency manipulation to drive exports. Those days are long gone. China's wages are relatively high compared to those of neighbours like Vietnam. And the People's Bank of China spends more time these days propping up the yuan than it does driving it down. What matters today from a business point of view isn't wages but intellectual property protection and access to Chinese markets. But that isn't Trump's agenda. He is bent on curbing Chinese imports. He regards trade deficits as a drain on America's 'precious bodily fluids'. He wants his money back. He wants China to pay and tariffs are his weapon. His *idée fixe* is that it is Chinese exporters, rather than US consumers, retailers

and wholesalers, who actually bear the burden of tariffs. In between bouts of tariff hiking he likes to cut deals, earn applause from Wall Street and share photo-ops with the regal Chinese president.

Beijing thought it had arranged a ceasefire by agreeing to purchasing quotas. Under the so-called Phase I deal signed in January, China committed to buying an additional \$200 billion in goods and services over the next two years. The Covid-19 crisis has interrupted the normal flow of business, but it didn't escape notice that many industries, including the computer chip manufacturing industry, wanted no part of the deal. American microelectronics firms decide their production and sales arrangements according to complex corporate strategies. The last thing they want to be doing is renegotiating their supply chains so that Chinese state bureaucrats can meet targets agreed with Trump.

None of this addresses the imbalance between aggregate demand and supply which is ultimately rooted in China's severely skewed income distribution. It isn't until Chinese workers are paid closer to the value of their output, Klein and Pettis argue, and until Chinese households are able to adjust to normal levels of consumption, that trade will rebalance in a healthy way. Klein and Pettis hark back to the classic study of imperialism published by the British economist John Hobson in 1902, in the wake of the Boer War. Hobson's work inspired Lenin's understanding of the First World War as an outgrowth of imperialist competition but, unlike Lenin, Hobson refused to accept that financial rivalry must inevitably lead to war. The key to pacifying the international realm lay in rebalancing domestic inequality such that domestic demand was adequate to domestic production. It was a proto-Keynesian answer to the challenge of imperialism, a win-win liberal formula for defusing international tension by reducing domestic inequality.

But when one tries to imagine such a Keynesian rebalancing in our current situation, two questions immediately arise. Who will bring it about? And will an economic adjustment be enough to defuse the clash of international interests? As far as China is concerned, the answers depend crucially on the CCP. The regime has regularly promised to deliver precisely the rebalancing that Klein and Pettis are calling for, raising consumption and reducing China's reliance on investment and exports as drivers of growth. But it is hard to abandon the model. Significant vested interests cluster around the main technical ministries. Regional governments, each the size of a large European state, are addicted to infrastructure spending. To call on Beijing to make the adjustment by allowing free trade unions and collective bargaining is unrealistic. More likely would be an effort to improve the bargaining position of the downtrodden rural migrants, 174 million of them, who sustain China's urban economy, and to expand the country's far from generous welfare system.

But even if Beijing were willing to embark on a programme of dramatic domestic rebalancing, do we really believe the problems between China and the US would go away? Is the trade war really about trade? That might have been plausible a few years back, but today's tensions go far beyond economic issues. Even in the trade arena, what

dominates the discussion at present isn't soy beans or blue-collar industrial jobs, but microchips, cloud computing, 5G and intelligence gathering by way of TikTok. What is at stake is technological leadership and national security.

Astriking thing about the three books I have discussed so far is that each of them brackets questions of politics and security policy. Blustein apologises for his lack of expertise in the area and leaves it at that. Davis and Wei acknowledge that hawkish national security types like John Bolton, or the deputy national security adviser, Matt Pottinger, have a voice in the US's China policy, but insist that as far as Trump is concerned what matters are headlines and the Dow Jones. Klein and Pettis talk about 'wars', but as far as they are concerned there is no fundamental difference between America's deficit with China and its deficit with Germany. This may be true as a matter of macroeconomics, but when it comes to grand strategy it makes little sense. Try as they might, even the most hawkish American policymakers will struggle to represent Angela Merkel as a security threat.

This disavowal of the obvious connection between trade and security policy is the hallmark of an earlier era, which we are in the process of leaving behind. One of the effects of America's unipolar dominance in the wake of the Cold War was that it permitted a clean line to be drawn between economic and security policy. Economic growth powered by globalisation was geopolitically innocent. In the best case, as liberals hoped, economic development would produce political and legal convergence. China would become a partner in a system shaped by the US. And if it didn't, it couldn't cause any real harm because America's military and economic predominance were so overwhelming that no economic event, be it a historic crisis or a dramatic burst of growth, could seriously challenge it.

The resurgence of Putin's Russia exposed the frailty of this logic. Although its GDP isn't much larger than Spain's, Russia has managed to leverage its military assets to upend the geopolitical balance in Western Asia and the Middle East. The scale of China's growth, combined with the determination of its political leadership, has undone the notional separation of economics and security policy entirely. The reason that a large part of America's elite is deeply concerned about China has nothing to do with trade imbalances or blue-collar jobs. What matters is the sheer weight of state power conferred on Beijing by China's spectacular economic growth. As far as America's hawks are concerned, every dollar added to China's GDP, every piece of technology that China acquires, shifts the geopolitical balance in the wrong direction.

It is vital to recognise this in order to get the Trump administration in the right perspective. If you focus on the erratic character of the president himself and seek to interpret trade policy according to the ground rules of the pre-Trump era – to assume that it is about social and economic interests – you will find only incoherence. But as the new generation of American grand strategists see it, the real incoherence was in what came before, in the period from the 1990s to roughly 2010, when the civilian branch of the US government was planning for the incorporation of China into the world economy

while the Pentagon was wargaming a possible shooting war in the Taiwanese straits or on the Korean peninsula. (A Rand study resorted to the neologism 'conengagement' to characterise this blend of engagement and containment.) Today's hawks, looking back at this period, see it as the national security counterpart of the American elite's economic betrayal. While China rose, America slept. For them, the Trump administration is a moment of long overdue awakening.

New buzzwords have appeared to meet the needs of an era in which economics and grand strategy are inextricably entangled. Edward Luttwak's term 'geoeconomics' has been picked up again; in the last few months there has been talk of 'weaponised interdependence'. That term might apply to the detention in Canada of Meng Wanzhou, the chief financial officer of Huawei, for violating US sanctions on Iran, or to Beijing's demand that HSBC and Standard Chartered express their support for China's new security law in Hong Kong, or the rumours that the Trump administration might try to attack the peg that links Hong Kong's dollar to the US currency. But it could also take in Trump's inflammatory references to the 'Wuhan virus' and 'Kung flu': Covid-19 imagined as a weaponised virus spread to the West by hordes of Chinese tourists and businesspeople.

The Pentagon has responded to the moment by formulating a new economic national security concept. In May the administration released a major statement on the new era of great power competition with China. This starts with the rejection of the liberal premise of convergence and a blunt assertion of the need to confront the power of the CCP and its global influence. American government is asking institutions, including universities, to treat Chinese partners with a new suspicion. With regard to 5G, as the UK has learned, America's allies are being put on the spot: there will be limits on intelligence sharing with those who include Huawei in their network.

The re-evaluation is now moving beyond foreign policy. If this is a new Cold War, the conservative historian Hal Brands says, then America needs to rally the home front. It must become 'a better version of itself'. The prolific and unorthodox conservative Michael Lind, in *The New Class War*, mounts a critique of what he calls the 'overclass' and its creeping marginalisation of the American working class that might just as easily have come from the Sanders camp. He goes on to demand a new democratic pluralism which would institutionalise the voice of the working class and give it leverage, as tripartite corporatist negotiations between labour unions, employers and government once did. Inverting the quiescent vision of Klein and Pettis, Lind sees the new Cold War with China as an opportunity to relaunch the American government as an engine of economic development – not domestic reform as a means of defusing international tension, but international tension as a driver of domestic transformation.

There are plenty of historical examples of external crisis being used in this way in the US, from Alexander Hamilton to Roosevelt to Reagan. But to infer that any international crisis affords such an opportunity is to put the cart before the horse. The progressive potential of such a moment depends on whether or not there are countervailing institutions that can channel its energies in the direction of reform. In

the mid 20th century that meant organised labour and the institutions of grassroots democratic politics. Those are massively weakened today. The current situation is encapsulated in the fact that multi-billion-dollar packages to fund a military-industrial confrontation with China are passing through Congress at the same time as the Republican leader of the Senate, Mitch McConnell, openly floats the idea of states and cities filing for bankruptcy if they are unable to meet the costs of Covid-19. Among the most active sponsors of anti-China legislation is Senator Tom Cotton of Arkansas, who on 3 June in the *New York Times* called for the US army to be deployed on the streets of America's cities to repress the Black Lives Matter protests. As the president and his secretary of defence discussed dominating the 'battle zone' of Washington DC, America was saved from the disaster of a military deployment in its own capital only by opposition from the generals. In circumstances like this, the idea of using a great power confrontation to leverage domestic reform risks further ratcheting up the militarisation of policy and politics.

One has to wonder whether the advocates of a new Cold War have taken the measure of the challenge posed by 21st-century China. For Americans, part of the appeal of allusions to Cold War 2.0 is that they think they know how the first one ended. Yet our certainty on that point is precisely what the rise of China ought to put in question. The simple fact is that the US did not prevail in the Cold War in Asia. Korea was divided by a stalemate. Vietnam was a humiliating failure. It was to find a way out of that debacle that Nixon and Kissinger turned to Beijing and inaugurated a new era of Sino-American relations. America's ability to tilt the balance against the Soviet Union was linked to its success in playing the Chinese off against the Soviets. The Tiananmen Square massacre was not an incidental blot on the liberal landscape of 1989; it was the Communist Party of China's answer to the Berlin-centred 'end of history' narrative.

The mistake in thinking that we are in a 'new Cold War' is in thinking of it as new. In putting a full stop after 1989 we prematurely declare a Western victory. From Beijing's point of view, there was no end of history, but a continuity – not unbroken, needless to say, and requiring constant reinterpretation, as any live political tradition does, but a continuity nevertheless. Although American hawks have only a crude understanding of China's ideology, on this particular matter they have grasped the right end of the stick. We have to take seriously the CCP's sense of mission. We should not comfort ourselves with the thought that because nationalism is the main mode of Chinese politics today, Xi's administration is nothing more than a nationalist regime. China under the control of the CCP is, indeed, involved in a gigantic and novel social and political experiment enrolling one-sixth of humanity, a historic project that dwarfs that of democratic capitalism in the North Atlantic.

But to acknowledge that there are real ideological stakes is not automatically to accept that the US and its allies should gird themselves for 'victorious' confrontation with the communist foe. Even the Trump administration's own strategic statements on China sensibly stop short of any talk of regime change. Having recognised what ought to have been obvious all along – that China's regime is serious about maintaining and

expanding its power and conceives of itself as having a world historic mission to rival anything in the history of the West – the question is how rapidly we can move to détente, meaning long-term co-existence with a regime radically different from our own, a long-term attitude of ‘live and let live,’ shorn of assumptions about eventual convergence and the inevitable historical triumph of the West’s economic, social and political system. It would be a long-term co-existence, in which, over time, the US may well find that it has become the junior partner or, at best, the leader of a coalition of smaller powers balancing the massive weight of China.

Given the entanglement between nations and economies produced by globalisation in recent decades, this new détente must involve a settlement of issues of trade. That does depend, as Klein and Pettis and Lind all insist, on deep questions of domestic socio-economic balance both in the US and China. But it cannot be a matter of trade alone. There is no way back to the 1990s, when economic growth under the sign of US hegemony could be treated as geopolitically neutral. That era has gone, along with unipolarity. Instead we have learned, or relearned, that economic growth and trade determine the balance of power and generate tensions that ultimately require international political resolution. The new détente must, therefore, directly address issues of geopolitics and security. But we must go beyond that. In the 1970s it was the existential threat posed by nuclear weapons that ultimately led to détente. In the 21st century we face the existential challenge of the Anthropocene. Covid-19 is the first comprehensive crisis of this new era. Despite copious warnings it has taken us by surprise, and the verdict it has delivered on the governmental capacities of Europe and the US is disheartening. Meanwhile, the climate crisis is looming.

It is not a matter, as in the 1970s, of defusing a nuclear stand-off or, as before 1914, a geoeconomic rivalry of the kind analysed by Hobson. While we must do both these things, the novel challenge we face is how to disarm economic growth as a planetary threat. Even now, as China crafts its 14th five-year plan, Beijing is weighing the merits of a generation of power stations that will decide a large part of the climate future. The infrastructure projects of One Belt One Road will shape the energy future of many of the major emerging markets. India is weighing its energy options. The EU is struggling to add meat to the bones of the Green Deal. With good reason, the US is currently preoccupied by the legacy of racial hierarchy and the last half-century of widening inequality. But as it attends to the challenge of domestic reconstruction, its political class faces another question. Can it fashion a domestic political bargain to enable the US to become what it currently is not: a competent and co-operative partner in the management of the collective risks of the Anthropocene. This is what the Green New Deal promised. After the shock of Covid-19 it is more urgent than ever.