The Two Postwar Eras and the Conditions for Stability: Reply

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Reply:

I HAVE ENJOYED AND LEARNED SO MUCH from Charles P. Kindleberger's books that I must give considerable weight to his objections. Nonetheless, I do think that he has reacted very sharply to some points that might seem less exceptional upon rereading. Stephen A. Schuker's critique rests more upon general methodological considerations and some differing economic premises; in response I shall try to point out where our views converge and where they are likely to remain subject to further debate.

BY REFERRING TO ELITES, I do not propose C. Wright Mills's concept of one interlocking power elite (against which Daniel Bell leveled some disabling objections two decades ago).[1] It seems too self-evident to belabor that some individuals and groups enjoy more influence over political decisions and economic arrangements than do others, often more numerous. To suggest that overlapping circles of civil servants, elected politicians, eminent businessmen, and sometimes intellectuals, including academics, have played continuing roles in shaping public outcomes hardly amounts to a conspiracy theory. Nor does observing that, although we elect by a democratic process important leaders with clear political responsibility, many of the men and women who manage our bureaucracies, institutions, and large-scale economic units are merely coopted.

I do not equate, moreover, the events of the 1920s with those of the 1940s and 1950s. As I stated in the essay, I deny identity but discern parallels. I do not think that the concepts of stability and of the value of broad economic intercourse held by the policymakers of the 1940s were so different from the ideas of the more internationalist businessmen and statesmen of the 1920s. Historical research of the past generation has suggested that American "isolation" is relative at best: useful, perhaps, to characterize a fear of security commitments that climaxed with the Neutrality Acts but less revealing for the economic involvements of the 1920s. And, for every contrast between the currency and economic developments of the 1920s and those after 1945, I find an instructive, not merely a captious, comparison. Of course, the scale of economic intervention was far more intense and successful after World War II. That was one of my major points. But many of the structural dilemmas (those created, for example, by the postwar creditor position of the United States) emerged at both junctures. For Professor Kindleberger, the change in degree between the blighted initiatives of the 1920s and the successes of the second era renders the com-

[1] Bell, "Is There a Ruling Class in America? The Power Elite Reconsidered," in his *The End of Ideology: On the Exhaustion of Political Ideas in the Fifties* (New York, 1960), 47–74.

parison invalid. For me, it suggests caution but does not remove the heuristic value.

To take two specific issues, consider the steel agreements and currency reform. The juxtaposing of the steel agreements of the 1920s and the later Coal-Steel Community is perforce incomplete, but it is not "specious." Granted, the earlier experience responded to saturated markets and encouraged quotas, whereas the ECSC emerged while output was still low. In both cases, however, Germans and French sought to integrate leading industrial sectors at the cost of some national industrial independence. In both cases, the French exploited a transitory superiority to negotiate agreements that were designed to compensate them for their longer-term vulnerability; in both cases, international agreement accompanied other supranational political linkages.

Concerning the German currency reforms, my arguments on the inflation of 1918–23, which are set out elsewhere, sought to emphasize that the views of inflation "destroying" the German middle classes or delivering them to Hitler were too simple and that the way in which inflations are ended can be as politically devastating as inflation itself.[2] The currency reform of 1948—I, too, believe—was engineered well, but it could have been instituted a year or so earlier; the costs of the delay were harsh in real, as well as in monetary, terms. Indeed, when Professor Kindleberger admits that revaluation was delayed on "ideological" grounds, I think he really buttresses my arguments. I would note, too, that the *Lastenausgleich*, or compensatory levy, instituted in stages in 1948 and after 1952 was less thoroughgoing than the one envisaged in the Colm-Dodge-Goldsmith plan. The original proposal to couple economic redistribution with technical monetary reform was shelved. Moreover, the C-D-G plan foresaw a redistribution of assets partly to compensate for war losses but partly to equalize the starting position of those who had preserved only paper claims (bank accounts, bonds) with those who had houses or business plants (largely freed of incumbent debt). The later *Lastenausgleich* abandoned this broader scope; again, an instructive comparison can be made with the limited revaluation of debts and claims in 1924–25. But in the new conditions of economic growth after 1948, the limits made less difference.[3]

When Professor Kindleberger objects to the "second half" of my thesis (the stages of stability), I must protest on several grounds. I do not claim that dissent was merely repressed in the first postwar period; the argument stresses ideological relegitimatization. Kindleberger writes that various countries tried various

[2] See Charles S. Maier, "Die deutsche Inflation als Verteilungskonflikt: Soziale Ursachen und Auswirkungen im internationalen Vergleich," in Otto Büsch and Gerald Feldman, eds., *Historische Prozesse der deutschen Inflation, 1914 bis 1922* (Berlin, 1978), 329–42, and *Recasting Bourgeois Europe: Stabilization in France, Germany, and Italy in the Decade after World War I* (Princeton, 1975), 358–64, 483–94. (Professor Schuker, by the way, dissents from my emphasis and would presumably feel uncomfortable with Professor Kindleberger's joining us all.) Obviously, the hyperinflation was worse than a common cold; but German democracy was afflicted with several potentially lethal ailments.

[3] For the currency reform and *Lastenausgleich*, see, among other sources, Hans Möller, "Die westdeutsche Währungsreform von 1948," in *Währung und Wirtschaft in Deutschland, 1876–1975* (Frankfurt a/M, 1976), 433–83; and G. Weissner, "Die Gesetzgebung über den Lastenausgleich: Bemerkungen zu ihrer Geschichte und kritische Analyse ihrer Grundgedanken," *Finanzarchiv*, new ser., 16 (1955): 62–80.

economic alternatives after 1945, only to abandon them when they failed. Is this so different from my view that "throughout the first three postwar years, in fact, there was less decisive purpose than confused experimentation and uncertain initiatives" (page 343)? Whether Jean Monnet's planning was really an alternative to capitalism or a variant of it remains the subject of debate. The interpenetration of political and economic decision makers does not allow easy typology for France any more than it does for most other industrial societies.

Finally, Mancur Olson, Jr.'s, argument, which emerges most clearly in his recent presentations,[4] that the thicket of interest groups in the United States and Britain has impeded economic growth, whereas the shattering of their equivalents in Germany and Japan unleashed new energy, seems too simple to me. I submit, contrary to my understanding of Olson's work, that not the density of interest groups but the degree of cohesion or lack thereof separates the economic leaders from the laggards. Anglo-American liberalism has been updated into an adversarial and bumbling pluralism; in the growth leaders, interest groups have been certainly dense (and sprang back quickly) but have built upon traditions of premodern social discipline.

Of course, this is an argument for continuity, which was the burden of my essay. Yes, 1945 learned from the mistakes of 1919: indeed, Charles Kindleberger was one of those to apply the lessons with enthusiasm and good sense when he was at the Department of State. This hardly means he could not have been contributing to an effort at stabilization (and renewal), the terms of which had been outlined earlier. I did not say that the United States intervened to save capitalism and the market. We stayed in Western Europe because we did not like the Soviet presence in Eastern Europe. But to state that is not to deny that the upshot of events was a version of market liberalism relatively close to our preferences.

DESPITE STEPHEN SCHUKER'S EMPHASIS upon our Christian Democratic interlocutors, I still feel that farsighted American policymakers perceived that buttressing social democracy was necessary to save both liberty and markets (page 346). Washington had to wager upon the forces of the center, hence on De Gaspari and even, exasperatedly, on Bidault; but, until 1950 or so, officials persisted in viewing social democracy as an ideological fulcrum.

Many of Professor Schuker's critiques do not significantly diverge from arguments in my essay. It is true, as he states, that distributive conflicts hardly lie in the past alone. As I intimate in my conclusion (and state on pages 340–41), however, the very recent period (say, since 1973 or so) concluded a quarter-century marked by their astonishingly low level. To be sure, the broad forces of technology (as well as of mass education, leisure, and changing family and sexual mores) are absent from my account. As I state explicitly, I do not wish to deny

[4] Olson, "The Political Economy of Comparative Growth Rates," in James Gapinski and Charles Rockwood, eds., *Essays in Post-Keynesian Inflation* (Cambridge, Mass., 1979), 137–59.

social transformation, only to emphasize the political continuity even as society altered.

The "fortunate confluence of circumstances" (page 355) that Professor Schuker finds responsible for post-1945 economic growth is not so different from the causes to which I refer (pages 343–44). In general, I am less convinced than my critic that monetary stabilization is the motor of growth. (Einaudi's brilliance may have helped perpetuate southern Italian dualism. Erhard inherited a currency reform, a Social Democratic party at an impasse, and the West's crying need for German resources.) Ultimately, it may require growth to make monetary stabilization "stick." Both those who stress monetary factors and those who argue for structural or political ones can provide coherent models. What is challenging for the historian is that the differing approaches to questions of economic policy today must be present in any assessment of past issues. This holds for the dilemmas of the latter 1920s, for policy in the Depression (where monetarist and Keynesian accounts clearly compete), for the issues of 1945 and after. No historical issue, I suspect, can be resolved with any degree of certainty greater than is granted to the economic prescriptions for analogous contemporary problems.

There is room to differ over the role of Marshall Plan aid. I believe that it was critical first in demonstrating an American political commitment and second in overcoming balance-of-payment constraints—but only to a subsidiary degree (and this was the point of my calculations) in rebuilding Europe in the crude sense often invoked. In this regard, the discrepancy between the total aid to each country in Professor Schuker's note 9 (page 357) and my own in note 36 (page 342) is readily explainable. I deliverately excluded pre–Interim Aid (pre-eminently UNRRA relief) and post-1951 Mutual Security assistance, largely slated for rearmament. I also focused only on the four major recipients. I do not see where I deny that ECA officials urged deployment of counterpart funds to boost demand; indeed, I identify them as the Keynesian bulwark in the making of foreign economic policy, and I think the sources will confirm my reading of the contrast with the Treasury. Finally, my own comparison of the dilemmas of the late 1920s with contemporary difficulties (see page 340) hardly corresponds to any Keynesian hubris.

I find more to the point Professor Schuker's criticism that I exaggerate the threat of the Left and the managerial response of the conservatives after World War I. My argument here, however, relies (as I note) not on actual power but on alternative ideological visions. For the legitimacy of capitalism, the battle between ideologies and utopias of the productive order did remain critical. What is more, leading defenders of capitalism—Olivetti, Vögler, Rathenau, Mercier, Mond—recognized this. The point is not that fear of Bolshevism directly motivated modernization of plant, improvements in technology (such as cogeneration), mergers and coordinated planning (such as electricity networks), and Tayloristic efforts at labor rationalization. Rather, these changes were prodded by, and in turn encouraged, a confidence in the mission of managerial capitalism after it had overcome a sharp challenge.

Professor Schuker's skeptical, but thoughtful, general assessment may illustrate, as he suggests, the natural differences that can result from more or less inductive approaches. Nonetheless, I would be reluctant to accept the designation of a deductive historian. The length alloted to an essay does not permit retracing all of the trails through lowlands and woods that have led to the ridges and vistas. This does not mean that the historian has not traversed them. Schuker suggests that my use of the term capitalism in vague enough to mean bourgeois democracy. Fair enough for the period since 1945—if the adjective remains in view. More generally, I think, he speaks for the many who distrust using ideal types for historical summation. The *American Historical Review* has recently featured learned objections to the concepts of feudalism and fascism.[5] Clearly, it is easy to cite cases that depart from any typology, which by its nature must simplify. Yet employing political constructs need not require burdening them emotionally in advance, nor need it involve renouncing the complementary search for variation. But how can the historian dispense with generalization? Forests as well as trees undergo phases of growth and destruction.

I OFFER THIS PIECE NOT TO CLAIM that it represents *the* correct interpretation but to present one way to think about the links between the crises and the recovery of twentieth-century European society. When I presented the paper at the American Historical Association meetings of December 1978, Professor J. H. Hexter admitted sympathetically that it had been stimulating but wondered if, after all, the real reason for stability following World War II did not derive from the simple fact that people were tired of despotism. The observation was sobering in its implication that my account might be overstructured. Let me respond two years later that people rarely want despotism, or war, or idle factories, or worthless money. But they sometimes get them. Here I have tried to outline the circumstances that let at least some of them translate yearnings for normalcy into the liberal capitalist efflorescence that followed the great wars of our century.

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Elizabeth A. R. Brown, "The Tyranny of a Construct: Feudalism and Historians of Medieval Europe," *AHR*, 79 (1974): 1063–88; Gilbert Allardyce, "What Fascism Is Not: Thoughts on the Deflation of a Concept," *ibid.*, 84 (1979): 367–88.