

# (De)globalization, economic sovereignty, imperial legacies between the two world wars (and beyond)

edited by Marco Bresciani\*

*Peter Becker-Natasha Wheatley (eds)*  
**Remaking Central Europe.  
The League of Nations  
and the Former Habsburg Lands**  
Oxford UP, New York 2020, pp. 396

Often overshadowed by 1917 as the beginning of the Russian Revolutions or 1918 as the end of WWI, the year 1919 has become in recent scholarship the nexus of new developments in international relations and the continuities of the great continental empires (Austro-Hungarian, German, Russian and Ottoman). The dissolution of the Habsburg Empire, its political and economic impact in Central Europe, and the search for new diplomatic and financial instruments of international governance are inextricably linked to this field of research. The Western financial storm of 2008, the near-bankruptcy of Greece and the related international interventions of the International Monetary Fund and the European Union, and the sovereign debt crisis in the Eurozone from 2012 to 2015 are in the background.

This collection of essays, edited by Peter Becker and Natasha Wheatley, aims to take stock of current research

and open new perspectives on the interwar period as the founding moment or “Ground Zero” of the contemporary international order, beginning with the rediscovery of the role of the League of Nations. In the editors’ view, there is no better observatory and laboratory for understanding this new order than Central and Eastern Europe, which was transformed from a highly integrated economic and political space into a cluster of separate states. Indeed, after 1918, Central and Eastern Europe became the principal testing ground for the problems of financial collapse, national minorities, humanitarian aid, and disease control. According to Glenda Sluga, the new liberal internationalism was based on patterns of international crisis and conflict management that recovered and reframed the universal ambitions of the *Weltösterreich* as an example of imperial governance of national affairs.

Traditional historical interpretations tend to read the post-WWI period as the moment of affirmation of the Wilsonian principle of self-determination embedded in the triumphal model of the nation-state. Complementarily, the

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League of Nations has always enjoyed a bad reputation for its inability to prevent the outbreak of new conflicts, and its history has been told under the banner of an announced failure. Following a suggestion by Susan Pedersen (*The Guardians. The League of Nations and the Crisis of Empire*, Oxford UP 2015), these essays aim to examine the influential changes that the League of Nations brought about or triggered in terms of international cooperation in the provision of common goods such as health, environment, infrastructure, education, research, and security. The originality of the volume is that it links this new approach to the study of international organizations in the postwar period with recent historiography on Austria-Hungary and its successor states, thus moving away from a binary approach. As this revisionist Habsburg scholarship shows, the collapse of the Habsburg Empire was by no means preordained by previous national conflicts and an inexorable tendency toward decadence, but left behind administrative frameworks, infrastructural networks, economic systems, and social practices that continued to shape and connect the self-proclaimed successor states. At the same time, these imperial legacies inspired the new institutions of supranational governance, minority protection, and economic and fiscal policy, as well as the relationship between nationalism and internationalism in the vision and practice of state sovereignty. Among others, the book highlights two figures who embody the aspirations, tensions, and contradictions of the 1920s in the post-Habsburg lands: Polish physician Ludwik Rajchman, head of the Warsaw Institute of Public Hygiene and later director of the League of Nations Health Organization, and Viennese police chief (and then chancellor) Johann Schober,

founder and director of the International Criminal Police Commission, now known as Interpol.

By examining the capacity for effective survival and creative appropriation of institutional, legal, cultural, and social practices in the successor states to the Habsburg Empire without ignoring or sidestepping the profound ruptures caused by the war and peace treaties of 1919-1920, this volume provides a significant step forward in a debate that still polarizes between continuity and discontinuity. The essays are divided into two parts (*Remaking Actors and Networks* and *Remaking Territories and Borders*). The essays in the first part focus on the scientific strategies against postwar famine and epidemic plagues and to protect international health (Michael Burri, Sara Silverstein, Katja Castryck-Naumann); the financial reconstruction policies of Austria and Hungary under the active supervision of the League of Nations (Nathan Marcus, Zoltan Peterecz); the specific Austrian contribution to international intellectual cooperation (Johannes Feichtinger).

The second part contains contributions on the role of international conferences in the management of the modern passport system (Peter Becker) and in the emergence of new forms of post-imperial economic integration (Magdalena Dungy); the definition of international instruments in the fight against crime (David Petrucelli, Martina Steer); the intervention in property disputes over border territories claimed by Hungary (Antal Berkes); the elaboration of the Austro-Marxist notion of non-territorial autonomy in the interwar period (Börris Kuzmany); the structural relationship of Czechoslovakia in the interwar period to the League of Nations and its imperial ambitions (Sarah Lemmen). In her epilogue, which

deals with «the making and unmaking of Central Europe and the global order», Patricia Clavin calls attention to the links and tensions between claims to sovereignty and drives toward interdependence in the various spheres of health, economics, and diplomacy.

Despite a sometimes overly emphatic claim to its novelty, this excellent collection of essays will be a point of reference in the future and offer insights for further research that can, for example, broaden the comparative view to other imperial and post-imperial realities. Indeed, the analytical frame of reference of “Central Europe” is broader than that of the “former Habsburg lands” and too narrow compared to that of the “Eurasian” empires, starting with the Russian and Ottoman Empires. Moreover, this analysis of the role of the League of Nations tends to privilege the dynamics of stabilization and reintegration over those of destabilization and disintegration in Central Europe. Yet, the tendencies toward “depoliticization” that resulted from the technocratic management of issues crucial to the postwar order helped to strengthen the latter over the former. For this very reason, the network of agencies and institutions that emerged from the collapse of the Habsburg Empire and developed around the League of Nations soon proved inadequate to respond to the rise of the enemies of those liberal democracies with which the project of a new postwar order was also associated. Based on the intertwining of liberal and antiliberal aspects that characterized the difficult emergence of post-Habsburg Central Europe after WW1, one can still ask how and to what extent the Fascist states appropriated this intertwining to promote new imperial orders that paved the way for WW2.

Marco Bresciani

Tara Zahra

**Against the World.**

**Anti-Globalism and Mass Politics  
between the World Wars**

Norton & Company, New York 2023,  
pp. 400

John M. Keynes’s *The Economic Consequences of Peace* (1919) and Stefan Zweig’s *The World of Yesterday* (1942) offered lucid analyses of the end of the golden age of pre-1914 globalization, as the British economist and the Austrian writer were able to turn nostalgia for a lost past into an analytical tool. This is the starting point of *Against the World*, the ambitious new book by Tara Zahra, a leading scholar in the field of the social and cultural history of Habsburg and post-Habsburg Europe. Aiming to complement narratives that focus on the conflict between revolution and counterrevolution, fascism and anti-fascism, democracy and totalitarianism, the author focuses on the dispute over globalization and its associated policies and institutions before and especially after WW1. She uses the term «anti-globalism» to describe a diverse, even contradictory set of political, social, and cultural movements that sought to isolate societies from the global economy and restructure – rather than stop – global flows of people, ideas, and goods.

The book is divided into three parts (*A World Together?; A World Apart; The Unsettled World*) and consists of short chapters, each defined by a place and date. It begins on the eve of WW1, but focuses on the period between the two wars. As the stories of Zahra’s heroine, the Jew Rosika Schwimmer, a feminist socialist and Hungarian pacifist, show, 1914 saw a rising tide of anti-globalism, which overwhelmed confident internationalism. WW1, however, had an ambivalent effect on globalization: On

the one hand, it disrupted transportation and exchange routes, migration, and communication between the various continents and regions of Europe, and tightened the grip of hunger on the Central Powers; on the other hand, it forced new networks of international interdependence and cooperation (such as arms, debt, and humanitarian aid) and promoted alternative economic integration projects to Atlantic globalization (such as Friedrich Naumann's *Mitteleuropa*). According to Zahra, the losers of 1919 were not opposed to globalization per se, even if anti-globalist ideas fed postwar violence.

At the core of the A.'s work lies Austria as the epicentre and microcosm of deglobalization. While the Habsburg Empire represented the largest free trade zone in Europe on the eve of WWI, the peace treaties meant its disintegration into highly unequal economic subunits. Hence the paradoxical coexistence between the claim to national sovereignty and the awareness that the administrative and economic instruments of nationalism were insufficient to manage global trade and migration flows. In this respect, the post-Habsburg reorganisation of the economic activities and trade routes of Trieste and Fiume is particularly instructive to understand the political crisis and the rise of Fascist movements in the Adriatic port cities.

While new international organizations sought to create a more coherent and efficient diplomatic and financial framework, and economists such as Ludwig von Mises and Friedrich Hayek linked the relentless glorification of the free market to virulent antisocialism, popular movements for the «colonization of the homeland» aimed at indigenous agricultural production, land reclamation, and population resettlement, emerged from Austria to Italy to Poland. Zahra

insightfully argues that the search for additional sources of food and land resulted from the collapse of continental empires and the fragmentation of their economies, although it was significantly linked to pre-war tendencies. Of particular interest are the pages devoted to the agronomists who championed the internal colonization of land in late Wilhelmine Germany (Max Sering) and Nazi Germany (Walther Darré, Herbert Backe), paving the way for the projects and practices of a «new order» in East Central Europe.

According to Zahra, in the face of the devastating effects of 1929, strategies of «economic appeasement» were aimed at reshaping the world economy, assuming that a return to 1913 was impossible. On the one hand, successful entrepreneurs such as Henry Ford and Tomáš Bat'a (dubbed «the Henry Ford of Europe») embarked on new industrial adventures that, under the impetus of autarkic and nationalist forces, led to unprecedented experiments in the global production of cars and shoes on various continents. On the other hand, Fascists and Nazis, although using the language of extreme nationalism, offered imperial anti-globalist solutions to the crisis of liberal globalization. On similar but opposite ground to the Fascists, who pursued autarkic imperial spaces, progressive socialists, anti-colonial nationalists, and New Deal democrats sought to become independent of global trade or to reform it after the devastation of WW2.

Ultimately, *Against the World* offers its best as a repertoire of brilliant ideas and a series of groundbreaking perspectives. From this point of view, each of the traces in the book can be further developed by new research that can enrich the understanding of the interwar period. As a historian of Central Europe, Zahra is particularly successful in shifting the focus from

the Atlantic or transatlantic world to the late Habsburg and post-Habsburg lands to better understand the dynamics of globalization, deglobalization, and reglobalization before, during, and after the WW1. As recent research by Pieter Judson, Dominique Reill, Gábor Egry, and Máté Rigó shows, administrative, legal, and social continuities mattered much more than the institutional and political ruptures of 1918, and imperial projects and practices kept on shaping the successor states' infrastructures and networks. However, the complex relationship between post-war reconfigured globalization and the legacies of imperial collapse merits further investigation.

Following a suggestion by Stefan Link, Zahra aims to contradict the thesis that defines globalization as «natural» and deglobalization as «political». Accordingly, she examines the seemingly opposing but deeply intertwined dynamics of globalization/deglobalization and globalism/anti-globalism. Because she focuses on these dynamics, however, her analysis tends to push to the background the interwar political polarization and the ways in which the conflicts between revolution and counterrevolution, fascism and anti-fascism, Bolshevism and anti-Bolshevism, Nazism and Stalinism contributed to the reshuffling of globalization and deglobalization. In particular, the author seems to overlook the post-1918 disputes over different concepts and practices of «democracy», the challenges and setbacks of democratization in the interwar period, and the structural nodes of modern society and mass politics that are the focus of recent work by Mark Mazower, Jan-Werner Müller and Adam Tooze among others. A more consistent dialogue with this earlier scholarship would have better clarified the innovative contribution of Zahra's book on technocratic elites and

popular movements that were politically ambiguous despite their claimed political neutrality or rejection of party affiliation. In this light, one might also consider the still invaluable reflections of Karl Polanyi (who is mentioned only in passing in the conclusion: p. 269). As the Hungarian economist and anthropologist argued, despite the establishment of liberal democratic regimes after WW1, the attempted «restoration» of the liberal economic and financial system of the nineteenth century went hand in hand with growing antiliberal and authoritarian tendencies, especially in the defeated countries of East Central Europe, even before the «great transformation» of the 1930s.

As is often assumed, the coincidence of the end of global flows of people, ideas, and goods with the outbreak of WW1 and the rise of political radicalisms in the postwar period risks becoming a metahistorical argument for globalization per se. True, a cross-reading of *The Economic Consequences of Peace* and *The World of Yesterday* offers an insightful interpretation of pre-1914 economy and society, but, as historian Tony Judt has suggested, Keynes and Zweig pointed to uncertainty, insecurity and unpredictability as key features of the era that had emerged from the Great War (T. Judt, with T. Snyder, *Thinking the Twentieth Century*, Penguin Books 2012, pp. 24-27). The question remains open, then, whether post-1914 globalization was primarily reconfigured by economic strategies of state interventionism, political fantasies of communitarian closure, or a series of both elitist and popular practices that from time to time searched for further imperial expansion or tighter social cohesion. As Zahra herself admits, many of her questions are formulated in the wake of the Western economic-financial crisis of 2008-2012

and the recent development of national-populist movements and governments. One cannot help but wonder, however, what the weight of anachronism is within her analysis of the historical processes that led from liberal internationalism to nationalist autarky as models of global governance. This challenging book stretches the relationship between past and present as far as possible, forcing readers to take a stance both in response to her innovative bent and the unresolved tensions her work raises.

*Marco Bresciani*

*Máté Rigó*

**Capitalism in Chaos.**

**How the Business Elites  
of Europe Prospered in the Era  
of the Great War**

Cornell UP, Ithaca 2022, pp. 378

The book behind this almost unparadoxically bombastic title slowly reveals for the attentive reader a much broader and substantial story than the mere survival of some business elites of the defeated after WW1 and their cunning or devious maneuvers on territories that were conquered by the victorious powers. Rigó's book compares the fate of businesses in Alsace-Lorraine in the West of Europe and Transylvania in the East and is a story of embedding capitalism and capitalist networks in borderlands that were contested, changing hands over the course of half a century and – at least in the case of Transylvania – not even integrated into the modern economy when it was annexed to Hungary in 1867. The fascinating element of this story is not another case study of this well-known general phenomenon, but the meticulous tracing of the trajectory of actors that enables Rigó to answer his funda-

mental questions: why Eastern European business elites survived the war with moderate losses and in many cases even prospered after 1918 on “enemy ground” while neither German nor pro-French capitalists from Alsace and Lorraine were happy with French rule. The former certainly faced mass expropriation and expulsion which never happened in Transylvania, but the latter were supposed to benefit from the return of La République, but they soon discovered their Alsatian regionalism.

Throughout the book, the A. systematically compares the story of Alsace-Lorraine business elites and the ones in Transylvania extending the latter to some figures from Budapest and Vienna. The narrative is not driven by chronologically delineated chapters about the role of the state in peace and war, during transition and after consolidation. Instead, the book is organised around stories of businessmen and companies that appear and reappear at certain points. The Renner family of Bavarian origins in Transylvania and their tannery in Cluj/Kolozsvár, the Adlers who migrated to Alsace from Southern Germany simultaneously with the Renners, the Alsatian DeDietrichs and their steel and machinery works, the Jewish-Hungarian Chorins and their coal mines in the Jiu-valley on the border between Hungary and Romania before 1918, Mózes Farkas who made the foremost leather and shoemaking company from the Renner tannery during the WWI and managed it during the interwar period are recurrent “stars” with several similar protagonists in supportive roles.

While all of them shared business instinct and industriousness, it was not enough alone for expansion or survival in a contested borderland and throughout the rapidly changing conditions of poli-

tics. Alsations learned already in 1911, after the singing of the Marseillaise by factory workers caused political reverberations in Berlin that they were disposable for the Prussian and imperial government, a trend amplified by the wartime management of the economy by the military that looked at Alsations with suspicion. By contrast, Hungarian economic nationalism was obsessed with landed property, non-Hungarians allegedly buying up the country from Hungarian nobility but the government efficiently subsidized a new wave of industrialization before the WWI. Nevertheless, not even good local connections – a prerequisite of a promising start was enough for success. The war economy, and the fact that the Hungarian government teamed up with private businesses for the centralization of production and distribution, unlike Germany that established a large bureaucracy which created the war millionaires, who invested profit in expanding their business in Transylvania and in Budapest too. As a result of the allied blockade a new Central European economic space appeared on the horizon, with Alsace as its periphery and Transylvania in its center. Provincial and Budapest business elites worked together to have their slice of the cake by the end of the war, making provincial businessmen like Farkas national leaders too.

Somewhat counterintuitively, the period of collapse was the period of maximum agency for the protagonists in Eastern Europe, while French re-annexation was marred by expropriation and expulsion of businessmen and their families. Most importantly, the cohesion of the business elite of the reannexed provinces was broken, some of them joined forces with French companies to buy up their competitors at cheap prices and from state loans. The arbitrary conduct

of the new administration caused scandals in Paris, but France could not afford admitting to the conditions the reintegration created and brushed under the carpet the systematic breach of laws, sowing the seeds of dissatisfaction among the remaining business elites too. In the meantime, non-Romanian capitalists in Romania's new provinces built on their embeddedness locally, good contacts with Romanian political elites from the province and the opportunities the autarkic policies of Romania offered. Like the Jiu-valley mine under Ferenc Chorin's direction, together with local Romanian partners and often with support from French businesses they established quasi monopolies on new, extended markets. Farkas also made the Renner tannery the country's largest and most profitable one, uniting it with its rival from Timișoara/Temesvár. Ironically France's aggressive pursuit of a new economic sphere of influence in Central and Eastern Europe, to replace Russia, incentivized Romanian and Hungarian businessmen to cooperate – against French influence, if necessary.

As Rigó forcefully argues, it was not only the fluidity of statehood for a few crucial months alone that enabled Transylvanian businessmen to salvage the most of their assets despite Romanian plans of expropriation or Romanianization. While especially the Budapest elites, such as Chorin courted French interests for a sell-out too, finally the local embeddedness proved to be the most valuable factor. Based on political and business contacts new arrangements came into being, ones that were unexpectedly advantageous for the old owners, while nominally matching the expectation of Romanianizing companies under foreign ownership. Transylvania's non-Romanian business elite – at least for a short moment before antisemi-

tism destroyed the idyll in the 1930s – became an integral part of the edifice of the highly nationalist Greater Romania.

While the argument is convincing as regards to the factors behind the resilience of businesses, whether it is really a story of a large shift in the economic geography of the continent, establishing Central Europe as a standalone economic region as the book seems to claim is somewhat dubious – at least based on the evidence. Rigó's story is more a story of networks that relate to but are not dependent on territory, than a story of geographically defined economic space. True, during the war it remained confined to the zone between Strasbourg and Braila, and local embeddedness is one of the factors behind its resilience. But the same actors were linked very differently too and it is entirely feasible to think about a similarly well-argued story that would take as its geographic frame the whole continent or a different segment of it – the Late Ottoman Empire and Southeastern Europe, a "Greater Switzerland" and so on, especially after 1918 when maneuvers to hide assets behind Allied or neutral entities and foster partnerships created strange configurations of ownership links and co-ownerships. Therefore, a different set of protagonists of the same kind would highlight an alternative geographic dynamic. For example, Ernest Weyl, an Alsatian engineer of Parisian education and a close collaborator of Louis Loucheur, the French businessman and politician (playing a supporting role in the book) in Loucheur's Ministry for reconstruction, was also a leading representative of French economic interests in Constantinople, still present even during the Gallipoli campaign. Loucheur himself cooperated with the

Hungarian Ganz Electric Works and the General Credit Bank (one of the owners of Jiu-valley mines and another protagonist in a supporting role) in the Constantinople Tramway and Electric Company in 1910-1911. After the war Weyl was present overall in Central and Eastern Europe, from Silesian mines to Cluj electric works, also in the Constantinople tramways and the General Credit Bank in Budapest. His case is clearly just an addition to Rigó's book on salvaging assets, but his geographic trajectory is still one of a different kind: a truly continental, albeit layered one.

This is certainly one of the questions this book opens and not closes. In this sense the work that masterfully weaves together the threads, hopping from West to East, Cluj to Hagondange, Ferenc Chorin Jr. to Mózes Farkas and moving the protagonists within the narrative is very much an inspiration too. Raising at least as many questions as it answers and calling for and laying the groundworks to further research on the economic history and the history of imperialism – including an Austro-Hungarian one – of Central and Eastern Europe.

*Gábor Egrý\**

*Nathan Marcus*

**The Reconstruction of Austria and the Collapse of Global Finance**  
Harvard UP, Cambridge (Ma) 2018,  
pp. 546

*Tobias Straumann*

**1931: Crisis Debt and the Rise of Hitler**  
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In 1914 Austria-Hungary and Germany gambled on war and lost. The

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Habsburg empire collapsed, leaving Austria to grapple with massive reparation demands and domestic debts as well as an overlarge administration while cut off from its hinterland. Germany in turn faced the dislocation of over four years of total war, followed by eight further months of Entente blockade, an undeclared civil war between communists and nationalists for control of the country, and the humiliation of losing territory to a resurrected Poland. Yet both countries turned national resentment outwards, persuading themselves they were victims of foreign oppression.

With some justice, Germans claimed they had been promised a peace settlement based upon US President Woodrow Wilson's 14 Points of January 1918 which included his assurance that «there is nothing in this programme that impairs [German greatness]. ... We wish her only to accept a place of equality among the peoples of the world». Instead, the Entente powers had imposed a dictated peace including impossibly large reparation demands. Austrians meanwhile complained they had been left in an impossible predicament, cut off from former Habsburg lands and barred from a merger or Anschluss with Germany, their best, perhaps their only, hope of regaining economic viability. Albeit in different ways, this sense of victimhood fundamentally influenced their postwar monetary and financial policies and contributed to their slide into fascism, as the two books under review demonstrate.

Germany being ten times greater than Austria in population or territory, its fate seems on the face of it to have been far more important. Yet Entente bankers and statesmen appreciated that, small as Austria was, it occupied a pivotal role in Central Europe and its collapse would have severe consequences for

the whole region. Moreover, as Nathan Marcus explains, Austria warrants the attention of historians because it was the first country to experience hyperinflation after the war and the first to benefit from the intervention of the League of Nations. In spring 1931 it was also widely credited, albeit inaccurately, with triggering the financial crisis that spread to Germany, Britain and far beyond.

As the ex-belligerent country with the greatest war debts in relation to its tax revenues and the greatest dependence upon foreign trade and foreign capital in relation to its economic size, Austria's predicament seemed hopeless without help from abroad. Expert opinion in Vienna agreed on this but divided over the form the help should take. Most conservatives favoured a merger with Germany which, they believed, would eliminate the current account deficit and end the currency depreciation that was driving up domestic prices. The alternative solution, favoured by the government and its officials among others, was a large foreign loan to relieve the government from borrowing from the national bank and the bank from printing bank notes which was fuelling inflation. As Anschluss was prohibited, Austrian statesmen in 1921 sought a foreign loan, but for over a year this proved impossible not least because nearly all the country's assets were already pledged twice over, as a guarantee for reparation payments and for credits extended to cover relief food supplies at the end of the war. Meanwhile, two bouts of hyperinflation occurred, reducing almost to nothing the value of the Austrian crown from its already severely depreciated exchange rate.

Fortunately for Austria, the League of Nations had created an Economic Section which in turn formed a Financial

Committee comprised of well-respected experts from a half-dozen countries. With the active support mainly of British bankers and officials, the Financial Committee in 1921 took an interest in Austria's plight and after nearly a year of negotiations it obtained the agreement of all the interested parties to implement a three-part programme to restore financial stability. This comprised a limited issue of Austrian treasury bills to demonstrate a domestic commitment to reform, a large international loan to cover budget deficits for two years, and the Austrian government's commitment to restore budget equilibrium through spending cuts and create a central bank independent of the state. To oversee the programme, the Financial Committee installed a General Commissioner in Vienna to oversee the Austrian government's fiscal operations. When the Austrian National Bank (ANB) was established, a foreign *conseiller* was also installed.

The League Financial Committee, as Marcus argues, proved of inestimable value. In a situation where at least half a dozen countries held claims on Austria and Austrian politicians jealously resisted foreign interference in their policymaking, an international institution was essential to remove the partisan obstacles to an ambitious reform programme of foreign borrowing and fiscal economies. Moreover, as an ostensibly disinterested body of experts, it alone could reassure international markets that currency depreciation would be brought under control. Austria soon issued \$16 million in Treasury bills and by June 1923, on the strength of guarantees from the British, French and other European governments, the Committee raised an international loan of \$160 million which underpinned confidence in the Austrian crown. The

political results, however, were to say the least paradoxical.

Critics in Austria loudly complained that international bankers now controlled the country to exploit its wealth or force down wages and public employment; a view shared even now by some Austrian historians. In fact, successive *conseillers* at the ANB found themselves almost completely ignored by the Bank and helpless to impose their advice. Similarly, the General Commissioner found himself almost powerless because his one weapon was control over the funds raised with assistance of the League, but the sharp recovery of the Austrian economy in 1923 increased the government's revenues, thus removing its need for these funds. The government ignored his advice to reduce the size of the Austrian army and abolish the Ministry of War. It also ignored its own commitment substantially to reduce its outgoings and instead balanced its budget with expenditure much higher than originally agreed. Yet it was content to see the General Commissioner made the scapegoat for its unpopular decisions. Perhaps in the short term such scapegoating may have been necessary for the governance of the country. But encouraging Austrians to believe in their own victimisation probably also contributed to national resentments, sympathy for an Anschluss and the destruction of the country.

Germans, having persuaded themselves that their troubles were owed largely to the Versailles "Diktat", fixed relentlessly upon the Allies' demand for reparations or "tribute", as they called it. On the face of it, the demand was indeed enormous: as set out by the Reparations Commission on 5 May 1921, the Central powers together were required to pay 132 billion gold marks over a period of 30 years. The

Commission however recognised that the states which emerged from the wreckage of the Austro-Hungarian and Ottoman Empires neither would nor could join Germany in making payments. Hence 82 billion of the 132 billion total should be indefinitely postponed, leaving Germany to pay 50 billion gold marks or roughly \$12 billion at pre-war exchange rates. Transformed into an annuity, this amounted to an annual obligation of about 3 billion gold marks or a quarter of Germany's current export earnings: a large but not necessarily impossible demand, given that Germany's exports could be expected to increase substantially from their depressed postwar levels. But it was the headline figure of 132 billion gold marks that critics endlessly cited.

Tobias Straumann, author of *1931: Debt, Crisis, and the Rise of Hitler*, evidently shares the view that the Entente powers' demand was unreasonably large. He asserts that reparations were intended to «punish Germany», a claim for which there is practically no evidence. He also repeatedly refers to the «London Ultimatum» of 5 May 1921, a contemporary German term of abuse, when the Reparations Commission called it simply the «London Schedule». While passing swiftly over events in the 1920s to focus on the period of the world economic slump, Straumann argues that the reparation demands led directly to the rise of Hitler and collapse of the Weimar Republic. Yet Weimar faced many financial, economic and political problems besides reparations. He would be more correct to say that Germans turned reparations into such a major source of *grievance* that this led to the country's downfall.

From the outset, German governments refused to pay reparations except under duress. After they unilaterally

suspended two early payments, France supported by the other reparation recipients, Britain, Belgium and Italy, sent troops to occupy three cities in the Ruhr in March 1921. The operation was swift and effective, for the German Socialist (SPD)-Catholic Centre government soon paid over 1 billion gold marks to the Reparation Commission, whereupon the French troops withdrew. Two years later, however, after Germany made no further payments and French and Belgian troops occupied the whole of the Ruhr valley, the nationalist government of Wilhelm Cuno financed resistance in the region. The result was a brutal standoff that lasted until autumn 1923, severely affecting the German economy and triggering hyperinflation which drove down the value of the Reichsmark to almost nothing.

To revive the economy, the creditor powers formed an expert committee headed by an American banker, Charles Dawes, which adopted a plan including the creation of a new currency linked indirectly to the gold standard, a large international loan to underpin the currency, and provisions to safeguard against a repeat of the recent crisis by enabling Germany temporarily to suspend reparation transfer payments if they threatened the stability of the new currency.

Once the plan was implemented, the economy quickly revived. But the Dawes plan was only an interim settlement, and whereas in 1924-5 Germany was called on to pay only 1 billion RM (\$250 million) in reparations, the payments gradually rose to 2.5 billion RM (\$600 million) in 1928-9, the first «standard annuity year». This was cause for concern because Germany, having destroyed practically all private and corporate savings in the hyperinflation, relied heavily on foreign short- and long-

term lending for its bank reserves and investments, which raised the spectre of a large-scale default in the event of a financial crisis.

A second expert committee was therefore formed in February 1929, chaired by another prominent American banker, Owen D Young, which devised a new, ostensibly permanent basis for future reparation payments. This involved a modest reduction in reparation demands and the division of payments into two parts, one third being an unconditional obligation on Germany largely to compensate France for agreeing to the loss of security by the withdrawal of the last Allied troops from the Rhineland, and two-thirds capable of being suspended if, as the experts fervently hoped, the United States reduced or cancelled its demand for repayment of war debts.

Straumann points to shortcomings in both plans: the Dawes plan because by allowing Germany to suspend payment transfers, it created the temptation to increase foreign borrowing precisely to justify such a suspension; the Young Plan for making the unconditional tranche of reparations a prior obligation to commercial loans, thereby discouraging foreign lending just when Germany needed it most. Straumann's criticism of the Dawes plan is at least plausible. But the supposed flaw in the Young Plan is of doubtful significance, for the world economic slump began just as the plan was adopted, removing any prospect of large-scale foreign borrowing and increasing instability in Germany over reparation payments.

In July 1929, while the Young Plan was being negotiated, the industrialist and leader of the German Nationalist Party (DNVP), Alfred Hugenberg, launched a campaign against the plan,

claiming it would drive down living standards to "Asiatic" levels and calling for a «Law Against the Enslavement of the German People» including severe punishment of any politician responsible for continuing reparations. To promote a national referendum among the working class, he enlisted Adolf Hitler's support, giving him hitherto unprecedented publicity in his newspapers and by sharing DNVP platforms with him. In the event, the referendum attracted only five million votes, not enough to require the attention of the Reichstag. But it greatly raised Hitler's national visibility and almost certainly encouraged public belief that reparations had "financially enslaved" the country.

In May 1928 the only federal election in the short life of the Weimar Republic held in near normal conditions resulted in the victory of the so-called Weimar coalition of democratic parties. Led by Hermann Müller of the Socialist party, the government introduced important social reforms. But on 27 March 1930, two months after the Young Plan was adopted, Müller resigned when the coalition failed to agree on economies to reduce the ominously mounting budget deficit, and Heinrich Brüning, the conservative Catholic Centre party leader, became chancellor. Brüning soon introduced stiff austerity measures, but by relying upon emergency legislation he was obliged to seek a new mandate through a federal election. By September 1930 the economy was in steep decline, and many voters turned to extremist parties. The Communist party (KPD) increased its representation in the Reichstag from 54 to 77 seats while Hitler's National Socialist Party (NSDAP) rose spectacularly from 12 to 107 seats.

According to Straumann, Hitler's success owed mainly to his constant

denunciation of reparations and Brüning drew the lesson that he must also oppose them, «since everybody agreed that the Young Plan had been the root cause of the [coalition's] electoral defeat». Aware that unilaterally halting reparations could endanger the German economy, he hesitated to act. Nevertheless, in October 1930 he sought to interest Hitler in «his plan to topple the Versailles Treaty by abandoning reparations and tackling the disarmament issue». In March 1931, with the economy in freefall, he permitted his foreign minister Julius Curtius to initiate secret negotiations with Austria on a customs union, to get around the injunction against Anschluss. And in June 1931 he issued a declaration that Germany must suspend reparation payments in view of the state of the economy, which immediately triggered a first-class financial crisis.

With the German banking system on the verge of collapse, the US president Herbert Hoover, learning that American banks were vulnerable to the crisis, on 20 June proposed a general one-year moratorium on all inter-governmental debt payments. Brüning welcomed Hoover's offer, but when France insisted that Germany commit to resume reparation payments once the moratorium ended, he stalled for twelve days before acceding to the demand. This allowed the moratorium to begin, but by then it was too late. With confidence in German finances shattered and the reserves of the Reichsbank exhausted, on 14 July Germany introduced exchange controls to halt the collapse of the banking system and national currency.

Over the next year the German economy sank ever deeper into depression. In another federal election on 31 July 1932, Hitler's NSDAP was again the main winner, more than doubling its representation in the Reichstag to 230

seats. In yet another federal election three months later, with the economy showing signs of recovery, NSDAP representation declined to 196 seats. But by now, Nationalist leaders accepted that Hitler must be brought into government and on 30 January 1933 he became chancellor. As Straumann observes, this had become a near certainty since the financial crisis of 1931.

According to many accounts, Austria rather than Germany was responsible for triggering the international financial crisis in 1931, after the Vienna-based Credit Anstalt faced insolvency and speculators sustained the contagion by turning to Germany, then Britain and other countries in the informal sterling area. However, by carefully examining deposit and exchange rate movements, Marcus demonstrates that the Austrian crisis was effectively contained with the help of a consortium of central banks before the German banking crisis began. It was, in fact, another notable instance of successful international intervention rather than the failure it is usually presented in economic texts.

This final section of Marcus's book adds useful precision to our knowledge of the 1931 financial crisis. However, it stands as a largely separate addendum to the main section on Austria's collapse into hyperinflation and the ultimately successful League and central banking intervention to bring it under control. This is an exceptionally thorough account which, albeit in need of an editor's red pencil, deserves careful reading by students of financial crises. Yet Straumann's explanation of the Austrian hyperinflation is open to question.

Although postwar Austria ran a large current account deficit and allowed public expenditure to outrun revenue, Marcus argues that neither factor was responsible for the hyperinflation which

was due to “psychological factors”, namely changing expectations that the currency would depreciate further or alternatively that League intervention would restore confidence in it. Although he does not employ the term, this bears a striking resemblance to rational expectations models developed by Robert Lucas and others to challenge Keynesian theory. Marcus demonstrates with precision that changing expectations did alter the trajectory of the Austrian crown. Nevertheless, the evidence also indicates that hyperinflation was only the terminal stage of accelerating currency depreciation brought on by very real weaknesses in the Austrian economy. While League intervention altered expectations and enabled the currency to be stabilised, continued economic weakness made it vulnerable to a return of currency depreciation and even hyperinflation.

Straumann’s brief and fluently written study skilfully integrates financial and political aspects of a singularly important moment in German history. However, in assessing its insights, two qualifications are necessary. First, Straumann claims that the story of Entente reparation claims on Germany offers an important lesson for today, namely that international lenders must not exceed the willingness of debtor countries to sustain the burden of their debt. This may be sound advice in general, but as his own account clearly demonstrates, Germany refused to tolerate *any* substantial amount of reparations.

This points to a second and broader question, namely the importance of reparations in interwar history. Straumann comes very close to saying that the Entente powers must share the blame for the German catastrophe due to

their unreasonable reparation demands. However, the Weimar Republic began in conditions of acute political and economic weakness, and so far from striving to pay reparations it made every effort to avoid doing so. It is only a slight exaggeration to say that, despite signing the peace treaty at Versailles in 1919, Germany continued low-intensity warfare against the Entente powers using reparations as one of several weapons, and it was this, not the actual burden of reparations, that eventually led to the catastrophe.

Different as the Marcus and Straumann studies are, they are linked by two features. One is role of victimhood. In both countries, nationalists blamed foreign interests for financial problems brought on largely by their own actions. The second feature is the central role of financial speculation in shaping the course of events in Austria and Germany. Marcus examines the effects of speculation in Austria in great detail whereas Straumann merely touches upon the German experience, but in neither case do they attempt to identify the sources of speculation, whether corporate or individual. Probably for the most part identification is an impossible task, yet it is intriguing nevertheless, given the enormous scale of flight capital and “hot money”, as contemporaries called speculative funds involved in currency arbitrage. Thus a shadowy world of speculators amplified and altered currency movements which wreaked havoc on currencies and economies. In this respect, practically all European states became victims of unregulated capitalism between the world wars.

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Clara E. Mattei

### The Capital Order.

#### How Economists Invented Austerity and Paved the Way for Fascism

University of Chicago Press, Chicago 2022, pp. 480

While many economists recognize that the term “austerity” indicates a policy of sizeable reduction of government deficits and stabilization of government debt achieved by means of spending cuts or tax increases, or both, few of them explore the historical roots of this policy. In her excellent book, Clara Mattei tackles the early twentieth century rise of austerity politics and its continuing reconstruction in post-First World War Britain, Italy, and wider Europe. In a fine work of transdisciplinary research, using both aggregate statistics and archival sources, including official documents and personal papers, she shows that austerity was (and is) a specific kind of socio-economic and political agenda born out of neoclassical economic theory in the early 1900s and widespread in the context of the turmoil of the post-WW1 years. Mattei’s aim is to illustrate the cancellation of systemic ideological and institutional differences between the two countries – Britain and Italy – through the pursuit of a similar goal: «the need to rehabilitate capitalist accumulation in contexts where capitalism has lost its innocence and revealed its classist tendencies» (p. 35). Austerity directly serviced authoritarian nationalism and private capital, transferring wealth, crushing workers and labor movements, and empowering specific oppressive programs. The story focuses on the close links between liberal democracy, as in Britain, and Italian Fascism, when a movement of capitalists, politicians, and especially «economic technocracy» – including

academic economists – emerged to restore the fully capitalist model, based on private property, market allocation of resources, and wage costs.

*The Capital Order* is divided into two main parts, with the *Afterword* that remarks on the present and continuing effects of austerity. Part 1 shows the relevant crisis during and after the war ended, a capitalist crisis that evidenced the struggle between capitalists and their allies, and the working class. In both Britain and Italy, workers’ struggles developed enormous pressure and initially pushed the capitalist establishment towards a «reconstructionist» trend, proposing major reforms such as public housing schemes, healthcare, and free education. When workers moved from industrial battles to fundamental change (for democracy), as in Russia, economic struggles became political. For example, Italian soldiers and workers in the city of Ancona took control of the military barracks and refused to depart for Albania, which was then under Italian occupation. Additionally, the A. stresses the policy debate related to collectivism and cooperativism, as well as the experiences of trade unions.

Part 2 explores the austerity counteroffensive against the rising subaltern classes, which began at two international financial conferences: the first held in Brussels in 1919 and the second in Genoa in 1922. These two conferences constituted founding moments of the first global technocratic plan for austerity and moments of consensus building. Mattei effectively weaves together economic theory, historical events, and the actions of various key figures to provide a comprehensive understanding of the austerity phenomenon. In Brussels, a new “code” was created by an international technocracy that included

Maffeo Pantaleoni, Charles Gide, Gijbert Weijer Jan Bruins, Arthur Cecil Pigou, and Gustav Cassel. Two years later, other experts joined the finance committee: R.H. Brand, G. Vissering, R. Hevenstein, H. Strakosh, and R. Hawtrey. The history of austerity is a history of the origins of the rapid rise and terrible political power of modern economic theory. Critically, Mattei overemphasizes the austerity policy as an intentional (and rational) strategy of economists to serve capital, similar to Marx's description of journalists as hired prizefighters, and underestimates the moral intuitions behind economic theory. In this context, the emerging strategy for restoring the «capital order» was the state's austerity against its citizens based on regressive tax policy and public spending cuts, restricted monetary conditions, and limitations on workers' protests and unions – the three pillars of austerity – combining consensus with coercion (p. 23). Fiscal austerity was pursued through debt repayment and balanced budgets, as deliberately stated by Alberto Beneduce (p. 295), in combination with cuts in spending and social services. The definition of (high) interest rates was used to influence monetary austerity for defeating inflation and dominating workers' purchasing power. Finally, industrial austerity imposed the re-privatization of means of production and control of workers.

In Mattei's view, economic theory was «no longer an instrument of critical thought and action; it was a device by which to impose passive consent and maintain a status quo of the domination of the few over the many» (p. 30), and the two conferences created the atmosphere of social authority of the

technocracy. Economists were thus recognized as symbols of universal and a-value truths about the economy as an a-historical object. But historically, economic experts, whether fascist or liberal, recognized that to guarantee economic freedom – market freedom of the virtuous saver-investor – both countries had to sacrifice, or at least marginalize, political freedom. The idea behind these politics and socio-economic measures was a trust in markets, assuming markets as competitive rather than monopolistic, a reinforcement of private enterprise, concentrating power in the hands of those who saved and invested rather than those who only consumed, and the promotion of free trade and free capital mobility. Also, the «apolitical» theory of these economists was based on an idealized caricature of the economic subject: the rational saver.

This book is a well-written, historically documented, and detailed contribution that reminds us of the fundamental intertwining of (economic) theories and socio-political processes, and the material legacy of the austerity plan. This book not only enriches our understanding of the past but also provides valuable insights into the challenges and debates surrounding economic policies in the present day. However, Mattei ignores the elephant in the room: why did Fascism emerge in Italy and not in the UK? Did these countries have different institutional and cultural dimensions, fundamentally determined by the divergent nature of British and Italian liberalism? Mattei, despite providing qualitative and quantitative historical evidence, doesn't seem to have explicitly answered these issues.

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*Janek Wasserman*

**Marginal Revolutionaries.**

**How the Austrian Economists**

**Fought the War of Ideas**

Yale UP, New Haven 2020, pp. 368

This is a superb book on how ideas originally stemming from the Austrian economic school, up to today, represent a genuine influence and symbolic power worldwide. *Marginal Revolutionaries* is an intellectual and social history of the Austrian school of thought. The author concentrates on the evolution of the Austrian school's complex vision of the world, which includes far more than a specialized economic theory. Among members of the School, one finds economists and non-economists.

The introductory chapter presents the remarkable period of Imperial Austria, Austria-Hungary, the atmosphere, and the conditions which laid down the foundations for the future school. In other words, the author presents the highly educated, privileged, illustrious bourgeoisie families of the Habsburg Vienna, from which, typically, the Austrians, emerged.

The Austrian school evolved from the work of Carl Menger. However, Menger's marginalist vision faced several opponents: the powerful Imperial bureaucracy, the influential German professors, and especially the emerging socialist movement. Menger's and later the Austrians' emphasis on the individual and the subjective found opponents in those who instead trusted the natural, state-led, and community-influenced policies.

Austrian school economic influence was the strongest before WWI. School representatives retained high governmental and private sector positions and influenced the Habsburg ruling family. The A. illustrates their ability to

transmit ideas, to organize interaction across peers and generations through established journals and similar activities. This Golden Age period, in which the representatives of the Austrian school, together with the avant-garde scientists and artists such as Sigmund Freud, Gustav Mahler, and Gustav Klimt, among others, lived in an environment which remained inspirational for more than a hundred years after it disappeared. This uniqueness, deepness, and originality appeared on a large scale in the territory of the Austrian Empire, even beyond the Austrian school achievements as an eminent historian Norman Stone describes: «Practically in every field, from music to nuclear physics, Austro-Hungarian subjects were leaders» (*Europe Transformed, 1878-1919*, Blackwell Publishing 1999, p. 309).

The collapse of the Monarchy changed all of that. Small nationalist states, hyperinflation, and the birth of totalitarian movements emerged. Life changed entirely in the upper echelons of society and for the members of the Austrian school. Some of these intellectual luminaries could not find a job in this new period, even if Schumpeter, Mises, and Hayek bloomed, and some others remained influential.

After WWI, Austria, especially Vienna, became a space for regular conflicts between social democrats and socialists versus conservatives and Catholics. The early postwar atmosphere was relatively conservative and nationalistic, symbolized by the spirit of Othmar Spann. The representatives of the Austrian school were not close to socialists nor nationalists. After the break-up of the Monarchy, their education became less appreciated, as a large number of civil service jobs, “the default career for the educated classes”, and university positions evaporated,

and Austrians' prominence shrunk in Vienna's university. Such tendencies constrained the Austrians to look beyond the academy for influence (in the daily press, professional journals, and different associations). They found stimulation in exchanging ideas with intellectuals such as Karl Popper, Kurt Gödel, Robert Musil, and others. The light of the period was the Mises Seminar at the Chamber of Commerce, which, in addition to intellectual exchanges, also helped find the participants' jobs using Mises's contacts.

After WWI, Austrian school representatives gradually left the newly emerged Central European chaos and slowly departed to the United States and England. The Rockefeller Memorial Fund helped people like Haberler, Machlup, Morgenstern, Rosenstein-Rodan, Voegelin, and others to obtain one or two year fellowships to the United States. Most Austrians remained and settled in the United States and other countries.

Once they emigrated, the Austrians became instrumental in transforming and building up the American conservative movement and transnational neoliberalism. They were behind the efforts which preferred market-based societies with the rule of law and democracy compared to ever more popular socialist ideas. The best passages in the book show the Austrian influence behind activities and arguments building in favor of trade liberalization, floating exchange rates, state deregulation, and privatization, and their impact (especially Haberler, Morgenstern, Machlup, and his students such as John Williamson) on the activities of the GATT, the Bellagio Group, the RAND Corporation, the Washington Consensus concept, and others. These were activi-

ties in support of liberalization on a worldwide scale.

As the modern neoclassical economics departments focused more on methodology, ideology remained the province of the Austrians: the arguments in favor of free enterprise and the market. As neoclassical theory pretended to be ideology-free, the Austrians could get a larger and larger share of the ideological market. Neoclassicals ideologically did not want to surrender to the mercy of market forces. Instead, they thought they could tackle market forces and the incentives that drove them to create a more equitable world. Concerning such an opinion, Hayek or Mises remained throughout their career highly skeptical.

The Austrians created a style of thought that offered an appealing defense of free-market economics that enlivened intellectual developments around the globe. They built ideological and institutional support through interactions with various elites, celebrating capitalism and keeping their ambivalence about democracy. It was not the marginalism but the concepts of liberty by which the Austrians affected the United States. As the author eloquently portrays, liberty carried «with an Old-World charm» and «a patina of sophistication».

In the United States, the Austrians turned away from economics. Hayek's status after the publication of *The Road to Serfdom* (1944) ascended to national celebrity, selling millions of copies and connecting him to anti-New Deal businesspeople, who also later supported his activities such as the Mont Pelerin Society, his professorship at Chicago, and his affiliation with libertarian and conservative institutes. Hayek and other Austrians were facing the rise of neoclassical economics, a pedagogical success but not a guide for those who

wanted to understand the differences between capitalism and communism.

The book provides a reader with an intricate depiction of the great exodus of Hayek, Schumpeter, Mises, Morgenstern, Haberler, Machlup, but also Alexander Gerschenkron, Abraham Wald, and others. These early immigration years were the years of immense productivity for the Austrians. The publication list from this period is impressive: Schumpeter, *Capitalism, Socialism, and Democracy* (1942); Hayek, *Road to Serfdom* (1944); Mises, *Bureaucracy* (1944); John von Neumann and Morgenstern, *The Theory of Games and Economic Behavior* (1944), Mises, *Human Action* (1949) and their fellow travelers added, Karl Polanyi, *The Great Transformation* (1944) and Karl Popper, *The Open Society and Its Enemies* (1945).

The A. provides an enchanting discussion of the foundation of the Mont Pelerin Society, Hayek's life at Chicago University, Mises' difficult adjustment to American academia, participation of the Austrians in the Alpbach seminars, the Austrians' role in the founding of the Institute of Advanced Studies in Vienna, Haberler's engagement in trade disputes, and Machlup's and others involvement in the shaping of Bretton-Woods institutions. In the last chapter, the A. brings us to the 1970s with Hayek receiving the Nobel Prize for his work on decentralization and dispersed knowledge in the market system. This shocked the neoclassical mainstream as Hayek was not published in the mainstream after WW2 and was all but ignored by the mainstream for thirty years.

In summary, the author has written an exciting work of high quality. It is beneficial that he avoids academic issues

such as how to define a school and instead presents ideas and facts covering more than a hundred years on at least two continents of lives and thoughts of the prominent representatives of the Austrians. It should be essential reading for anyone seeking to comprehend Central Europe's culture and intellectual life.

*Julius Horvath\**

Quinn Slobodian

**The Globalists.**

**The End of Empire and the Birth of Neoliberalism**

Harvard UP, Cambridge (Ma) 2018, pp. 400

A well-known British financial journalist once pointed out that, in coming to write books for an American public, she quickly realized that she could not use the British style of bullet-point exposition, and that she needed to resort to story-telling. Since historian Quinn Slobodian writes for a North American academic public, it is unsurprising to find his highly acclaimed book structured along a "narrative". But *historiā* («inquiry, examination, systematic observation») and storytelling («narrative», in current academic jargon) are not exactly the same thing. Something gets lost. Furthermore, Slobodian is a historian of ideas, and his background is in German History (Germany in the 1960s, in fact) rather than in Central European History (which would be actually more relevant for the beginning of his book). Each chapter appears to have a thematic character (*A World of Walls*, and so forth) but in fact the book is organized chronologically.

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Slobodian's intent is to prove that «self-described neo-liberals did not believe in self-regulating markets as autonomous entities... They sought neither the disappearance of the state nor the disappearance of borders» (p. 2). Undoubtedly, for someone who grew up identifying neo-liberalism with libertarianism, this would sound like a great revelation. It is a bit like discovering that Adam Smith mentioned the «invisible hand» only once in his *Wealth of Nations* (cfr. A. Roncaglia, *Il mito della mano invisibile*, Laterza 2005).

In his introduction, Slobodian explains that his objective is «to tell the story of the twentieth century through the eyes of neoliberals». But readers are also reassured that «to discuss neoliberal ideas of order, especially at the supranational level, is not to assert neoliberal omnipotence» (p. 25). This is just as well, since the A. has already admitted that «the fact that paradigmatic product of Geneva School neoliberalism – the WTO – has been riven with exceptions, infractions, and ignored rules only shows that the clash of economic ideas is far from finished and that the world economy continues to be redefined». It is by no means obvious, therefore, why should so much attention be devoted to these theories. On the other hand, concentrating on the prolific writings by a few thinkers provides a convenient source of materials to be summarized and dissected.

The first chapter is not particularly promising. The setting is the end of the Habsburg monarchy, which the author constantly labels «empire», apparently unaware of the fact that it was a dual monarchy, and that the (inappropriate) use of the term “empire” has long been a controversial issue in historiography. As P.M. Judson has demonstrated,

Austria-Hungary was far from being an “empire”, somehow comparable to the European colonial empires (*L'Autriche-Hongrie était-elle un empire?*, «Annales HSS», 2008, 3, pp. 563-96). This cavalier usage of terms sets the tone for the entire book, which is replete with historical howlers. But let not historical facts get in the way of a good narrative.

Since the 1920s, late Habsburg and Austrian history has received considerable attention from historians of all kinds, not just the predictable cultural historians, but political, economic, social historians, from Josef Redlich and Oszkár Jászi to Steven Beller and John Boyer. None of these are ever mentioned, let alone discussed. Nor are contemporary figures, such as Joseph A. Schumpeter (briefly minister of Finance in postwar Austria, as it happens). Slobodian's book is an exercise in tunnel vision, a steady advance with a blinkered vision.

When it comes to the Great Crash of 1929 and its aftermath, Slobodian can follow the well-trodden path of the studies promoted by the League of Nations, the Geneva Graduate Institute of International Studies (related to the League), the Walter Lippmann Colloquium, the emergence of ordoliberalism. There is no discussion of any dissenting voices (such as Vladimir S. Voitinsky, who played a role at the ILO). The Keynes-Hayek debate of 1931 (and the latter's subsequent abandonment of monetary theory and macroeconomics) is of no consequence for the unstoppable narrative.

As Máté Rigó has pointed out, «the failure of technocrats to impose their will on administrations is remarkable, as the interwar period is usually identified as the heyday of ambitious economic planners and technocrats such as Louis Loucheur, Étienne Clémentel, Ernest

Mercier, and Ludwig von Mises» (M. Rigó, *Capitalism in Chaos. How the Business Elites of Europe Prospered in the Era of the Great War*, Cornell UP 2022, p. 202). In an otherwise favourable review of the book, Stephen Wertheim has made a similar point: «Hewing closely to the ideas of his protagonists, Slobodian struggles to demonstrate exactly how they influenced particular international rules and institutions. Readers wonder how strong a connection exists between the intellectuals he profiles and the developments he credits them with shaping» (*A World Safe for Capital. How Neoliberalism Shaped the International System*, «Foreign Affairs», May-June 2019, p. 181). Slobodian never really provides a historically grounded description of the way in which abstract theories found their way into the workings of the real world.

As is well known, in the postwar era the Mont Pèlerin Society emerged. Slobodian devotes special attention to Wilhelm Röpke, and more generally to the issue of decolonization. Röpke's support for colonialism and apartheid may surprise some readers, but not students of that period. The real focus lies in unmasking the true nature of the process of European integration, as demonstrated by the "Eurafrica" project (which has long been the object of studies). Indeed, the presence of France – which still had a Southern Mediterranean possession at the time of the founding of the EEC – did make a difference. But did it really reflect some neo-liberal project, or quite simply the facts on the ground, French internal politics? As Alan Milward pointed out, the French decision to go ahead with the EEC (after the failure of the Suez war) was conditioned by a variety of factors, and in particular agricultural modernization (A. Milward et al., eds, *The Frontier*

*of National Sovereignty: History and Theory, 1945-1992*, Routledge 1993, pp. 187-91).

The narrative then proceeds with meticulous description of the majestic plans of neoliberals and ordoliberals, laws and regulations approved. The oil crises and rise of the Global South are duly celebrated (there is no mention of anything as banal as the Nixon shock of 1971, nor of Nixon becoming «a Keynesian in economics» – it would complicate the picture too much). Indeed, Slobodian believes he has «traced a line that leads from the end of the Habsburg Empire to the foundation of the World Trade Organization» (p. 264). His book has «told stories of the neoliberal fix from the 1920s to the 1990s as institutional attempts to defend the world economy against democracy and nationalism» (pp. 265-66). His narrative has shown that «the declared project of liberating the market was also one of institutional design» (p. 271).

But hope is on the way. The 1999 Seattle protests (which took place just before Slobodian graduated, so they must have been important) were «an existential crisis for ordoglobalism» (p. 277). «It may be that Geneva School neoliberals were so busy building crystalline fortresses for the world that they failed to heed Mises' advice about reinforcing a mass mentality that would favour global markets as an absolute good to be favored or rejected as fortunes changes. They did not plan for a downturn... Luckily for them, the well-being of capitalism does not rely on their interventions, and never had» (p. 285).

So we come to a happy ending (as in all good narratives). Neoliberalism was not responsible for everything. It did not go unchallenged. Perhaps there are more things in heaven and earth, than are

dreamt of in neoliberal and ordoliberal philosophy?

*Guido Franzinetti\**

*Jamie Martin*

**The Meddlers.**

**Sovereignty, Empire and the Birth of Global Economic Governance**

Harvard UP, Cambridge (Ma) 2022, pp. 345

Jamie Martin has written an impressive book about the economic history of the interwar period. He shows how global economic governance started long before the creation of the IMF and the World Bank. That the League of Nations had its impact despite a series of failures has been well documented by Patricia Clavin's seminal work. But Martin goes one step beyond by unearthing a series of defining interventions which opened the way for the wave of institution-building in the 1940's.

Of course, the pioneers of the interwar years did not start from scratch. The administration of colonial empires and the settlement of foreign debt before 1914 had provided the Western powers with sweeping experience in meddling, and this sort of economic governance within an empire and across borders continued to be relevant after 1918. But as Martin meticulously illustrates, the interwar years witnessed an institutional innovation by which the governance was handed over from a single imperial power to a multilateral body which enjoyed a higher degree of legitimacy. Foreign interference went hand in hand with international cooperation.

The new form of economic governance was initiated during WWI when

the UK and the US created bodies to better organize and distribute raw materials, foodstuffs, and ships. Martin describes how the transfer of national power to these binational bodies had to be carefully calibrated as it curtailed national sovereignty. Martin shows how vital the intergovernmental cooperation was for the procurement and distribution of nitrate from Chile required for producing explosives and fertilizers. The central figures were the French official Jean Monnet who would later develop the blueprint for the European Coal and Steel Community in the early 1950s and the British civil servant Arthur Salter, son of a shipowner, who had made his career in the Admiralty and the Ministry of Shipping.

The main chapters of the book analyze four topics in which the new paradigm of global economic governance emerged. The first one is the financial and monetary restructuring in the early 1920s. The A. picks up the familiar example of Austria but adds the less known case of Albania where the League of Nations launched its first mission and puts them into the greater context of international financial stabilization efforts. The second topic is the creation of the Bank for International Settlements in 1929-30. Again, many aspects of the story are well known, but by linking the debate about the institutional configuration of the BIS to the issue of sovereignty Martin can develop a new perspective. The last two topics treated in the main part of the book, the emergence of development and aid policies and the international regulation of commodity prices, are likely to be entirely novel to most historians. The A.

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shows how the League of Nations initiated two projects in Greece and China which resembled practices which were to become standard after WW2. In the early 1920s this helped to resettle more than a million Greek refugees in the wake of the war with Turkey which involved a loan attached with far-reaching interventions in Greek domestic policies and politics. In the early 1930s, the League offered technical advice to Chiang Kai-shek's government without any loan and political interference. The new form of assistance was short-lived but helped improve China's infrastructure. As for the international regulation of commodity prices, Martin shows how an intergovernmental body was created during the Great Depression to regulate the global production and exchange of tin mainly produced by Malaya which was part of the British Empire.

The final chapter and the conclusion link the interwar years to the more familiar history of post-war global economic governance. Like in the chapter on the foundation of the BIS, Martin focusses on the issue of sovereignty when describing how the IMF was created and developed his lending practices in the late 1940s. Contrary to the expectations of many politicians the IMF went far in its meddling when it provided loans to poorer countries suffering from a balance of payments crisis. Mexico was the first test in 1949. Accordingly, in his conclusion the A. sketches a new critical perspective on the post-war era of embedded liberalism, claiming that most countries suffered from a much greater loss of sovereignty than is usually conceded. Just as in the interwar years and after the end of Bretton Woods the policy autonomy of peripheral debtors was extremely constrained once the IMF came to the

rescue with a loan and attached all sorts of strings to it. The Bretton Woods system may have provided more room for maneuver regarding the monetary policy of core countries. But according to Martin, «there was no stable era of mid-twentieth century autonomy that can be easily recaptured» (p. 257).

There is something to be said for it. Martin's discovery that the interwar years gave birth to modern global economic governance, as we know it, inevitably weakens the notion of a big rupture with the past in the 1940s. And it is correct to point out that the factual asymmetry between the institutions of the Western core countries and the periphery contradicted the principles of embedded liberalism. But the A. does not devote enough space to develop his bold hypothesis, and the argument that the relationship between creditors and debtors has always been asymmetric is not the strongest. More generally, the book is more powerful in its historical narratives than in its general argument. To be sure, Martin is right in emphasizing the problematic aspects of international cooperation. It is one of the central issues of our time as globalization has recently not only undermined the national autonomy of emerging markets and developing countries, but also the privileged states in the core. The idea that international cooperation is such a great goal that the issue of national sovereignty deserves to be relegated needs to be criticized. But throughout the book it remains unclear what alternative scenario the A. has in his mind. To his defense, we can add that he is not alone with this. We all would like to know how global economic governance could be improved. In any case, with his thoroughly researched book Martin makes

an important historical contribution to a pressing contemporary debate.

*Tobias Straumann\**

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**Forging Global Fordism  
Nazi Germany, Soviet Russia,  
and the Contest over the Industrial  
Order**

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The title of the Princeton UP series, “America in the world”, encapsulates the narrative of American ascendance and the worldwide dissemination of its material and cultural products, as much as the aspiration to situate the history of the United States within a global framework, made of hectic circulations, reciprocal influences, inherent constraints. It is within this context that Stefan Link’s book explores the dark side of the rising star of mass production.

The global scale consists less of a map of the routes of «Ford on Six Continents», quoting Mira Wilkins’ business history milestone (1964), than it lies in the analysis of the restructuring of the world economy during the Depression. Fordism can thus be better understood within a cycle of «revolts against the “great specialisation” that divided the world into raw material exporters [...] on one hand, and the industrial core [...] on the other». The Depression emerges primarily as a balance of payments crisis, spurring states to pursue development strategies based on commercial entrenchment and expansion of industrial capability, especially in domestic sectors, such as textile, and eventually steel. Automobile production was out of the reach of most. The Soviet Union and Nazi Germany

decided to pursue this path and seek the mentorship of the Detroit master, hoping to surpass it. Fordism had played a pivotal role in consolidating that industrial core and the status of the U.S. as an industrial superpower; however, the foreign assimilation of its technologies presented a challenge to that «global division of labour inherited from the nineteenth century» (p. 15). Link’s emphasis falls less on the increasing interconnectedness of the 1920s than on the fractures of the 1930s; less on American prominence than on revolt against it; less on the spread of the development paradigm, than on the formation of “developmental states” that stand in opposition to the core of industrial capitalism – «insurgents» against the global order and division of labour.

Fordism between the Rhine and the Volga was thus moulded under political imperatives and balance of payments constraints. Link highlights the «competitive advantage» authoritarian regimes enjoyed in terms of command over resources and labour – and the appeal it exerted on American multinationals. The famous 1929 Soviet-Ford agreement was part of the flux of technical assistance, patent concession, and personnel exchange that were integrated in the objectives of the first Five Year Plan, conceived as an alternative to foreign direct investments. Unlike various other U.S.-Soviet connections, this relationship endured the foreign exchange crisis of 1931, interactions with Ford persisting into the mid-1930s and certain contracts extending as late as 1941. Nazi strategy was different, inasmuch as it allured American multinationals in a steered market economy, which included stringent control over foreign exchange.

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The soul of the book is in the planners, managers, and engineers, who conceived and implemented the objectives of industrialisation, visited American factories, and negotiated agreements with Ford counterparts. Some of them had already led transatlantic lives. Stepan Dybets had been a metalworker and a wobbly in New Jersey before joining the Bolsheviks. In summer 1929, he visited Detroit as a representative of the Soviet state; he became the head of the Nizhnii factory and, in 1934, of the entire automobile and tractor industry. William Werner, born in New York from German parents, had worked at Chrysler before becoming technical director of Auto-Union and a prominent member of the elite of Nazi engineers. These are just two examples of the thick transnational plot that Link weaves together, thanks to solid research at the Ford, Volkswagen, and Nizhni Novgorod archives. It would have been interesting to look at the transnational pathways of German engineers in the USSR during the 1920s and well into the 1930s; within this context, the import of Fordist technology and know-how also entailed a “diversification” of blueprints for rapid industrialisation.

A different asymmetry defines the comparative dimension of the book. Fascist Italy, Fiat, Giancarlo Camerana’s trip to Detroit, and autarky are considered as far as scholarship in English allows. The comparative axis primarily collates the USSR and Germany, sharing an ambition to world power and a commitment to accelerated industrialisation, but embarking in this adventure from fundamentally different starting points. This culminated in a competition of military mobilisation and production. In this clash of industrial titans, Link explains Soviet stunning *remontada* by its superior ability to command

resources and especially labour – in other words, superior violence: «Where the Soviet exceeded its enemy was in how ruthlessly it mobilized economic resources *after* the German attack. [...] It was a contrast in coercive state capacity» (p. 197), swift conversion of consumer industries to war effort, and ability to deliver quantity at the expense of quality and technological advancement.

The US is involved in the comparative analysis in essentially two ways. First, it was free from the pressures and constraints that shaped Soviet and Nazi industrialisation. Secondly, it shares an “illiberal” foundation, as Henry Ford’s Midwest populism and infamous anti-semitism defined the authoritarian nature of Fordism and foreshadowed its adoption by illiberal regimes.

This serves the purpose of disassociating Fordism from the postwar liberalism with which it is frequently paired. However, it may also give rise to more questions than it effectively addresses (or cuts off). One might long for a more explicit reflection on the notion of “illiberal” itself, and its history, which draws from the late 20th-century debate on the post-Fordist industrial prowess of “illiberal democracies”, i.e., Japan and the so-called «Asian tigers» (only later this concept would this concept evolve to address populist-authoritarian shifts: in his renowned 2014 speech in Băile Tuşnad, which that inscribed this notion in our contemporary political lexicon, Viktor Orbán echoed concerns raised by political scientists and turned them into a political agenda).

More important, though, is to specify that concurrent transformations within liberalism itself are not among the objects of the book. The nexus between liberalism and democracy was a construct of the interwar period, taking on different forms and encountering

varied fortunes. New Deal America was where this transformation was the most transparent. Before Roosevelt prided himself of his resemantization of liberalism and freedom, this process was marked by harsh social conflicts, challenging foundational principles of the pre-New Deal social order, such as the absolute authority of entrepreneurs over their workshops and workforce. Workers' demands became the focal point of welfare reforms and mass politics, with mass production industries in the spotlight. Link is right in separating Fordism from the reconciled version of US liberal project of shared prosperity, and concluding that «American-style postwar “Fordism”, then, was only one pattern in the mottled global legacy left behind by Henry Ford» (p. 215); but his analysis sheds light on some aspects, while ignoring others.

In a wider sense, workers are virtually absent from the book. One could argue that workers are not only the stuff industrial dreams were made of, but transnational actors themselves (the Reuther brothers being just one obvious example); or one could write alternative histories of global Fordism by focusing on strategies of racial exploitation, as Elizabeth Esch did in *The Color Line and the Assembly Line: Managing Race in the Ford Empire* (University of California Press 2018). To stick to the case in point, along with workers, it is the reality of work that falls out of the picture. Insightful pages, such as those discussing Stakhanovism's disruptive multiplication of shop floor norms, are exceptions rather than the rule. The choice to decouple Fordism from Taylorism points in the same direction: the focus lies on the establishment of industrial state power, rather than on the organisation of labour.

Assimilation of Soviet Union and Nazi Germany follows, leaving in the background differences in their projects and realities of social and political transformation, as well as the role of workers and the strategies deployed to secure their consensus. The downplay of Soviet workers' active participation to the war effort, ascribed solely to state coercion, shows the difficulty in moving away from a monocausal perspective and taking into account other forms of mass mobilisation.

Link follows Adam Tooze's association of Soviets and fascists, Nazis included, as “insurgents” against the post-WWI order. This approach overlooks the complexity of Communist “insurgency”, in which state interests were in a dialectical relationship with the international revolutionary movement (and gigantic factories became an integral element of the mobilising myth of progress toward industry and socialism together). On the other hand, Germany's position vis-à-vis the «industrial core» was to some extent comparable to that of the US, as a leading country of the second industrial revolution, notably in chemicals and electricity. Britain's decline as the “workshop” of the world was accomplished by this time – but it would have been useful to bring it into the picture, in its double capacity of “core within the core” (it's a bit surprising to find no mention of Percival Perry, chairman of Ford Europe) and of Empire. Both on the economic and on the geopolitical level, the interwar order was less liberal than imperial – and, perhaps, not so orderly. Within this context, ambitions of convergence as well as realities of divergence and conflict emerged.

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