

Dawn of the Almighty Dollar

EMILY S. ROSENBERG

If World War I turned the world upside down, Adam Tooze's new book, *The Deluge*, seeks the same for its historiography. Tooze revises several standard interpretations.

Both European and American histories of the Great War generally frame US participation as a sideshow to the main act, but Tooze moves President Woodrow Wilson and US dollars, even before America's entry into the war in 1917, to center stage. The dollar won the war, he asserts. The resulting US financial hegemony changed the twentieth-century world. America's role in the war, as he announces in his title, remade the global order.

Many standard narratives place Old World imperial aspirations in dramatic tension with reformist calls for a "new diplomacy." Moreover, advocates of this "new diplomacy," according to a long-influential study by Arno Mayer, also split into a progressive ideological rivalry exemplified by Wilson and Vladimir Lenin. Tooze challenges these assumptions. He presents the Entente (the alliance led by Britain and France) as the primary force in nurturing a reformed postwar order. Its leaders recognized the need to enlarge democratic participation at home (especially through a wider suffrage) and to ameliorate conditions in their empires. Tooze argues that support for "self-determination" and for institutions to foster international cooperation—long attributed to the influence of Wilsonian phrasemaking and aspiration—was articulated earlier, particularly by British Prime Minister David Lloyd George. As Tooze repositions the Entente at the forefront of a newly liberalized and more cooperative postwar order, he contrasts with it both the compromises (even an alliance) that the new Soviet state was

willing to make with autocratic Germany and the impossible hubris of America's uncompromising president. He thus rearranges the dynamics that have often featured in popular narratives of the World War I era.

In an extension of this argument, Tooze debunks the view that it was postwar Europe's reversion to "Old World" practices that contributed to the economic and political collapse of the early 1930s. Those troubles, he argues, stemmed from the uncooperative behavior and irresponsible policies of American leaders, who were steeped in unilateralism and exceptionalism, and from the

weaknesses inherent in America's divided political system, in which constitutional structures fostered deadlock and ineptitude. The United States won the war, but the rise of American hegemony fostered neither cooperation nor stability.

However, Tooze carefully refutes the idea that the United States was isolationist during the 1920s. Most Americans were disillusioned by participation in the war, Tooze argues, but America's vigorous pursuit of naval parity, foreign markets, and overseas investments hardly connoted isolationism. Although William A. Williams's famous 1954 essay, "The Legend of Isolationism in the 1920s," long ago discredited among most American historians the idea that an "isolationist impulse" shaped the decade, Tooze nevertheless offers his critique as though it challenges conventional historical interpretation. If the legend does persist, it does so mainly in popular narratives and among only a minority of professional historians.

For all of its efforts at interpretive reframing, *The Deluge* remains in some ways quite conventional. Most of the book features a discussion of European high politics. The "remaking of the global order" does not seem to concern itself much with places outside of Europe and the

The Deluge: The Great War, America and the Remaking of the Global Order, 1916–1931
by Adam Tooze. Viking, 2014.

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United States, though there is a little on Asia. And although Tooze includes smart and substantial discussions of Wilson and his policy making, he dwells too little on the public and private sector actors that oversaw the American-dominated “global order” of the 1920s. Astute analyses of the Washington Naval Conference and the Dawes Plan for resolving war debts and reparations anchor the chapters that deal with US power in the 1920s, but the same fine texture is not given to US politics and policy that is earlier accorded to the war years and the Wilson administration. Despite his claims of US centrality to the postwar world, Tooze’s analysis of American politics, economic strength, and the domestic setting after the war seems somewhat thin.

PRIVATE INTERESTS

Tooze rightly emphasizes important continuities between Wilson and his successors, especially the common faith in American exceptionalism—the belief that the United States was much more than one among equals, indeed that its world role was perhaps divinely inspired. By stressing continuity, however, he neglects significant differences. Wilson envisioned and organized an activist state, and wartime controls immeasurably strengthened the state’s bureaucracy and power. His Republican successors, by contrast, envisioned what US historians have called an “associational” or “cooperative” state, one that often operated through the agency of a robust private sector. These differences proved crucial.

The global order (or disorder) that emerged in the 1920s was intimately related to the Republicans’ vision of government. To be clear, the administrations of Harding, Coolidge, and Hoover should not be seen as free marketeers; they built a robust capacity by which government agencies could provide assistance in opening the world to American investment and trade. But Wilson continually emphasized that American business interests operating abroad (and receiving governmental support of various kinds) should serve what he saw as the national interest. He incurred the hatred of American oil and fruit companies in Latin America, for example, by refusing their demands for support of activities that he deemed exploitative and thus counterproductive to build-

ing democracy and stability. But his Republican successors viewed most business expansion as coterminous with American national interests. Their conflation of public and private interests abroad (indeed their subordination of public to private) may help explain the passivity of government officials in the face of the bubble economy that developed during the late 1920s.

Tooze leads the reader through the roots of the international economic catastrophe that would dominate the 1930s. He examines the ways in which world politics in the 1920s took shape from America’s ideologies of exceptionalism, its rejection of foreign cooperation stemming from the unpopular war, the reparations/war debt tangle, and the various ways in which economic troubles intersected with strategic visions and rivalries, especially in Europe. He pays less attention to the attitudes that rendered the US government ineffective in dealing with the large private capital interests that enjoyed collecting fees for brokering foreign loan deals, putting lipstick on risky bonds through new advertising and public relations techniques, and passing on the financial risks by selling the bonds to a broad, unschooled public.

Unsound loans and misleading brokerage practices, with few governmental or international regulatory mechanisms, fueled the lending bubble that grew in the mid-1920s and began to deflate toward the decade’s end, helping to trigger the banking crises that led to the Great Depression. Privately, US government officials expressed growing alarm about some of the behavior in America’s new and aggressive international investment banking sector, but they publicly issued reassuring statements about bond offerings (which were mostly brokered to the public rather than held on the banks’ own books).

The post–World War I attempts to resurrect and extend a gold standard did not help. The gold exchange standard of the 1920s was not only inflexible and dangerously pro-cyclical, as Barry Eichengreen has shown, but in some countries the adoption of gold became little more than a confidence game that could help sell bonds at top dollar even when lenders, bond dealers, and government onlookers understood the weaknesses of their fundamentals. Tooze discusses the frenzy of US lending to Germany in the wake of the “stabi-

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lization” of the Dawes Plan, but American capital flowing into increasingly risky loans after 1924 was not just a German story; it was a broader one of a “global order” shaped by unchecked and often irresponsible financial deal-makers on Wall Street. Tooze’s charts confirm the global dimensions of US lending, even though his text concentrates primarily on Europe.

The business-friendly US governments of the 1920s, which remained passive despite alarming reports of reckless banker and bond-seller behavior (practices well documented in US archives and detailed in the many investigations into the “money trust” during the 1930s), should be held to more account by historians. The need for checks on banking practices would shape the New Deal’s Glass-Steagall Act of 1933 and the internationalist architecture that New Dealers favored in the Bretton Woods agreements of 1944.

Tooze suggests that America needed a better postwar “grand strategy” in the 1920s, and it would be hard to find fault with that judgment. He shows that the United States had a weak and

divided state and was therefore not up to the challenges of operating as the major world hegemon. He rightly explores the source of state weakness by examining the presidential/congressional deadlock that afflicted Wilson and then stalled any solution to the problem of war debts and reparations. By emphasizing the continuities between Wilson and his successors, however, he neglects detailing the growth of a business class that, having beat back radical and even progressive challenges during the war and the immediate postwar period, kept state institutions in thrall, too often helping subordinate government policy and the long-term public interest to short-term private moneymaking.

Nonetheless, *The Deluge* sets a provocative framework for studies of the Great War, one that places issues of US power and American history at the center. Its well-written critique of US leadership and its insightful account of the intricate international policies of the major powers deserve a wide readership among those who wish to understand how the world careened from the Great War into the Great Depression. ■

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“No such ‘treaty’ for the destruction of a State and people has ever before been devised by the mind of man. How President Wilson ever brought himself to be a party to such abject surrender of all the principles he professed in language which won him the passionate loyalty of millions all over the world is one of those human mysteries which can never be satisfactorily solved.”

E.D. Morel “The Curse of the Versailles Treaty,” October 1923

