

Interview with Adam Tooze, Kathryn & Shelby Cullom Davis Professor of History, Department of History, Columbia University

A n Historian's Views on Present Geopolitics & Geoeconomics

By Japan SPOTLIGHT

The US-China “cold war” has changed the geopolitical and geoeconomic landscape completely. We are in the midst of regime conflict between democracy and authoritarianism. How are we going to come through this challenge and what is the solution? We will need not only to analyze the current situation but also analyze it from the long-term perspective, with an eye on how we have reached this current status and what future we will most likely have. An historian's views would be valuable in this regard. Prof. Adam Tooze is a distinguished British expert on economic history, the author of such books as *Crashed – How a Decade of Financial Crises Changed the World* (2018) and *Shutdown – How Covid Shook the World Economy* (2021), both of which relate how capitalism is undergoing a paradigm shift. *Japan SPOTLIGHT* held the following interview with him.

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Merits of Being an Historian

JS: You've written some very interesting books recently, one about the financial crisis and one about the Covid crisis, both of which will have long-term consequences on the economy, politics, and society. Could you explain the merits of being a historian in analyzing these situations?

Tooze: I want to be modest in answering that question, because I think the conventional view is that the advantage of the historian is wisdom, deep knowledge of human experience over hundreds, if not thousands, of years. There is a role for that, and it is the classic role of historians, but (a) it's not my personal approach to history, and (b) I would like to question the assumption on which that is based – namely the assumption of continuity, a broad, basic continuity in structural logics of different types: economic, political, geopolitical, cultural. I am not convinced that the current moment can safely be assumed to exhibit those continuities. This isn't to say that I don't think there are deeply entrenched patterns of human culture or anthropology. But if you are interested in the sorts of things I'm principally interested in, which are global finance, the global economy, huge shifts in the global balance of power, then the world that we are overwhelmingly confronting is one of absolutely radical change, unprecedented change. To me, the role of the historian in that situation is not so



Prof. Adam Tooze

much wisdom and knowledge of patterns, but rather an acute awareness of previous moments of change, of disorientation, of struggle to cope. Also, a way of writing about economics, for instance, which is more alert to discontinuity, to breaks, to qualitative change, to a reconfiguration of basic relationships. That is the way I think a historian can be helpful in this moment.

JS: It's certainly true that economists appear to be too short-term oriented, in particular neoclassical economists, focusing only perhaps on the short-term aspects of economic incidents.

Tooze: Yes, I think short-term on the one hand, and also what always strikes me is the sort of obliviousness. For example, there is this huge discussion about interest rates – why are interest rates so low – and they will say, “They've been falling dramatically since 1980, and look at my graph, it shows interest rates falling since 1980.” But they never pose themselves the question of why they were so high in 1980. If you just went back to 1967 or 1966, let alone if you went back 50 years, you would see something totally different. Interest rates surged in the late 1970s to a peak in the early 1980s. It is hardly surprising that they have been on a downswing ever since. Everything they see is through these colored glasses, and when you take them off, all of a sudden the world looks very different. The timeframes they operate in are short and unreflected, almost a

matter of habit or convenience. You see this in bank analysis all the time, “Our data set goes back to 1990”, or it could just as well be 2000. There’s no justification, no framing of the epoch.

No More Neoliberal Capitalism?

JS: You’ve analyzed the 2008 financial crisis in your book *Crashed* and you wrote the book *Shutdown* about the pandemic crisis. In both books, my impression is that you seem to be saying we are no longer living in so-called neoliberal capitalism. Is that right?

Tooze: I think it’s more complicated than that. For sure, the self-confidence of economic doctrine that said, “We know the future, and it belongs to markets and independent central banks, and shareholder value”, has been quite profoundly shaken. But if you look at what economic policy even in those moments of self-confidence actually consisted of, it was always in fact a mixture of doctrine, rules, orthodoxy on the one hand, and total pragmatism on the other. In the end, I think what may be most upsetting to neoliberalism, the way in which I think we now realize we may be moving into some genuinely new epoch, is the balance of power between the West and China. It was really an American set of ideas of how to run the world, and China’s rise fundamentally challenges that. You can see the bewilderment in the United States right now, because China’s rise grows out of the success of the formula of globalization. To that extent I think that the neoliberal model has been profoundly shaken, but I think by geopolitics as much as by anything else.

Driving Force for Political Change

JS: The emergence of China will be an important factor driving a sort of paradigm shift in Western capitalism, but there could be other things, for example, rising populism. Part of the background of rising populism in the US and the United Kingdom is expanding income inequality, which seems to be another driving force.

Tooze: I think that’s valid up to a point. The problem is, as we’ve seen with the administration of Donald Trump and with the Conservative government in the UK, there may be a populist revolt provoked by the resentment of white working-class people, especially men, against the changed circumstances of their world, but the people that they more often than not hoist into power then pursue policies which are entirely aligned with the interests of at least some group of the most privileged in society. I agree with you that huge inequality is producing political upheaval, but it’s not producing a concrete, specific alternative. It’s producing dysfunction in the US on a large scale. And questions of race and gender are at least as important as actual deprivation and actual inequality.

JS: This pandemic is exacerbating inequality, which means that we might see another big rise in populism after the pandemic. Do you see this leading to geopolitical instability?

Tooze: There certainly are huge inequality effects from the Covid shock. In the places where the struggle over populism is most intense – Italy, the UK, and the US – the relationship between Covid-induced and rising populism is pretty indirect. If there is a surge of support for Trump in 2024 it won’t be because of Covid-induced inequality, it will be because of the mobilization of the right wing against the Democrats. In the UK, the economic consequences of Covid and Brexit are very serious and the outcome is very uncertain, and it’s not clear how far the Tories or the Brexit Party (now called the Reform Party) will benefit. In Italy, the Fratelli d’Italia are gaining votes at the expense of the other populist party, the Lega, and the Fratelli are benefitting not because of inequality, but because they are the only opposition to a cross-party government led by the central banker Mario Draghi. This isn’t to say that I don’t take populism seriously, but I think it is largely the effect of the functioning of politics rather than a direct link between the Covid-crisis inequality and populism.

JS: You seem to be saying that geopolitics, or perhaps politics, will be a determining factor in the functioning of the economy. The economy used to rule over politics, but now politics seems to be the ruler.

Tooze: This is the inversion. I would agree that that is a break, yes.

Large Government Is Now More Common

JS: On a slightly different subject, what do you think are the differences between the consequences of the financial crisis and the consequences of the pandemic?

Tooze: In the aftermath of the financial crisis, the fundamental problem for the Western economies that were worst affected – the Europeans and the US – was the fragility of their financial systems, with a long stagnation effect. On top of that, from 2010 onward, the rich countries refused to engage in a proactive, stimulative fiscal policy, instead relying entirely on monetary policy. It’s too early to make a final judgement by any means about what the long-term effects of Covid are going to be. It’s too early to say for sure, but one thing we don’t have to deal with is a crippled financial system. We have seen very adventurous fiscal policy in 2020 and 2021, not monetary policy acting alone but fiscal policy acting as well. The central question is whether or not that fiscal support will continue. If it’s coupled with an energy transition, a green growth agenda, with a huge shift from fossil fuels to renewable energy, it could be the formula for relatively rapid green growth.

JS: It may be premature at this point, but most governments appear to be very eager to spend large amounts of money. What do you see as the positive and negative elements of this large government intervention going forward?

Tooze: The question is always the tradeoff. In economics, you always have to ask what the alternative is. Yes, there may be some disadvantages. If you do quantitative easing on the scale of the Bank of Japan, the bond market ceases to function in a normal way, and some people will complain about that. But the question you have to ask yourself is what is the tradeoff, and the lesson we learned from 2008 was that premature restriction of government spending and fiscal tightening is a recipe for much slower recovery. I think the IMF has adopted a quite sensible position by saying that it's the quality of spending that matters. The effect will depend not on quantitative decisions of too much or too little, but on quality – did we get it right?

Social Cohesion as a Solution to Political Turmoil?

JS: That's an interesting point. One concern about excessive government intervention is that it might lead to inefficiency, and that politics will also intervene, leading to more volatility, with negative consequences for society and the social economy. Some people say we should pursue social cohesion in a more productive way. What do you think about social cohesion and how to achieve it? Will social cohesion be a determining factor in stabilizing politics?

Tooze: This is a very fundamental question, and I like the way you put it by starting with politics and then going to social cohesion. You are right in that we are entering an age in which politics in various forms will matter a lot for the economy. The temptation then is to say that you have to have good politics, and the question becomes how do you get good politics, and how you get good politics ultimately has to come down to society and the rules through which society is organized. I grew up as a migrant in West Germany, and one of the things that has made me happiest in the last week or 10 days was to learn that 80 members just elected to the Bundestag have a migrant background of some kind – a mother or a father who is not German, or themselves a migrant. That is another image of social cohesion: inclusion, incorporation, and dialogue.

That is a very constructive model, and it has certain preconditions. Germany, for instance, does not have a media sphere as toxic as in the US. It has the Internet of course, but for television it has a public broadcasting system with a balance of political interests and its political parties are publicly funded. Running the election costs 100 million euros. In America, you can't get elected to a state governorship for \$100 million, but you can run the entire German

election for 100 million euros. This shows that there are ways in which you can ensure that the relationship between society and politics is productive, open, complex, and future-oriented. Rather than cohesion, perhaps one might say resilience, creativity, dynamism: we need those things too.

I would think of cohesion not as an army with all of the soldiers standing in a row, but perhaps like a soccer team. All the players have different roles but cooperate with each other. They all wear the same uniform, but they form a dynamic, moving but cohesive group. That's the kind of cohesion we need, as a dynamic, mutually supportive network. If, instead, you have a situation of polarization as we have in the US, it's clearly disastrous. So yes, cohesion, but in an imaginative, modern way.

JS: Do you see community playing a role in this kind of cohesion, resilience, and dynamism?

Tooze: It can, but there are dangers in this kind of thinking. In the history of Western thought, community and society are often counterposed. If you go back to the German sociologists of the late 19th century, community is thought of as warmer, traditional, richer, thicker, and society is thought of as alienated, individualistic, modern. To that extent, I think community is an unhelpful concept to us in the present. We need a new conception of community. If by community we mean relationships which have an element of the face-to-face, an element of personal involvement to a particular location, then I think community is clearly desirable. If there is going to be community it has to be in a sense that is open, and celebrates its capacity to incorporate and add new members, and to allow people to move between communities.

JS: Another question about cohesion. We are seeing growing interest in social common values like the global environment, human rights, human well-being. Will this be helpful in achieving social cohesion and integration?

Tooze: Yes, let's think about this concretely. Right now the great challenge is global vaccination. There are well-worked out plans for how we could vaccinate all 7.8 billion people on the planet. But unfortunately we have so far vaccinated just about half. We've mapped the problem, there are brave doctors and nurses from all over the world working in remote places mapping out what it would take to provide every human being with a vaccine, and it doesn't cost a crazy amount of money – it would cost \$50 billion to \$100 billion. It would make us all much safer, and my fantasy would be that we pick one or two vaccines and do it every year. Then we could say that as people, we were unified by at least that thing. The next pandemic that comes will be more infectious and more dangerous, and if we do not have the system in place ahead of time, we may not be able to improvise it. This isn't an act of altruism, it's an act of enlightened self-interest. But, unfortunately, we are a long way from realizing it.

Difference Between the Old Cold War & the New Cold War

JS: Turning to geopolitics, what do you think will be the most significant difference between the old Cold War and the new cold war between the US and China?

Tooze: The most significant difference is that China is the No. 2 economy in the world, with the most growth potential, and has been responsible for far more economic growth over recent decades than the US has, and we've never been in a situation like this before. You can see almost daily the tension between the geopolitical, the political, the human rights-based critique of China on the one hand, and the investment logic of big business and capital on the other. You can see that being played out all over the world, literally in day-by-day conversations in public about the choices that are implied, and there is no equivalent of that in the Cold War with the Soviet Union, not even close. The scale of Japan's investment in China is absolutely huge, and that's completely unlike Japan's position with the Soviet Union during the Cold War.

JS: Does that mean that a US-China decoupling will be almost impossible?

Tooze: I don't know if that's impossible, but the stakes are very high and the costs would be significant to both sides. If they were to do it, it would constitute a break in the historical vision of our development, which is important for things like organizing long-term investment, for instance. There's no horizon then, and what would be the prospect for future development? I don't think it's impossible, and there are very powerful forces in the US which are pushing for the uncoupling of particular bits. I think the question we have to ask ourselves is not whether complete uncoupling is possible, but whether partial uncoupling is, which is what they are attempting. And it is the Americans attempting it, it isn't the Chinese.

Resolving the Conflict Between Democratic & Authoritarian Regimes

JS: We are currently seeing increasing confrontation between democratic regimes and authoritarian regimes with regard to vaccine distribution. At the same time, Western capitalism is moving into a new age, in which neoliberalism is less significant. For our last question, as a historian what do you think about the hypothesis that democratic regimes and authoritarian regimes, or capitalist regimes and non-capitalist regimes, could converge into one, more cohesive, system?

Tooze: It's difficult to see the emergence of a more cohesive system, because the entrenched interests of the US power operators are

profoundly hostile to that vision. I think a move toward a world of total uncoupling and a new cold war is more likely than integration, but I also think that will be incomplete. My diagnosis of the current situation is a kind of pluralism, a kind of disaggregation, and the way in which the tensions are resolved, in the West in particular, is by incoherence – structurally determined, necessary incoherence, double standards, different rules. Xi Jinping's project is very much to construct China into a coherent power system, in which politics, society, culture, and the economy align in powerful ways. I don't think any Western states have the social norms, the political culture, the organization of interests, or the means of coercion that would allow us to match or answer the Chinese.

Instead, what I see happening is us being sucked into a series of very asymmetric relationships, where certain domains and systems are connected and other bits disconnected, certain systems are connected with China and not with things at home. That's quite unstable, and worrying. If you take it that democracy is not just a matter of voting, or the rule of law or protection of rights, but something about sovereignty, the ability to decide, to act collectively, I don't think it is at all obvious that the West retains a lot of that kind of capacity.

JS: Does that mean that international communication and dialogue among those different systems will be much more important than ever?

Tooze: That is for certain, but the question is what form does that conversation take, and is it a genuine conversation or is it just simply a kind of dialogue of the deaf where no one can really hear each other.

Rule-Making Efforts for a More Cohesive Global Regime

JS: So if the WTO is not functioning well, would rule-making be done through formats like the TPP or the OECD?

Tooze: Yes, exactly. I think that would be the most optimistic outlook. Of course, the rules skeptics come into play and say that China will never abide by rules. I think we should not give up on that so easily. It's not obvious that China totally ignores rules. They may not abide by certain rules in the way that we would want, but then certain of those rules were designed in a way that China was never going to abide by, so we should have been realistic about it. Did we really expect China to dismantle its state-owned enterprises? When we watched them sign that agreement, we cannot have really expected them to abide by it. In future rule-making needs a broader context. A context that is cultural, political and technical. **JS**

Written with the cooperation of David S. Spengler, who is a translator and consultant specializing in corporate communications.