Adam Tooze on World Order, Then and Now

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Do fiscal constraints matter? How contingent was WWII? Can Nazi Germany teach us anything about the CCP? Did the West Win the Cold War? Plus, Xinjiang and Soviet Gulags

Jordan Schneider, Chinatalk, September 24, 2020

<u>This week's ChinaTalk episode</u> with economic historian <u>Adam Tooze</u> and guest host <u>Matt Klein</u> was fantastic. See below for a condensed transcript.

Do Fiscal Constraints Even Matter?

Matt: A lot of what we think of as financial constraints can be overcome by the determination to mobilize resources in the wartime economy. There are still real economic constraints in terms of labor shortages or access to raw materials. But conventional financial constraints, like how much debt there is, turn out to be somewhat less important. Yet despite the knowledge that we should have had from previous experience, most governments -- with the notable exception of China and Russia -- basically acted as if they were constrained by these sorts of financial circumstances.

Adam: The history of the long 20th century suggests that there is this remarkable freedom in the modern economy with the resources of the modern States to mobilize financial and monetary means to do the things that we want to do. In European history and in global history, the early 20th century provided several lessons along these lines.

The first experience of this type was World War One, which was a sort of learning by doing. As I was showing in <u>Wages of Destruction</u> when I was looking at Nazi Germany in the 1930s, there was quite a deliberate effort to use financial and monetary means to mobilize the real economy to the absolute limit of its potential.

To be a little trite you could say that the lesson learned from the genealogy of European neo-liberalism was that the potential is there. But in that potential lies the possibility of political disaster. Keynesians may look at this scenario and say, that's great, the problem with unemployment is solved. But the neoliberal will stand back and say, hang on, you're being naive. What you're not understanding is that this basically unfetters politics. Sure if you're dealing with a bunch of herbivorous Social Democrats, they'll take you in one direction and you'll end up with a welfare state and full employment, but if

their same knowledge is in the hands of a group of nationalist militarists, what you've really provided them with is the blueprint for highly efficient mobilization of a military economy in times of peace. So deep in the heart of neoliberal thought and conservative thinking about the modern state and its potential lies a fear of that possibility.

If you were looking for just a simple segue from the history of Nazi Germany and the history of the experience of the total war economies to the present, it would be by way of that backflip and the recognition of the danger that kind of politics potentially poses.

I do think at the heart of modern conservatism is a fear of the realization that really there isn't that much that constrains us *other* than the real constraints.

Because when you get to actually debating the real constraints, it gets political very fast. It's immediately a series of very tough tradeoffs and you have to formulate what the purposes of your government are. That in itself is an explosive proposition. So, in a sense to say, "well there's financial limits, and once public debt exceeds 90% of you fall down a slippery slope," that short circuits a bunch of really profound political questions that one would probably rather avoid.

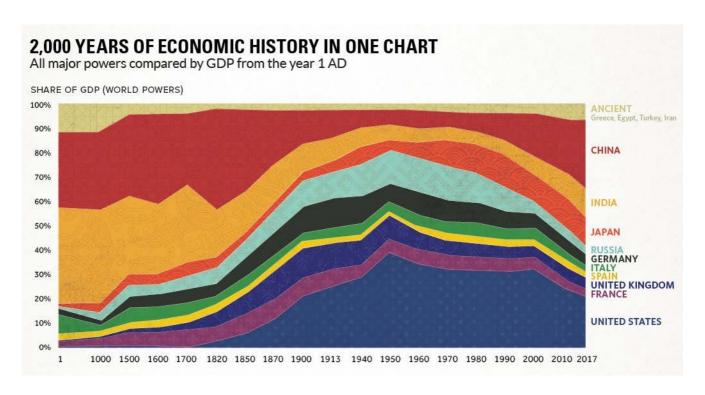
How Contingent Was WWII?

Matt: The popular narrative is that the post-World War One regime was incredibly unstable and bound to break down. Your argument is that's completely wrong, it was remarkably durable and took a very unusual combination of circumstances to even put it under threat. Then even then the challenger powers basically, with exception of the USSR, didn't really end up any better off than they were at breaking this Anglo-American dominance. Thinking about the theme of this podcast and where we are now, what would you take away from this in thinking about the durability of the post-1991 world order? How should we think about that in the context of sort of U.S.-China competition? If you take this 1920s analogy seriously, that suggests you basically need some kind of extreme series of crises in the U.S. to change things seriously.

Adam: It would be unwise to draw that conclusion. It's a wonderful summary of <u>The Deluge</u>, which was essentially an argument with German theorists like <u>Carl Schmitt</u>, who insisted that the problem with liberal internationalism and the League of Nations was not that they were weak, the problem was that they were hypocritical. In other words, [liberal internationalism] was shamefaced about the propensity and capacity for violence that actually underpinned it, which revealed itself when Imperial Japan, Fascist Italy, and Nazi Germany made the challenge. Why did Hitler have to try as hard as he did? This is not a conventional, familiar sort of arms race; this is a massively unstable tumbling forward into a completely unstable arms race economy.

Why were they forced to make that kind of effort? An interest in the 1920s revived in the 1990s amongst international historians, because we were in a sense thinking about the analogies between the new unipolar order taking shape after the end of the Cold War, which was inflected in various ways with ideologies of liberal internationalism that did in the American case, trace back to The Wilsonian moment. That's what drew folks like me into thinking about this. It drew folks like Niall Ferguson into thinking about it too, from the other side, in other words, as a celebrant of a muscular, organizing Imperial hegemonic power.

But I would argue that over the course of the last couple of decades, I've become ever more fascinated by what I take to be the world-historic transition that we're witnessing. Because China's not the Soviet Union, China's not fascist Italy, China's not Nazi Germany. The growth of China is a phenomenon that dwarfs all of those previous developments and has to be understood on the timeframe that was laid out for us by the economic data of somebody like <u>Angus Maddison</u>, who shows us global GDP all the way back to the birth of Christ. All the way through the beginning of the 19th century, the Asian economies actually dominate once you've adjusted GDP by purchasing power parity and so on.





优述/You Shu @You_Shu_China

Small point. Not a fan of the Maddison-empowered "China returning to its world economic leadership" trope; it falls down on its lack of analytical utility (unless you think Ming econ is like today) and "it's the normal way of things" messaging. September 19th 2020

I quite like what Larry Summers said, which is that the question is whether there's any political force in the United States that's capable of really reckoning with the scale of this world-historic shift, which will in the end lead to the supersession of America's

dominant position. We will end up in some sort of multi-polar order and the question is whether any political forces in the United States can really accept that kind of transition. It's tempting to say, is there anyone in the United States that could play the role of the British elite after World War One? But America's position of dominance was vastly greater than that ever by enjoyed the British so the psychological challenge of accepting this transition is far greater. And, of course, in key respects America remains an absolutely dominant player, most notably with regard its hard power, its weapons, but also in certain respects with regard to its financial centrality.

I'd be very cautious about drawing a straight line. There is a connection in the sense that one thing grows out of the other. In *The Deluge* I spent lots of time trying to position the history of the emergence of the Chinese Republic in the epoch that we normally think of as being about Europe and the United States.

What Can Nazi Germany Teach Us About the CCP?

Jordan: Coming to another one of your books, *Wages of Destruction*, which looks at the Nazi Germany economy: Is there anything we can learn today from the Nazi economy for thinking about China today?

Adam: I wouldn't go straight at it. I would go by way of political theory. The person that I would go to is <u>Neumann</u>, the German political theorist who wrote an extraordinary book called <u>Behemoth</u>. He described what happens to capitalist States when they get caught up in a logic, which he took to be characteristic of the 20th century, which is oligopolistic, monopolistic rule. The international system of free trade results from monopoly. And the result of that is protectionism and tariff war, and, ultimately in Hobson's view, a race towards imperialist competition and war. Continue that line of thought and ask yourself, "Okay, so what does monopoly do and what do oligopolistic structures do to the domestic political structure?"

It systematically subverts principles of representation. It begs the question of who has power and what is the role of the state in relation to those interests. Because properly understood liberalism clearly isn't premised on the absence of the state, its premised on a well-ordered set of relationships between individuals, the law and various types of representation. That structure is not necessarily robust if economic power becomes monolithic. There are ways of taming that by way of corporatism, in which you have an organized representation of economic interests. But you can also imagine systems in which it can become a sort of destructive set of flywheels of extremely explosive dynamics of gigantic interest groups contending with each other more or less in an unmediated direct form interest on interest.

I think a pessimist would say, you've just described modern Western societies. But I think you could also ask how useful that analytics might be for thinking about the situation in a highly complex political economy like China, which of course didn't start out liberal. And as we increasingly are coming to terms with is unlikely to develop in a

liberal direction. But it does seem to be characterized by a clash within the one-party state of different interests, of agglomerations of technology and capital, of different party factions.

I would love for us to have a Neumann, *Behemoth* style treatment of China. I'm not saying that the results would be the same, but that analytic would be profoundly helpful to try to understand what's going on there.

Matt: One thing I think is interesting is that the way that, the Nazi economy worked, it could have been described as capitalist, insofar as how Stalin defined the capitalist bloc. You did have private companies and you did have concentrations of wealth that were outside of the formal structures of the state. Yet there also was a very real sense in which these private enterprises and private capital weren't really independent of the state in the way they might've been in another country.

The extent to which the Nazis were able to marshal the resources the way they did was by allying German big businesses to their project through a mixture of rewards and penalties. That mixture of party-political objectives with the interests of these sort of quasi-private enterprises and elites, you can draw links to the structure of the modern Chinese economy as well. I wouldn't want to take the analogy too far, but I think there is a parallel. You can argue it's for similar political reasons in so far as you have a government with different factions and competing interests within it that we can't really observe. But at the same time, the way the Party is able to drive economic activity – I think there's definitely some interesting analogies there,

Adam: In my reference to Neumann I want to emphasize that part of the commonality *is* the confusion and complexity. Our categories don't fit very well. It's quite difficult to describe the Chinese regime in categories that are at all familiar without reducing it hopelessly and just failing to recognize its complexity. It's that position of puzzlement that strikes me as analogous. I'm not saying that China's Nazi Germany – the problem is similar, though, in that in analyzing it, none of our categories seem to fit it very well.

This seems reminiscent of the difficulty that liberal analysts in the thirties and forties had in looking at Nazi Germany. They were not radically othering Nazi Germany. They weren't engaged in the crude Stalinist stereotypes of saying, "it's capitalist and your capitalist, so basically you are the same," which is hopelessly reductive. There is a version, as it were, of the left-wing analysis of China today which is willing to say that, that it's just state capitalism and that's all there is to it. I don't find that position at all interesting.

I'm curious to go back, in a sense, to read those struggles to make sense of Nazism from the outside -- Neumann was inside-outside, because he was an émigré – as an inspiration for thinking in similarly open-ended and protean terms about China in the present. Not as a template, but as an inspiration.

There's nothing I could read in the West right now that makes me feel I fully understand the dynamics. Looking at sectors seems to help. In energy, for example. We can go quite a long way using openly available Chinese sources to understand the dynamic of competition between the coal people and the big oil companies and the new set of interests associated with the renewable energy industry. That provides us with a keyhole for understanding certain dynamics.

There are certain lessons that I think we can learn, in the sense that if we can't observe them, at least there are certain biases on our own part that we can check. There are certain common habits of thought that I see recurring in American efforts to make sense of China. We saw them in a kneejerk form at the beginning of this year, the Chernobyl moment analogy that rapidly surfaced. Of all the analogies in the world, it strikes me as truly bizarre. Does Xi's regime now look like the Soviet Union in 1986? I don't think so. Nevertheless, it was very compelling -- and apparently quite compelling to people inside China as well, who were using the film review websites to leave comments. I think we need to be very conscious of those sorts of impulses in our own mindset and try to read against the grain of our own desire to see certain neat conclusions and certainly, root storylines acted out.

Jordan: Youshu, the anonymous guy who wrote that review of *Wages of Destruction*, sent me this question: You argue Hitler went to war with an inadequate industrial base and people assume that Xi won't attempt to take over Taiwan until he's confident of victory. Given what you know about the incentives facing Hitler, do you think there's anything we can learn about how Xi is thinking about Taiwan?

Adam: I think the much closer analogy is to Stalin. This is the point made by the vastly underrated conservative historian Andreas Hillgruber in his magnificent global history of strategy in the first phase of the war. There's a huge difference between Hitler and Stalin, because Stalin believes confidently that time is on his side. The time horizon is everything in deciding whether or not the strategic window is open and how long it's open for. Whereas Hitler is gnostic, literally, in a kind of theological sense. Hitler has no confidence at all that time is on his side and he knows that, from an economic point of view, the cards are indeed stacked against him. The advantage that the Germans built up early on in the arms race is probably going to dwindle. Furthermore, he is possessed by the idea that the conflict is inescapable, that the world Jewish conspiracy is pressing in upon Germany whether in the form of an actual hot war or whether by means of the cold war pressures that he believes are the explanation for Germany's economic problems.

There is for him a way of reading Germany's dwindling foreign currency reserves as an index of the success of the Jewish effort to strangle the German economy. You see this manifestly in <u>his notorious speech on the 30th of January, 1939</u>, where he actually threatens that if world war should break out – which in German terms means a war involving the British empire and the United States – then it will be the Jews of Europe

that pay. This is the moment when he publicly announces the Holocaust. The rest of that speech is all taken up with economic problems and shortages of foreign exchange. It's extraordinary.



I don't see that level of time pressure and anxiety. I know people say that the Chinese think that time is not on their sides either, that in the end they're going to be overtaken by India, that their population is aging. But the time clock runs over decades. That wasn't true for somebody like Hitler. This suggests that the Chinese situation is radically different.

Jordan: It's interesting thinking about the extreme Republican take on U.S.- China relations, how it almost echoes the clock running out on the U.S. We have to shut down Huawei, we have to take down SMIC, because time is absolutely not on our side.

Adam: The answer to this apocalyptic thinking, which in the case of folks like Pompeo who belong to the evangelical faction around the Trump administration, they really do have a kind of end times possibility in their kind of cosmology. That's a dangerous thought pattern. Apparently, Peter Navarro sincerely believes that there is the possibility of a shooting war with China as a realistic prospect over the next couple of decades. That's dangerous stuff, because the job is not to refuse a relative decline, because that's necessary and legitimate and inevitable. The question is to code it as something other than end times.

And, bigger point, I'd argue that Pompeo and Navarro, despite their inadequacies, their talk of possible war is a *reaction* to the expansive war-prep that's been coming out of Beijing for decades, rather than triggered by Christian millennialism. Even atheists like me worry. September 19th 2020

The farcical element amidst the German tragedy is that in, 1945, they are looking around them and expecting the final historic erasure of Germany. We know that's absolutely not what happened, and it never needed to have happened.

Konrad Adenauer is older than <u>Gustav Stresemann</u> and presided over the resurrection of a Germany that turns out to be absolutely essential to the European balance of power, the European economy, and everyone welcomes back and makes rich. This sort of apocalyptic thinking of a history that's going to end with some sort of big bang, or some terrible ghastly discreditable whimper, rather than just facing up to reality in which the world is different and America's position is not what it was in 1945. Which is not after all the end of the world.

The worry for me is more about the American side than it is about China. This is in no way to diminish the aggression that Beijing is clearly displaying, it's determination to resolve the "Hong Kong problem," and its very earnest commitment to finding a new solution for Taiwan in the foreseeable future. This isn't to underestimate the seriousness of that intent on their part. But I don't think it's driven by the insistent ticking clock kind of logic.

Why Chinese Political Theorists Are Drawing on Nazi Germany's Favorite Legal Thinker

Jordan: So, who's the German legal theorist Schmitt, and why is he having a bit of a renaissance nearly a hundred years later in China today.

Adam: It's one of the truly remarkable the facts about the last 15 to 20 years of Chinese political thinking. It's worth saying there are deeply intelligent, obviously brilliant political and legal theorists working in China, trying to articulate and make sense of the logic of this emerging power. One of the sources that they go to – and this has emerged from the tireless work of many translators of recent Chinese political writing and international relations thought is -- is a German political and legal theorist called Carl Schmitt.

He really had his heyday in the Weimar Republic and then was one of the key legal minds behind the early history of the Third Reich. He provided one of the chief legal justifications for the overthrow of the Prussian government, which was a prelude to the Nazi seizure of power at the national level in Germany. He went on to be one of the most influential legal theorists of the Third Reich in the 1930s. Apart from his

alignment with the party, which is true of many German intellectuals in the period, he was also a flaming Anti-Semite. He would label colleagues with the name Judo and attaching yellow stars to bibliographies.

Lived on deep into the early 1980s, he was almost one hundred and really just wouldn't die. He became a kind of pivotal influence on German legal thought even after 1945. He ran a sort of secret seminar and has been quite influential on German legal thought since.

Why? Because he has one of the most hard-nosed answers to liberalism. He insists upon understanding politics as a distinction between friend and foe, friend and enemy. He insists that legal orders have real foundations in space and in power, in the taking of a territory, fundamentally. That they therefore have limits and necessarily have limits, that they define insiders and outsiders. That structures which are truly comprehensive threatened to emerge in the course of the 20th century. He's one of the people that was very influential on me in writing *The Deluge* because he understood the order that emerged out of the end of World War One as a unipolar order, a kind of universal empire defined by the United States. But not simply as a peaceful empire, but as essentially the instantiation of the overweening power of America, the British empire, business. He was one of the most coruscating and effective critics of the way in which liberalism disguises its power in morality and the logic of commerce.



Having laid it out like that I think you can see why call Schmitt has been attractive, not just for Chinese legal scholars, but for a variety of scholars both in Europe and in the United States. There is a live active Schmittianism in Harvard Law School around the figure of <u>Adrian Vermeule</u>, who's arguing that to understand the actions of the American government since 9/11, you have to be willing to understand the legitimate role for executive power in defining the enemies of the state and going after them. He is

one of the people who justified the use of torture after 9/11. But, also, the emergency powers invoked by Ben Bernanke in 2008. You do that against the backdrop of a set of political commitments. This is the sort of moment of here I am, and I can do no other. This is my politics, and this is the political and legal regime that instantiates that.

The left in Europe uses this kind of critique as a way of unpicking the hypocrisy of liberal internationalism in the age of Clinton and the responsibility to protect and that discourse of global internationalism which, they, the left, read, as the updated version of 1920s internationalism. For all of these reasons I think you can immediately see why Chinese scholars seized on precisely this logic for thinking through the emergence of Chinese power in the context of what they would diagnose as American empire.

The first use you can make of Schmitt is to assert the necessity of politics and the absolute necessity of committing yourself to the project, some project. The project they commit themselves to is the project of the CCP. And from that law follows, not the other way around. You don't have a legal system and then as it were defined the party within it. In fact, the appropriate way around is to define your norms and then follow a legal system from that. The norms you pick is up to you. It could be liberal, it could be those of the Communists.

But also, in a more ironic twist, they also see in Schmitt a theorist of China's own potential empire, a zone of influence and power that would create its own structures of incorporation, its own norms. Given from China, defined by China, set and ultimately rooted in Chinese power, radiating out from East Asia, encompassing other states.

This, too, was Schmitt's vision, that on this basis you could found an empire. It's worth saying that Schmitt is a failed figure. He starts out well in the Third Reich. He's a passionate advocate of the Hitler impact, which conforms precisely to his sort of vision of the world divided up between, conceivably, the Germans sphere, the Soviet sphere, the Japanese sphere, and the United States-British empire sphere. And all of that of course collapses between 1940 and 1941, when it becomes obvious that Hitler's project is not actually compatible well with that kind of stable vision of the partition of the world into separate zones.

For the Schmittians in China right now, that's the question, too. In a sense, "One Nation, Two Systems" was precisely a kind of Schmittian vision of an overarching Chinese empire, with the pluralism that's contained within that. Safely contained with the acknowledgement that this is about China, under the leadership and the hegemony of the CCP, tolerating two systems. Of course, that isn't what we're seeing.

Jordan: But the end of the day, there are other logics that are more powerful than his logic, so you see Hong Kong, Xinjiang and Tibet going they way they are.

Xinjiang and Soviet Gulags

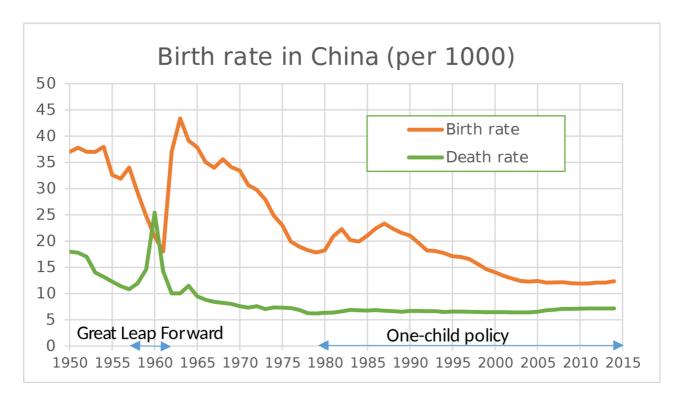
Jordan: Any thoughts on the evolving Nazi rationale for labor camps and Xinjiang?

Adam: Xinjiang seems to fit much more squarely in the logic of sort of the Soviet Gulag system, that it does in this sort of exterminatory logic of national socialism. There is an element of the Nazi concentration camps system which is a forced labor camp system. But it was always ultimately genocidal in the literal physical sense. I don't think there's every reason to think that the Chinese project of cultural transformation properly meets genocidal standards in Xinjiang. It goes a very long way in that direction. But there's no necessity for destruction through labor, which was understood by the Nazis and an absolutely core component of their incarceration and murder of the Jewish population, and also very large slices of the Slavic population of Eastern Europe as well.

I don't see that logic being analogous. The colonial logic, the settlement logic, the use of forced labor for the purposes of political reeducation and also infrastructural transformation. The history, after all, of the Xinjiang forced labor complex and the state-owned enterprises there goes all the way back at least to the Cultural Revolution, if not the late fifties. But, again, I would caution against wanting to subsume China into someone else's archetype of what a forced labor regime or a genocidal regime looks like. It seems to me that there could be a horrifying originality to what they're doing. After all the tech dimension of what China's able to do now in terms of surveillance is beyond the wildest dreams of any previous authoritarian regime.

Matt: The apparent desire of the local government in Xinjiang to reduce the birth rate of the Uighur population complicates the story of how we would characterize this one way or the other.

Adam: It too easily slides out of consciousness that the Chinese regime undertook what Foucauldians would call one of the most grotesque, grandiose, and very violent political experiments in history, the one-child policy. It pursued that towards the Han population. That it's then also capable of taking those kinds of techniques and applying them to resistant population like the Uighurs or Tibetans or the Mongolians, I don't think it's surprising. It's the same toolkit. In the eighties, it was ferocious in its intrusiveness, monitoring women's menstrual cycles, forced abortions. This stands alone. No one's ever done that before on that scale. It's quite mind-blowing and too easily consigned to the history books.



Jordan: This is a technocratic regime deciding that this is the best thing and then getting a whole bureaucracy and apparatus to buy into it.

Adam: Some people tell us it's driven by <u>a bunch of people from the rocket aeronautics</u> <u>program</u> and people who came out of Western-inspired cybernetics thinking, basically taking the limits to growth diagnosis too, literally. So, I completely agree that element of the repressive apparatus in Xinjiang is really dramatic and fully consistent with an indictment of genocide.

This is one of the real puzzles about COVID, right? This is a regime, which in the name of socialist transformation shrimps from nothing, has also been astonishingly effective in its approach to the virus. Perhaps the common denominator is simply control and this being a matter of the highest possible political stakes. Not to be able to control this virus would be a far more serious blow to the prestige and legitimacy of a regime which has those kinds of pretensions than it is to the Trump administration in the U.S., which in the end just shrugs.

Did The West Win The Cold War?

Matt: Adam, you recently wrote a really interesting essay for the London *Review of Books* in which, among other things, you argued that the U.S. lost the Cold War in Asia, and that taking a long view of the past, that it wasn't really a situation where American interests were advanced, even though in principle, it seemed like at the time we'd won with the collapse of the USSR and the expansion of NATO. What would winning in your view of look like relative to what actually occurred? To what extent would the emergence of China under an undemocratic government inevitably have led there, in the same way that the U.S. and the USSR came into a hostile post-War relationship?

Adam: What it is that we mean when we anchor our understanding of late 20th century history in the idea that the West won the Cold War? In Europe, that looks like the collapse of the Soviet Union, the disintegration of the Warsaw pact, the incorporation of the former Warsaw pact States into the EU and NATO. That's what victory looks like. That is the result of a culmination of several decades of crisis in Eastern Europe up to, and including, the imposition of martial law in Poland.

None of that happened in East Asia. We were fought to a stalemate in Korea. Vietnam was a debacle. And one of the key anchors of the ultimate demise of Soviet Union is, after all, an alliance with China. And in 1989 at the moment, as it were, where the chips are falling and the Warsaw pact is disintegrating in Eastern Europe, we have Tiananmen Square, the Communist Party basically giving notice that this regime change will not extend to them.

So that's what I was gesturing towards. We are really dealing with a Communist Party that's alive and kicking. Not of course as it were the Communist Party of Mao, but nevertheless an heir descendant of that party, is what we have to get to grips with and come to terms with. I think that ought to force us to reconsider this notion that the Cold War ended with us winning as it did in Europe. It didn't in Asia, and Korea feels the force of that, Japan feels the force of that, and the United States is now coming to terms with it too.

Favorite Bureaucracies To Work For

Jordan: I have a lighter one for you. Adam, pick three bureaucracies in particular time spans in which you would most like to be an employee of.

Adam: What a wonderful question! I would like to have been in the Prussian state in 1806 and to have witnessed the shock of Napoleon, and the recovery and the emergence of the moment of German idealism, and the arrival of Hegel in Berlin, and the arrival of Clausewitz. As a Brit, somebody interested in economics, I want to be in the treasury in the UK any moment that Keynes is around, could be during World War One, could be during World War Two. To see a bureaucracy that in some respects is the ideal type of a high functioning machine. If you read the reports from Versailles, the Brits are effectively the people running the show because the civil service was a magnificent, bureaucratic machine. And then to see it inspired by a genius like that, you know what I mean?

It's parochial, but it would have been pretty interesting to be in Bonn in 1989 and to have seen that moment from the inside. And some of those people are majorly underrated players. And we know now the end of the Cold War is a multipolar business. But I think as somebody who grew up in West Germany, it would have been fantastically interesting to track that moment from the inside.