# THE CAMBRIDGE HISTORY OF

# THE COLD WAR VOLUME III

EDITED BY
MELVYN P. LEFFLER AND
ODD ARNE WESTAD

# THE CAMBRIDGE HISTORY OF THE COLD WAR

Volume III of The Cambridge History of the Cold War examines the evolution of the conflict from the Helsinki Conference of 1975 until the Soviet collapse in 1991. A team of leading scholars analyzes the economic, social, cultural, religious, technological, and geopolitical factors that ended the Cold War and discusses the personalities and policies of key leaders such as Brezhnev, Reagan, Gorbachev, Thatcher, Kohl, and Deng Xiaoping. The authors show how events throughout the world shaped the evolution of Soviet-American relations and they explore the legacies of the superpower confrontation in a comparative and transnational perspective. Individual chapters examine how the Cold War affected and was affected by environmental issues, economic trends, patterns of consumption, human rights, and non-governmental organizations. The volume represents the new international history at its best, emphasizing broad social, economic, demographic, and strategic developments while keeping politics and human agency in focus.

Melvyn P. Leffler is Edward Stettinius Professor of American History at the Department of History, University of Virginia. His previous publications include *To Lead the World: American Strategy After the Bush Doctrine* (2008, as co-editor), *For the Soul of Mankind: The United States, the Soviet Union, and the Cold War* (2007, winner of the AHA George Louis Beer Prize), and *A Preponderance of Power: National Security, the Truman Administration and the Cold War* (1992, winner of the Bancroft Prize, the Robert Ferrell Prize, and the Herbert Hoover Book Award).

ODD ARNE WESTAD is Professor of International History at the London School of Economics and Political Science. His previous publications include *The Global Cold War: Third World Interventions and the Making of Our Times* (2005, winner of the Bancroft Prize, the APSA New Political Science Prize, and the Akira Iriye Award), *Decisive Encounters: The Chinese Civil War, 1946–1950* (2003), and *Brothers in Arms: The Rise and Fall of the Sino-Soviet Alliance, 1945–1963* (1999, as editor).

#### THE CAMBRIDGE HISTORY OF THE COLD WAR

#### GENERAL EDITORS

#### MELVYN P. LEFFLER, University of Virginia

ODD ARNE WESTAD, London School of Economics and Political Science

The Cambridge History of the Cold War is a comprehensive, international history of the conflict that dominated world politics in the twentieth century. The three-volume series, written by leading international experts in the field, elucidates how the Cold War evolved from the geopolitical, ideological, economic, and sociopolitical environment of the two world wars and the interwar era, and explains the global dynamics of the Cold War international system. It emphasizes how the Cold War bequeathed conditions, challenges, and conflicts that shape international affairs today. With discussions of demography and consumption, women and youth, science and technology, ethnicity and race, the volumes encompass the social, intellectual, and economic history of the twentieth century, shedding new light on the evolution of the Cold War. Through its various geographical and national angles, the series signifies a transformation of the field from a national primarily American – to a broader international approach.

VOLUME IN THE SERIES

VOLUME I Origins

VOLUME II Crises and Détente

> VOLUME III Endings

# THE CAMBRIDGE HISTORY OF THE COLD WAR

VOLUME III
Endings

Edited by

MELVYN P. LEFFLER

and

ODD ARNE WESTAD



# **CAMBRIDGE**UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdo m

Published in the United States of America by Cambridge University Press, New York

Cambridge University Press is part of the University of Cambridge.

It furthers the University s mission by disseminating knowledge in the pursuit of education, learning and research at the highest international levels of excellence.

www.cambridge.org
Information on this title: www.cambridge.org/9780521837217

© Cambridge University Press 2010

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2010 Reprinted 2011 First Paperback edition 2011 Reprinted 2013

Printed in the United Kingdom by the CPI Group Ltd, CRO 4YY

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication data

The Cambridge history of the Cold War / edited by Melvyn P. Leffler and Odd Arne Westad.
p. cm.

Includes bibliographical references.

ISBN 978-0-521-83721-7

Cold War.
 World politics – 1945–1989.
 International relations – History – 20th century.
 Leffler, Melvyn P., 1945– II. Westad, Odd Arne. III. Title.

D842.C295 2009 909.82′5–dc22 2009005508

ISBN 978-0-521-83721-7 Hardback ISBN 978-110760231-1 Paperback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication, and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.

# Contents

List of illustrations page viii

List of maps $x$	
List of graphs and tables $xi$	
List of contributors to volume III xii	
Preface to volumes I, II, and III $xv$	
Note on the text xviii	
${\tt I}\cdot {\tt The}$ Cold War and the intellectual history of the late twentieth century ${\tt JAN\text{-}WERNER}$ müller	1
2 · The world economy and the Cold War, 1970–1990 23	
3 · The rise and fall of Eurocommunism 45	
4 · The Cold War and Jimmy Carter 66  NANCY MITCHELL	
5 · Soviet foreign policy from détente to Gorbachev, 1975–1985 89 VLADISLAV M. ZUBOK	
6 · Islamism, the Iranian revolution, and the Soviet invasion of Afghanistan 112  AMIN SAIKAL	
7 · The collapse of superpower détente, 1975–1980 135 OLAV NJØLSTAD	

## Contents

8 · Japan and the Cold War, 1960–1991 156

MICHAEL SCHALLER
9 · China and the Cold War after Mao 181 CHEN JIAN
10 · The Cold War in Central America, 1975–1991 201 јони н. соатѕwоrтн
11 · The Cold War and southern Africa, 1976–1990 222 CHRIS SAUNDERS AND SUE ONSLOW
12 · The Gorbachev revolution and the end of the Cold War 244  ARCHIE BROWN
13 · US foreign policy under Reagan and Bush 267 BETH A. FISCHER
14 · Western Europe and the end of the Cold War, 1979–1989 289 JOHN W. YOUNG
15 · The East European revolutions of 1989 311  JACQUES LÉVESQUE
16 · The unification of Germany, 1985–1991 333 HELGA HAFTENDORN
17 · The collapse of the Soviet Union, 1990–1991 356  ALEX PRAVDA
18 · Science, technology, and the Cold War 378  DAVID REYNOLDS
19 · Transnational organizations and the Cold War 400
20 · The biosphere and the Cold War 422 J. R. McNEILL

#### Contents

21 · The Cold War and human rights	445
ROSEMARY FOOT	

- 22 · The Cold War in the *longue durée*: global migration, public health, and population control 466

  MATTHEW CONNELLY
- 23 · Consumer capitalism and the end of the Cold War 489
  EMILY S. ROSENBERG
  - 24 · An 'incredibly swift transition': reflections on the end of the Cold War 513
    - $25 \cdot$  The restructuring of the international system after the Cold War 535 G. John ikenberry
      - Bibliographical essay 557 Index 603

# Illustrations

Ι.	Leader of the Italian Communist Party Enrico Berlinguer and French	page 54
	Communist Party leader Georges Marchais © Jacques Haillot/Sygma/Corbis	
2.	President Jimmy Carter talks with National Security Adviser Zbigniew	69
	Brzezinski and Secretary of State Cyrus Vance © Bettmann/Corbis	
3.	Soviet leader Konstantin Chernenko © Wally McNamee/Corbis	92
4.	Soviet leader Leonid Brezhnev kissing President Jimmy Carter at the Vienna	101
	summit, June 1979 © Bettmann/Corbis	
5.	Demonstrators in Iran carry posters of Ayatollah Ruhollah Khomeini,	120
	February 1979 © Alain DeJean/Sygma/Corbis	
6.	Afghan mujahedin standing on a downed Soviet helicopter, January 1980	132
	© Alain DeJean/Sygma/Corbis	
7.	US senator Henry Jackson and Aleksandr Solzhenitsyn, Soviet novelist and	139
	dissident © Gilles Peress/Magnum Photos	
8.	Japanese protesting against the US military presence © Bettmann/Corbis	160
9.	Imported Toyotas arrive at port, Baltimore, Maryland © Shepard Sherbell/	178
	Corbis saba	
10.	Chinese leader Deng Xiaoping tries on a cowboy hat presented to him at a	191
	rodeo, Texas, February 1979 © Bettmann/Corbis	
II.	A Chinese protester confronts tanks near Tiananmen Square,	199
	June 1989 © Bettmann/Corbis	
12.	Jubilant Sandinista rebels in the main square of Managua,	207
	June 1979 © Bettmann/Corbis	
13.	Funeral of Archbishop Óscar Romero of El Salvador © Patrick	209
	Chauvel/Sygma/Corbis	
14.	Soldiers of the MPLA (Movimento Popular da Libertação de	226
	Angola) © Patrick Chauvel/Sygma/Corbis	
15.	Black students protesting against apartheid in Soweto, South Africa,	226
	June 1976 © Bettmann/Corbis	
16.	Future Soviet leader Mikhail Gorbachev meets British prime minister	247
	Margaret Thatcher © Bettmann/Corbis	
17.	Soviet leader Mikhail Gorbachev with two of his closest colleagues, Politburg	0 251
	member Aleksandr Iakovlev and Foreign Minister Eduard Shevardnadze	
	© Reuters/Corbis	

# List of illustrations

18.	Vice President George Bush, President Ronald Reagan, and Soviet leader	281
	Mikhail Gorbachev © Corbis	
19.	Soviet leader Leonid Brezhnev and West German chancellor Helmut	292
	Schmidt © Bettmann/Corbis	
20.	A protester is arrested by police during a demonstration against	297
	the installation of American Pershing missiles in Ramstein, West	
	Germany © Alain Nogues/Corbis Sygma	
21.	Demonstrators during the 1987 papal visit to Poland © Peter Turnley/Corbis	316
22.	Romanian revolution against the Communist regime, December 1989	328
	© AFP/Getty Images	
23.	Thousands of Germans gather to celebrate the demise of Communism with	340
	the symbolic fall of the Berlin Wall, November 1989 © Regis Bossu/	
	Sygma/Corbis	
24.	West German foreign minister Hans-Dietrich Genscher, Soviet leader	350
	Mikhail Gorbachev, and West German chancellor Helmut Kohl with	
	their advisers during Kohl's visit to the Caucasus in July 1990 Presse- und	
	Informationsamt der Bundesregierung	
25.	Protesters from the provinces near Red Square, Moscow, 1990 © Peter	360
	Turnley/Corbis	
26.	Boris Yeltsin defying the coup-makers from atop a tank in front of the	374
	parliament building © Lu-Hovasse Diane/Corbis Sygma	
27.	Model of Sputnik in the Soviet pavilion at the Brussels World's Fair,	386
	1958 © Henri Cartier-Bresson/Magnum Photos	
28.	Apple computer, 1983 © Roger Ressmeyer/Corbis	393
29.	Dissident Soviet physicist Andrei Sakharov © Bettmann/Corbis	410
30.	Campaign for Nuclear Disarmament protest, London, 1983 © Jean	416
	Guichard/Sygma/Corbis	
31.	Protest against the dumping of toxic waste, Trenton, New Jersey,	436
	1986 © Bettmann/Corbis	
32.	The debris in Chernobyl reactor number four © Igor Kostin/Sygma/Corbis	442
33.	Guatemalan Mayan Quiche Indians carry the coffins of the forty-one	450
	victims found in a clandestine 1980s cemetery, 2001 © Reuters/Corbis	
34.	An elephant displaying banners with slogans promoting birth control	481
	in India, 1970 © Hulton-Deutsch Collection/Corbis	
35.	Urban China became enthralled with mass consumerism © Gideon Mendel/	507
	Corbis	
36.	East German shoppers flocked to West Berlin after the fall of the	507
	Wall © Jacques Langevin/Corbis Sygma	
37.	The European Central Bank, Frankfurt, with the symbol of the	527
	euro © Boris Roessler/epa/Corbis	
38.	Czechs and Slovaks brave a snowstorm to celebrate their regained	531
	freedom © Jacques Langevin/Corbis	
	NATO's fiftieth anniversary in 1999 © Gary Hershorn/Reuters/Corbis	543
40.	The terrorist attacks in New York and Washington, DC, September 11,	
	2001 © Rob Howard/Corbis	554

# Maps

1. Horn of Africa		page 78
2. Southern Africa		223
3. Successor states of	the USSR	357

# Graphs and tables

# Graphs

	<ol> <li>Current account balances, China, Germany, Japan, and the United States</li> <li>The global decline in female illiteracy and fertility</li> </ol>	
	Tables	
I.	Third World GNP per capita as a percentage of the First World's GNP per capita	28
2.	Economic growth rates of leading West European states, 1980–1989	300
2	Magnitudes of environmental changes indeved	42.4

### Contributors to volume III

GIOVANNI ARRIGHI was Professor of Sociology at Johns Hopkins University. He was the author of *The Long Twentieth Century: Money, Power, and the Origins of Our Times* and *Adam Smith in Beijing: Lineages of the Twenty-First Century.* 

ARCHIE BROWN is Emeritus Professor of Politics at Oxford University and emeritus fellow of St. Antony's College, Oxford. His most recent books are *The Rise and Fall of Communism* and *Seven Years that Changed the World: Perestroika in Perspective*.

CHEN JIAN holds the Michael J. Zak Chair of History for US China Relations at Cornell University. His publications include Mao's China and the Cold War and China's Road to the Korean War: The Making of the Sino-American Confrontation.

JOHN H. COATSWORTH is Professor of History and International and Public Affairs at Columbia University, where he also serves as dean of the School of International and Public Affairs. He has published *The United States and Central America: The Clients and the Colossus*.

MATTHEW CONNELLY is Professor of History at Columbia University. His publications include A Diplomatic Revolution: Algeria's Fight for Independence and the Origins of the Post-Cold War Era and Fatal Misconception: The Struggle to Control World Population.

MATTHEW EVANGELISTA is Professor and Chair of the Department of Government at Cornell University. Among his books are *Unarmed Forces: The Transnational Movement to End the Cold War* and *Law, Ethics, and the War on Terror.* 

BETH A. FISCHER is a professor in the Political Science Department at the University of Toronto. She is the author of *The Reagan Reversal: Foreign Policy Change and the Ending of the Cold War* and *Triumph? The Reagan Legacy and US Foreign Policy Today.* 

ROSEMARY FOOT is Professor of International Relations at Oxford University and the John Swire Senior Research Fellow in the International Relations of East Asia, St. Antony's College, Oxford. She has published *The Practice of Power: US Relations with China since* 1949 and Rights beyond Borders: The Global Community and the Struggle over Human Rights in China.

#### List of contributors to volume III

HELGA HAFTENDORN is Professor Emerita at the Free University of Berlin and the former director of the Center on Transatlantic Foreign and Security Policy Studies. She has published Coming of Age: German Foreign Policy since 1945 and NATO and the Nuclear Revolution.

G. JOHN IKENBERRY is the Albert G. Milbank Professor of Politics and International Affairs in the Department of Politics and the Woodrow Wilson School of Public and International Affairs at Princeton University. His recent publications include After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars and Liberal Leviathan: The Origins, Crisis, and Transformation of the American System.

MELVYN P. LEFFLER is the Edward Stettinius Professor of American History at the University of Virginia. He is the author of A Preponderance of Power: National Security, the Truman Administration, and the Cold War and For the Soul of Mankind: The United States, the Soviet Union, and the Cold War.

Jacques Lévesque is Professor of Political Science at the Université du Québec à Montréal. He is the author of *The USSR and the Cuban Revolution: Soviet Ideological and Strategical Perspectives* and *The Enigma of 1989: The USSR and the Liberation of Eastern Europe.* 

J. R. McNeill is Professor of Environmental History and University Professor at Georgetown University. He is the author of Something New under the Sun: An Environmental History of the Twentieth-Century World and The Mountains of the Mediterranean World: An Environmental History.

NANCY MITCHELL is Associate Professor of History at North Carolina State University. She is the author of *The Danger of Dreams: German and American Imperialism in Latin America*.

Jan-Werner Müller is Associate Professor of Politics at Princeton University. His publications include A Dangerous Mind: Carl Schmitt in Post-War European Thought and Another Country: German Intellectuals, Unification, and National Identity.

OLAV NJØLSTAD is Director of Research at the Norwegian Nobel Institute, Oslo. His publications include *The Last Decade of the Cold War: From Conflict Escalation to Conflict Transformation* (editor) and, with Geir Lundestad, *War and Peace in the 20th Century and Beyond.* 

SUE ONSLOW directs the Africa International Affairs programme at the London School of Economics and Political Science. She has published numerous articles on the Cold War in Southern Africa, and is editor of Cold War in Southern Africa: White Power, Black Liberation and co-editor of Britain and Rhodesia: Road to Settlement 1977–1980.

SILVIO PONS is Professor of East European History at Rome University "Tor Vergata" and Director of the Gramsci Foundation, Rome. His publications include *Stalin and the Inevitable War* and *Reinterpreting the End of the Cold War: Issues, Interpretations, Periodizations* (edited with Federico Romero).

#### List of contributors to volume III

ALEX PRAVDA is the Souede-Salameno Fellow and Director of the Russian and Eurasian Studies Centre at St. Antony's College, Oxford. His publications include *Democratic Consolidation in Eastern Europe: International and Transnational factors* (edited with Jan Zielonka) and *Leading Russia: Putin in Perspective. Essays in Honour of Archie Brown.* 

David Reynolds, FBA, is Professor of International History at Cambridge University. His books include One World Divisible: A Global History since 1945 and Summits: Six Meetings that Shaped the Twentieth Century.

SIR ADAM ROBERTS is Emeritus Professor of International Relations at Oxford University, fellow of Balliol College, Oxford, and the current president of the British Academy. His books include Nations in Arms: The Theory and Practice of Territorial Defence and (as co-editor) The United Nations Security Council and War: The Evolution of Thought and Practice since 1945.

EMILY S. ROSENBERG is Professor of History at the University of California, Irvine. She has published Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy and A Date which Will Live: Pearl Harbor in American Memory.

AMIN SAIKAL is Professor of Political Science and Director of the Centre for Arab and Islamic Studies at Australian National University, Canberra. His books include Modern Afghanistan: A History of Struggle and Survival and The Rise and Fall of the Shah.

Chris Saunders is Professor in the Department of Historical Studies at the University of Cape Town, South Africa. He has published *The Making of the South African Past* and, with R. Davenport, *South Africa: A Modern History*.

MICHAEL SCHALLER is Regents Professor of History at the University of Arizona. He has published Altered States: The US and Japan since the Occupation and The American Occupation of Japan: The Origins of the Cold War in Asia.

ODD ARNE WESTAD is Professor of International History at the London School of Economics and Political Science. Among his publications are *Decisive Encounters: The Chinese Civil War*, 1946–1950 and *The Global Cold War: Third World Interventions and the Making of Our Times*.

JOHN W. YOUNG is Professor of International History at the University of Nottingham. He is the author of *International Relations since 1945: A Global History* (with John Kent) and *Twentieth Century Diplomacy: A Case Study in British Practice*.

VLADISLAV M. ZUBOK is Professor of History at Temple University. His publications include A Failed Empire: The Soviet Union in the Cold War from Stalin to Gorbachev and Inside the Kremlin's Cold War: From Stalin to Khrushchev (with Constantine Pleshakov).

# Preface to volumes I, II, and III

Since the beginning of the twenty-first century, the Cold War has gradually become history. In people's memories, the epoch when a global rivalry between the United States and the Soviet Union dominated international affairs has taken on a role very much like that of the two twentieth-century world wars, as a thing of the past, but also as progenitor of everything that followed. As with the two world wars, we now also have the ability to see developments from the perspectives of the different participants in the struggle. Declassification, however incomplete, of a suggestive body of archival evidence from the former Communist world as well as from the West makes this possible. The time, therefore, is ripe to provide a comprehensive, systematic, analytic overview of the conflict that shaped the international system and that affected most of humankind during the second half of the twentieth century.

In this three-volume *Cambridge History*, the contributors seek to illuminate the causes, dynamics, and consequences of the Cold War. We want to elucidate how it evolved from the geopolitical, ideological, economic, and sociopolitical environment of the two world wars and the interwar era. We also seek to convey a greater appreciation of how the Cold War bequeathed conditions, challenges, and conflicts that shape developments in the international system today.

In order to accomplish the above goals, we take the *Cambridge History of the Cold War* (*CHCW*) far beyond the narrow boundaries of diplomatic affairs. We seek to clarify what mattered to the greatest number of people during the Cold War. Indeed, the end of the conflict cannot be grasped without understanding how markets, ideas, and cultural interactions affected political discourse, diplomatic events, and strategic thinking. Consequently, we shall deal at considerable length with the social, intellectual, and economic history of the twentieth century. We shall discuss demography and consumption, women and youth, science and technology, culture and race. The evolution of the Cold War cannot be comprehended without attention to such matters.

The *CHCW* is an international history, covering the period from a wide variety of geographical and national angles. While some chapters necessarily center on an individual state or a bilateral relationship, there are many more chapters that deal with a wider region or with global trends. Intellectually, therefore, the *CHCW* aspires to contribute to a transformation of the field from national – primarily American – views to a broader international approach.

The authors of the individual chapters have been selected because of their academic standing in the field of Cold War studies, regardless of their institutional affiliation, academic discipline, or national origin. Although the majority of contributors are historians, there are chapters written by political scientists, economists, and sociologists. While most contributors come from the main research universities in North America and Britain – where Cold War studies first blossomed as a field – the editors have also sought to engage scholars working in different universities and research centers around the globe. We have included a mixture of younger and more established scholars in the field, thereby seeking to illuminate how scholarship has evolved as well as where it is heading.

The *CHCW* aims at being comprehensive, comparative, and pluralist in its approach. The contributors have deliberately been drawn from various "schools" of thought and have been asked to put forward their own – often distinctive – lines of argument, while indicating the existence of alternative interpretations and approaches. Being a substantial work of reference, the *CHCW* provides detailed, synthetic accounts of key periods and major thematic topics, while striving for broad and original interpretations. The volumes constitute a scholarly project, written by academics for fellow academics as well as for policymakers, foreign-affairs personnel, military officers, and analysts of international relations. But we also hope the *CHCW* will serve as an introduction and reference point for advanced undergraduate students and for an educated lay public in many countries.

The present *Cambridge History* was first conceived in 2001 and has therefore been almost ten years in the making. It has been a large, multinational project, with seventy-three contributors from eighteen different countries. We have met for three conferences and had a large number of hours on the phone and in conference calls. Most chapters have been through three, if not four, different versions, and have been read and commented upon – in depth – not only by the editors, but also by other participants in the project. In the end, it was the spirit of collaboration among people of very different backgrounds and very different views that made it possible to bring this *Cambridge History* to completion in the form that it now has.

While the editors' first debt of gratitude therefore is to the contributors, a large number of others also deserve thanks. Jeffrey Byrne, our editorial assistant, did a remarkable job organizing meetings, keeping track of submissions, and finding maps and illustrative matter, all while completing his own doctoral thesis. He has been a model associate. Michael Watson, our editor at Cambridge University Press, helped keep the project on track throughout. Michael Devine, the director of the Harry S. Truman Presidential Library, worked hard to set up the conferences and provide essential funding for the project. At the London School of Economics and Political Science (LSE), the wonderful administrative staff of the International History Department, the Cold War Studies Centre, and LSE IDEAS provided help far beyond the call of duty; Arne Westad is especially grateful to Carol Toms and Tiha Franulovic for all the assistance rendered him during a difficult period when he juggled the *CHCW* editorship with being head of department and research center director.

Both editors are grateful to those who helped fund and organize the three *CHCW* conferences, at the Harry S. Truman Presidential Library in Independence, Missouri; at the Lyndon B. Johnson Presidential Library in Austin, Texas; and at the Woodrow Wilson International Center for Scholars in Washington, DC. Besides the Truman Library director, Michael Devine, we wish to thank the director of the Johnson Library, Betty Sue Flowers, the director of the History and Public Policy Program at the Wilson Center, Christian Ostermann, and the director of the National Security Archive, Thomas S. Blanton. We are also grateful to Philip Bobbitt, H. W. Brands, Diana Carlin, Francis J. Gavin, Mark Lawrence, William LeoGrande, Robert Littwak, William Roger Louis, Dennis Merrill, Louis Potts, Elspeth Rostow, Mary Sarotte, Strobe Talbott, Alan Tully, Steven Weinberg, and Samuel Wells.

Being editors of such a large scholarly undertaking has been exhausting and exhilarating in turns (and roughly in equal measure). The editors want to thank each other for good comradeship throughout, and our families, students, and colleagues for their patience, assistance, and good cheer. It has been a long process, and we hope that the end product will serve its audiences well.

Melvyn P. Leffler and Odd Arne Westad

# Note on the text

All three volumes use the simplified form of the Library of Congress system of transliteration for Cyrillic alphabets (without diacritics, except for Serbian and Macedonian), Arabic, and Japanese (modified Hepburn), Pinyin (without diacritics) for Chinese, and McCune-Reischauer (with diacritics) for Korean. Translations within the text are those of the individual contributors to this volume unless otherwise specified in the footnotes.

# The Cold War and the intellectual history of the late twentieth century

JAN-WERNER MÜLLER

In retrospect, the mid-1970s seem like the high point of what one might call the crisis of the West – or at least the high point of an acute consciousness of crisis in the West. The famous report to the Trilateral Commission claimed that European countries might be in the process of becoming 'ungovernable': the oil shock of 1973 had brought the *trente glorieuses* of unprecedented growth and social peace to a definitive end; the hitherto unknown phenomenon of stagflation – combining high unemployment and runaway inflation – seemed there to stay. In fact, the conservative German philosopher Robert Spaemann claimed that the oil shock was, from the point of view of intellectual history, the most important event since the Second World War. Domestic and international terrorism, from Right and Left, were on the rise; and, not least, the high levels of social mobilisation and political contestation that had begun in the late 1960s continued unabated.<sup>1</sup>

The 1968 phenomenon had not in any narrow sense 'caused' large-scale social and cultural transformations, but '1968' became shorthand for them. Because changes there were: a new quasi-libertarian language of subjectivity – foreshadowing the 'me decade' – and a new politics of individual life-styles. All over Europe, the traditional family came under attack – in some countries, such as Italy, for the first time. Students, the sons and daughters of the middle classes, who had been on the Right for most of the twentieth century (and highly active in the promotion of fascism in the 1920s and 1930s), all of a sudden were to be found on the Left. Most importantly, there was a widespread loss of belief in the capacity of societies for collective self-transformation through mass political action, whether inside or outside institutions such as parliaments. Instead, individual personal transformations mattered – as did the idea of a

This chapter partly draws on my *History of Political Thought in Twentieth-Century Europe* (New Haven, CT: Yale University Press, 2010).

<sup>1</sup> See also Jeremi Suri's chapter in volume II.

<sup>2</sup> Paul Ginsborg, A History of Contemporary Italy (London: Penguin, 1990), 304.

whole socio-cultural reconstruction of society. The events of '68 and after called into question traditional concepts of the political, tearing down the ideological barricades between the public and the private, and making culture and everyday experiences explicitly politicised. The dramatic developments also completely sidelined established (and in a sense loyal) oppositions, such as the French Communist Party, which reacted with impotent fury to the students, as did some leading intellectual supporters of the Communist Party. In June 1968, the director Pier Paolo Pasolini had already published an anti-student poem in the magazine *Espresso* which began: 'Now the journalists of all the world (including / those of the television) / are licking your arses (as one still says in student / slang). Not me, my dears / You have the faces of spoilt rich brats.'

The promise of liberation was followed by a sense of malaise – and what also appeared in the eyes of many observers to be a failure of nerve on the part of the West. Aleksandr Solzhenitsyn declared in his 1978 address to the graduating class at Harvard that 'a decline in courage may be the most striking feature that an outside observer notices in the West today. The Western world has lost its civic courage, both as a whole and separately, in each country, in each government, in each political party.'4 This impression was not confined to cultural pessimists such as Solzhenitsyn. Liberal anti-totalitarians and Social Democrats felt that a Western postwar consensus had come apart: the generation of '68 appeared to despise parliamentarism and called for direct democracy, personal autonomy, and authenticity – values that seemed directly opposed to core goals of the 1950s and early 1960s, such as political stability through corporatism, high productivity, and social peace, and personal fulfilment through consumption. In the eyes of thinkers such as Raymond Aron, the hard-won gains for a more liberal political culture in countries such as France and Germany seemed to be squandered for nothing, weakening the West as a whole in the process.<sup>5</sup>

How then did the West get from what the German philosopher Jürgen Habermas had called the 'legitimation crisis of late capitalism' and a wide-spread suspicion of liberalism to the supposed triumphalism of Francis Fukuyama in the late 1980s, and to the apparent vindication of apologists for capitalism such as Friedrich von Hayek? Was this a case of a rapid 'liberalisation' of European thought and of Western thought more generally – following

<sup>3</sup> Quoted ibid., 307.

<sup>4</sup> Solzhenitsyn at Harvard, ed. by Ronald Berman (Washington, DC: Ethics and Public Policy Center, 1980), 5.

<sup>5</sup> Raymond Aron, 'Student Rebellion: Vision of the Future or Echo from the Past?', *Political Science Quarterly*, 84, 2 (1969), 289–310.

perhaps the example set by the turn of dissidents in the East to liberalism, as some observers have claimed? Or was it the victory of a neo-liberal conspiracy which had already begun on Mont Pèlerin in 1945, but whose chief conspirators – Hayek and Milton Friedman – conquered intellectual 'hegemony' only in the 1970s, as critics on the Left have often alleged? And, more interestingly from the perspective of a comprehensive history of the Cold War, what, if anything, was happening *between* East and West during those final years of the conflict? Is there such a thing as a *single* intellectual history – or at least a single European intellectual history – of the late twentieth century, when examined from the perspective of the end of the Cold War?

# The Crisis of Democracy

The Crisis of Democracy was the matter-of-fact title of the influential Report on the Governability of Democracies to the Trilateral Commission, published in 1975. The report claimed to respond to a widespread perception of 'the disintegration of civil order, the breakdown of social discipline, the debility of leaders, and the alienation of citizens'. The social scientists who had authored it feared a 'bleak future for democratic government'; more specifically, they were concerned about an 'overloading' of governments by demands emanating from society, and in particular what one of the principal investigators, Samuel Huntington, was to describe as a 'democratic surge' afflicting the United States. Too many people wanting too many things from government and ultimately also too much participation in government made governing increasingly difficult, or so the diagnosis went.

In addition, Michel Crozier, Huntington, and Joji Watanuki stated in their introduction that 'at the present time, a significant challenge comes from the intellectuals and related groups who assert their disgust with the corruption, materialism, and inefficiency of democracy and with the subservience of democratic government to "monopoly capitalism". They contrasted the rise of the 'adversary culture' of 'value-oriented intellectuals' bent on 'the unmasking and delegitimation of established institutions' with the presence of 'increasing numbers of technocratic and policy-oriented intellectuals'. Interestingly enough, while they listed a whole range of challenges – including the already widely debated shift to 'post-materialist values' – the supposed

<sup>6</sup> Michel Crozier, Samuel P. Huntington, and Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York: New York University Press, 1975), 2.

<sup>7</sup> Ibid., 6. 8 Ibid., 7.

weakening of Western democracies appeared as an entirely domestic phenomenon; at the high point of détente, it seemed to have nothing to do with threats from the Soviet Union and its allies. Consequently, the proposed solutions to the 'crisis of democracy' were also fashioned in domestic terms – especially changes in economic policy and a novel conception of how the state should relate to society.

One possible response was indeed by what the *rapporteurs* for the Trilateral Commission had called the 'policy-oriented intellectual'. Its greatest late twentieth-century representative was arguably the German sociologist Niklas Luhmann – not because he had vast influence on policy, but because he offered the most sophisticated theoretical justification for why policy should be shielded from widespread participation and essentially be left to technocrats. Luhmann's 'social systems theory' - a kind of 'radical functionalist sociology', much influenced by Talcott Parsons, but also by older German right-wing social theorists – held that modern societies were divided into numerous systems running according to their own logic or 'rationality' (such as the economy, the arts, and the government). 9 Systems served, above all, to reduce complexity; any interference from one system in another was prima facie counterproductive; and any expectation that governments could immediately realise 'values' from outside the system of the state administration itself constituted a kind of category mistake. The upshot of Luhmann's theory was that the business of government should be left to bureaucrats. Social movement types, listening to nothing but their consciences, could inflict much damage on modern societies, if governments acceded to their misguided demands and illusionary hopes for participation in decisionmaking. Such a diagnosis often went along with contempt for members of the 'adversary culture'. Luhmann's teacher, the sociologist Helmut Schelsky, for instance, derided intellectuals as a new class of 'high priests' trying to gain power, while 'others are actually doing the work'. 10

Luhmann eventually became the prime theoretical adversary of Habermas, the most prominent heir to the German Frankfurt School of Critical Theory, who had kept his distance from the '68 rebels, but tried to hold on to, broadly speaking, social democratic hopes – including plans for further democratising the state administration and the economy. Habermas became arguably the most important philosopher for the environmental and feminist social

 <sup>9</sup> Chris Thornhill, Political Theory in Modern Germany (Cambridge, UK: Polity, 2000), 174.
 10 Helmut Schelsky, Die Arbeit tun die anderen: Klassenkampf und Priesterherrschaft der Intellektuellen (Opladen: Westdeutscher Verlag, 1975).

movements that emerged in the 1970s alongside the revolutionary *groupuscules* that the aftermath of '68 had produced. His primary concern was the protection of the integrity of what he called 'the lifeworld', that is, the realm of family and other interpersonal relations, as well as civil society, which ought to be shielded from the instrumental logic of the market and of the bureaucracy. The market and the state would always, to Habermas, have a tendency to 'colonise' the lifeworld; but social movements, pressure groups, and, not least, intellectuals in the public sphere could resist such a colonisation – and perhaps even achieve gradual decolonisation.

#### France's anti-totalitarian moment

A suspicion of bureaucracy and a demand for personal (as well as group) autonomy animated a whole range of intellectuals who had emerged from the upheavals of the late 1960s, but who did not want either to subscribe to orthodox Marxism (they viewed the established Communist Parties in Western Europe as themselves prime examples of bureaucratic ossification) or to invest in Maoist and similarly exotic hopes. Older philosophers, such as Cornelius Castoriadis and Claude Lefort in France, who had emerged from a Trotskyist background, advanced a critique of bureaucracy under state socialism, which could also inspire younger intellectuals looking for new forms of social organisation with autonomy as a central value. One of the watchwords of the mid- to late 1970s was autogestion (roughly, self-management), which was theorised in France by members of what came to be called la deuxième gauche. Pierre Rosanvallon and other intellectuals around the non-Communist, originally Christian trade union Confédération française démocratique du travail advanced a political agenda that was meant to invigorate the French Socialist Party, but also draw a clear line vis-à-vis the Communists.

The debates around *autogestion* eventually became enmeshed with the wideranging disputes about totalitarianism in mid-1970s France. By the early 1970s, the myths of Gaullism had been shattered – almost logically, it seemed, it was now time for what had always been Gaullism's great adversary in the Fifth Republic – Communism – to come under attack. Politically and culturally, the two had divided up the Republic, with the French Communist Party (Parti communiste français, or PCF) not offering just a 'counter-culture', but even a kind of potential 'counter-state'. The major myth of Gaullism had of course

<sup>11</sup> Pierre Grémion, Modernisation et progressisme: fin d'une époque 1968–1981 (Paris: Editions Esprit, 2005).

been General Charles de Gaulle himself, who left with a whimper in 1969, having lost what many considered a minor referendum – but, then again, there was a certain logic to the idea that a man who was supposed to embody *la France* could not possibly lose a popular vote.

Communism's myths had been more of a moral and intellectual nature, rather than personal; and so it was only logical that left-wing intellectuals themselves had to dismantle them. Many claimed to have been shaken out of their ideological slumber by what came to be known as the choc Soljenitsyne; arguably nowhere else did the publication of the Gulag Archipelago have such an impact as in France - but not because what Solzhenitsyn described had been completely unknown.<sup>12</sup> Rather, the attack on Communism was prompted at least partially by very concrete domestic concerns: in 1972, François Mitterrand had created the Union of the Left between Socialists and Communists, with a five-year 'Common Programme' for governing. In the run-up to the 1978 elections, there was a real sense that a Socialist-Communist government might actually come to power, which made it all the more important who would win the battle for political – and intellectual – dominance within the Socialist-Communist coalition. It was thus no accident that a new intellectual anti-Communism – though phrased in the language of 'anti-totalitarianism' - peaked at precisely this moment. The reaction of the Communist Party to Solzhenitsyn (PCF leader Georges Marchais claimed that the Russian dissident could, of course, publish in a socialist France - 'if he found a publisher'13) was widely interpreted as a sign of its authoritarianism; left-wing magazines like Esprit argued forcefully that the PCF had not really broken with its Stalinist past and that the Common Programme proposed a far too state-centric approach to building socialism.

Then the so-called New Philosophers burst onto the scene. Young and telegenic André Glucksmann and Bernard-Henri Lévy produced a string of bestsellers, feted in popular magazines and on the small screen, in which they argued that socialism and Marxism and, in fact, all political thinking inspired by Hegel was fatally contaminated with authoritarianism. The ex-Maoist Glucksmann, especially, appeared as strident in his condemnation of more or less all recent philosophy as he had previously been in his endorsement of the Little Red Book. His polemic culminated in the notion that 'to think is to dominate', while Lévy exclaimed that the Gulag was simply 'the Enlightenment

<sup>12</sup> The following draws partly on Michael Scott Christofferson, French Intellectuals against the Left: France's Antitotalitarian Moment (New York: Berghahn, 2004).

<sup>13</sup> Quoted ibid., 96.

minus tolerance'. <sup>14</sup> Moreover, an opposition to the state as such as well as a thoroughgoing historical pessimism pervaded the literary output of the New Philosophers – to the extent that older liberals such as Aron consciously distanced themselves from *les nouveaux philosophes*, whom they suspected of black-and-white thinking, where black and white had simply changed places. <sup>15</sup>

Nevertheless, more serious intellectuals were moving in a similar direction. The historian François Furet, a brilliant organiser and institution-builder no less than an outstanding historian, relentlessly attacked Marxist interpretations of the French Revolution. He argued that totalitarianism had been present in the Revolution from the very start and that the Marxists were right to draw a direct line from 1789 to 1917 – except that the continuity in question was one of terrorism and even totalitarianism. Furet claimed that 'the work of Solzhenitsyn raised the question of the gulag everywhere in the depths of the revolutionary design . . . Today the gulag leads to a rethinking of the Terror by virtue of an identity in their projects.' <sup>16</sup>

So the revolutionary imagination appeared to have been depleted: the Russian Revolution was no longer the legitimate heir of the Jacobins. Rather, parts of the French Revolution had now retroactively been discredited by Stalinism; and revolutions elsewhere in the world – China and Cuba in particular – had lost their glow. As Michel Foucault put it in 1977:

For the first time, the Left, faced with what has just happened in China, this entire body of thought of the European Left, this revolutionary European thought which had its points of reference in the entire world and elaborated them in a determinate fashion, thus a thought that was oriented toward things that were situated outside itself, this thought has lost the historical reference points that it previously found in other parts of the world. It has lost its concrete points of support.<sup>17</sup>

Sartre died in 1980 and with him a certain model of the universal intellectual who could speak on anything, based purely on his moral stature. Aron, the sceptic, the sometimes pedantic-seeming academic, and, above all, the anti-Sartre, enjoyed a late and gratifying moment of recognition when his *Mémoires* appeared in 1982. What at least two generations of French intellectuals had taken as a moral-political catechism – that it was better to be wrong with Sartre than right with Aron – seemed to have been revoked on the Left Bank.

<sup>14</sup> Quoted ibid., 186.

<sup>15</sup> Raymond Aron, 'Pour le Progrès: après la chute des idoles', Commentaire, 1 (1978), 233-43.

<sup>16</sup> Quoted in Christofferson, French Intellectuals, 105-06.

<sup>17</sup> Michel Foucault, "'Die Folter, das ist die Vernunft", Literaturmagazin, 8 (December 1977), 67.

Human rights came to the forefront – even if, soon after, it was already questioned whether by themselves human rights would actually be sufficient to constitute a positive political programme. Marcel Gauchet, managing editor of *Le Débat*, which had been launched in 1980 and established itself quickly as France's premier intellectual magazine, questioned whether human rights were enough. He sought to continue a strong role for the state and what could broadly be called social democracy. <sup>18</sup> Others extended the attack on the Left from orthodox Communism to strands of thought that were often subsumed under the category 'anti-humanism': something summed up as '68 thought' was globally indicted for being insufficiently sensitive to the worth of the human individual. All '68 philosophers, so the charge went, were really amoral Nietzscheans who ultimately believed in nothing but power. <sup>19</sup>

Undoubtedly, then, the intellectual climate had changed, although largely for reasons that had more to do with domestic French political factors. Even when Socialists and Communists finally triumphed in 1981, rather than realising anything resembling the Common Programme, or advancing on the road to self-management, François Mitterrand presided over a radical U-turn. Under intense pressure from financial markets, he and his prime minister abandoned their ambitious welfarist plans in 1984. As it turned out, the age of diminished expectations that had begun in the early 1970s could not be transcended with an act of political will. Both the dream of ever-continuing modernisation (shared, after all, by Right and Left) and the left-wing ideals of 'progressivism' had lost their hold. As Tony Judt has pointed out, antitotalitarianism was not just revived anti-Communism or a loss of faith in any vision of violent revolutionary action. Anti-totalitarianism undermined a whole left-wing narrative about the twentieth century, as 'the traditional "progressive" insistence on treating attacks on Communism as implicit threats to all socially-ameliorative goals – i.e. the claim that Communism, Socialism, Social Democracy, nationalization, central planning and progressive social engineering were part of a common political project – began to work against itself'. 20 And what remained of socialism in France seemed rather uninspired: the more exciting ideals of the deuxième gauche were never put into practice, not least because Mitterrand was obsessed with destroying the political chances of Michel Rocard to succeed him as president.

<sup>18</sup> Marcel Gauchet, 'Les droits de l'homme ne sont pas une politique', Le Débat, 3 (1980), 3–21.

<sup>19</sup> Luc Ferry and Alain Renaut, *La pensée 68: essai sur l'antihumanisme contemporain* (Paris: Gallimard, 1988).

<sup>20</sup> Tony Judt, Postwar: A History of Europe since 1945 (New York: Penguin, 2005), 561.

# The neoconservative moment – in the United States and elsewhere

Meanwhile, on the other side of the Atlantic, the 1970s saw the rise of an intellectual phenomenon whose precise character – let alone policy implications – still causes much dispute today: neoconservatism. Neoconservatism emerged from the world of the 'New York intellectuals' – children of poor Jewish immigrants who had gone to City College, joined the anti-Stalinist Left, only then to turn into fierce liberal Cold Warriors, with some joining the Congress for Cultural Freedom. In other words, the milieu from which neoconservatism proper was to emerge had already been through one major experience of political disillusionment. The prominent neoconservative publicist Irving Kristol, for instance, had been a member of the Young People's Socialist League, then went to the army, which, as he put it, 'cured me of socialism. I decided that the proletariat was not my cup of tea, that one couldn't really build socialism with them.' <sup>21</sup>

Kristol, Daniel Bell, and Nathan Glazer became successful editors, journalists, and university professors – while continuing their anti-Communist intellectual combat. All were fiercely proud of the United States (and its universities) – the country and the institution which had allowed them to 'make it' (to paraphrase a book title by a later neoconservative, Norman Podhoretz).<sup>22</sup> The key moment in the intellectual formation of neoconservatism came with the rise of student radicalism, on the one hand, and the failure of the ambitious social programmes associated with Lyndon B. Johnson's Great Society, on the other. The students appeared to be attacking the very things that intellectuals such as Bell and Kristol believed in most: the university – and the idea of America itself. Partly in response, they founded The Public Interest in 1965. The magazine, while devoting much space to the unintended consequences of policies and taking culture and morality seriously, in a way that supposedly rationalist liberalism had not, eschewed any discussion of foreign policy. The topic of Vietnam was simply too controversial among a group that could still best be described as disillusioned social democrats.

Neoconservatism came into its own – and acquired a name – in the 1970s. Kristol, unlike Bell, decided to support President Richard M. Nixon. He also now used magazines such as *Commentary* and the op-ed page of the *Wall Street* 

<sup>21</sup> Quoted in Geoffrey Hodgson, The World Turned Right Side Up: A History of the Conservative Ascendancy in America (New York: Houghton Mifflin, 1996), 132.

<sup>22</sup> Norman Podhoretz, Making It (New York: Random House, 1967).

Journal to propound strong doses of American nationalism and a pro-capitalist attitude that erstwhile allies such as Bell – who still described himself as a democratic socialist – found hard to accept. The term 'neoconservatism' itself was first applied by the Left as a term of opprobrium – but was eagerly appropriated by Kristol and others.

Eventually, neoconservatism also developed a distinctive view on foreign policy. In 1979, Georgetown professor Jeane Kirkpatrick, who had started her political career as a Democrat, famously drew a distinction between evil totalitarian regimes, such as the Soviet Union, and right-wing authoritarian ones. She argued that the administration of Jimmy Carter had been blinded by 'modernization theory': it interpreted revolutionary violence in countries such as Iran and Nicaragua as the birth pangs of modernity, when in fact such countries were turning sharply against the United States and possibly in a totalitarian direction, often directly or indirectly supported by the Soviet Union. On the other hand, Carter supposedly adopted a naïvely moralising attitude to right-wing autocracies aligned with the United States, admonishing them to heed human rights. But, argued Kirkpatrick, 'only intellectual fashion and the tyranny of Right/Left thinking prevent intelligent men of good will from perceiving the facts that traditional authoritarian governments are less repressive than revolutionary autocracies, that they are more susceptible of liberalization, and that they are more compatible with US interests'. This, it seemed, was the most serious charge against Carter: that he recklessly kept ignoring the American national interest.<sup>23</sup> Ronald Reagan appointed Kirkpatrick ambassador to the United Nations in 1981.

So, neoconservatives unashamedly propounded the national interest. But, above all, they exuded optimism. Unlike any European conservatism, they did not have, broadly speaking, a negative view of human nature. Unlike libertarianism, they did not completely reject government beyond some absolute minimum. As an editor of *The Public Interest* was to point out: where the libertarians subscribed to the primacy of the economic and older American conservatives hankered after a primacy of culture (a quasi-aristocratic, Southern culture in particular), the neocons thoroughly believed in the 'primacy of the political'.<sup>24</sup> As Kristol himself put it, 'neoconservatism is the first variant of American conservatism in the past century that is in the "American grain". It is hopeful, not lugubrious; forward-looking, not nostalgic; and its general

<sup>23</sup> Jeane J. Kirkpatrick, 'Dictatorships and Double Standards', *Commentary* (November 1979), 44.

<sup>24</sup> Adam Wolfson, 'Conservatives and Neoconservatives', in Irwin Stelzer (ed.), *Neoconservatism* (London: Atlantic, 2004), 215–31.

tone is cheerful, not grim or dyspeptic.' <sup>25</sup> This meant endorsing modern life, broadly speaking, including technology and at least certain aspects of modern culture (but decidedly not any aspect of the counter-culture).

To be sure, it wasn't all optimism. Allan Bloom – who was not a neoconservative in the narrow sense, but managed to write a surprise bestseller which resonated with conservatives of all stripes – saw the United States becoming the victim of dangerous relativism in the form of postmodernism and other insidious European imports. American intellectual life, it seemed increasingly, was split between a left wing in thrall to cutting-edge European thought (or what they interpreted as cutting-edge European thought) and a right wing that sought to instil pride in the young and boost US nationalism. Bloom's concluding paragraph to his *Closing of the American Mind* read:

This is the American moment in world history, the one for which we shall forever be judged. Just as in politics the responsibility for the fate of freedom in the world has devolved upon our regime, so the fate of philosophy in the world has devolved upon our universities, and the two are related as they have never been before. The gravity of our given task is great, and it is very much in doubt how the future will judge our stewardship.<sup>26</sup>

Was neoconservatism an exclusively American phenomenon, as has often been claimed? In one sense, yes: it was part of a profound re-shaping of intellectual life, as think tanks and foundations - well-organised conservative ones in particular - came to play a more influential role in shaping both domestic and foreign policy in the United States. But in another sense it was not: other countries witnessed the phenomenon of the disillusioned social democrat who strongly objected to the New Left and the 'adversary culture'. In West Germany, for instance, there was Hermann Lübbe, a philosophy professor who had served in social democratic governments. Lübbe sought to defend 'common-sense morality' and traditional notions of culture against what he thought were the wildly utopian hopes of the '68 generation. In France, some of the thinkers around Commentaire took a similar stance, like Lübbe and his allies defending bürgerliche values, although they did not embrace outright Victorian virtues in the way Gertrude Himmelfarb would in the United States. In a sense, it was only in Britain that the particular phenomenon of social democratic intellectuals turning right did not really exist - the emergence of Roy Jenkins's Social Democratic Party notwithstanding.

<sup>25</sup> Irving Kristol, 'The Neoconservative Persuasion', Weekly Standard, 25 August 2003. 26 Allan Bloom, *The Closing of the American Mind* (New York: Simon & Schuster, 1987), 382.

#### The end of the social democratic consensus

It was then, above all, old-style social democracy that was under threat in the late 1970s and the 1980s. The most conservative politician at the time – in the sense of not wanting change – was 'the right-wing social democrat', according to Ralf Dahrendorf. More precisely, threats came from two sides: on the one hand, there was the New Left and the social movements it had spawned, including the peace movement which was growing rapidly in opposition to the 'Euromissiles'. On the other hand, there was what observers alternatively construed as a revival of classical nineteenth-century liberalism or as an entirely novel form of ideology best summed up as libertarianism or 'neoliberalism' (to which I will turn in the next section). But quite apart from these two threats, there was postmodernism – not a political movement, to be sure, but certainly a political mood characterised by a distrust of 'grand narratives' of human progress and the rational collective self-transformations of societies.

The lasting legacies of the New Left were feminism and environmentalism—the former, in particular, could at least partially be integrated into parties which had previously understood themselves more or less without saying as 'productivist' and male-centred. <sup>28</sup> Environmentalism, however, was often institutionalised separately (in green parties – which initially had been conceived as 'anti-party parties'). But, eventually, it was at least partly adopted by all parties.

Both feminism and environmentalism were intimately tied to the peace movement: opposition to nuclear war became closely aligned with efforts to end patriarchy and male violence, as well as what the British historian Edward Thompson referred to as the general 'exterminism' of the industrial system.<sup>29</sup> Ecological concerns (or even eco-centrism and what the Norwegian Arne Næss had theorised as 'deep ecology') could only be sharpened by the apparent threat of a 'nuclear holocaust'. A founder of the German Green Party, Petra Kelly, for instance, called the anti-nuclear movement 'an absolute twin of the peace movement', while the East German dissident Rudolf Bahro insisted that 'militarism is a natural consequence of the dependence on raw materials

<sup>27</sup> Ralf Dahrendorf, 'Am Ende des sozialdemokratischen Konsensus? Zur Frage der Legitimität der politischen Macht in der Gegenwart', in Dahrendorf, *Lebenschancen:* Anläufe zur sozialen und politischen Theorie (Frankfurt am Main: Suhrkamp, 1979), 147–66.

<sup>28</sup> Geoff Eley, Forging Democracy (New York: Oxford University Press, 2002).

<sup>29</sup> E. P. Thompson and Dan Smith (eds.), Protest and Survive (New York: Monthly Press, 1981).

of our over-worked production system'.<sup>30</sup> Thus 'eco-pacifism' mandated nothing less than what thinkers such as Bahro referred to as 'industrial disarmament' – even if it remained unclear what an industrially disarmed society might look like. However, Bahro and others claimed that 'it is in general wrong to believe that social change can only be achieved if people have first been given a scientific explanation of what precisely can be done'.<sup>31</sup>

Social movements, then, were thriving throughout the 1980s, but their visions were, for the most part, negative, if not outright apocalyptic. As Bahro announced in 1982:

the plagues of ancient Egypt are upon us, the horsemen of the apocalypse can be heard, the seven deadly sins are visible all around us in the cities of today, where Babel is multiplied a thousand fold. In 1968 the promised Canaan of general emancipation appeared on the horizon, and this time at last for women as well. But almost all of those who believe in this have tacitly come to realise that first of all will come the years in the wilderness. All that is lacking now is the pillar of fire to show us the route of our exodus.<sup>32</sup>

Very much in the spirit of the times, Habermas announced – under the title *The New Obscurity* (*Die Neue Unübersichtlichkeit*) – the 'exhaustion of utopian energies' in 1985, claiming that the utopias centred on labour and human productivity had conclusively lost their appeal. Meanwhile, Dahrendorf had already declared a few years earlier the end of the 'social democratic century' and postmodern thinkers announced the 'end of metanarratives' – and stories of human progress in particular.<sup>33</sup> A thinker such as Habermas saw rational efforts to transform societies – a conception he identified with the Enlightenment – as coming under attack from neoconservatives, who apparently believed in a kind of 'foreshortened' or 'arrested' Enlightenment. In their view, capitalism was here to stay for good, and traditional values and culture were to compensate for any damage capitalism might be inflicting on individuals and the 'lifeworld' – a kind of consolation through aesthetics. In any event, in the eyes of the neocons (as construed by Habermas), the traditional family and the nation-state were institutions that simply could not

<sup>30</sup> Rudolf Bahro, From Red to Green: Interviews with New Left Review, trans. by Gus Fagan and Richard Hurst (London: Verso, 1984), 138.

<sup>31</sup> Ibid., 146.

<sup>32</sup> Rudolf Bahro, 'Who Can Stop the Apocalypse? Or the Task, Substance and Strategy of the Social Movements', *Praxis International*, 2, 3 (1982), 255.

<sup>33</sup> Jürgen Habermas, 'Die Krise des Wohlfahrtsstaates und die Erschöpfung utopischer Energien', in Habermas, *Die Neue Unübersichtlichkeit* (Frankfurt am Main: Suhrkamp, 1985), 141–63; Dahrendorf, 'Am Ende des sozialdemokratischen Konsensus?'.

be further transformed, let alone transcended altogether – they were, in a sense, where the Enlightenment met its institutional limits.

## The descent from Mont Pèlerin

The real threat to social democracy was neither neoconservatism – which was not in principle hostile to the welfare state – nor postmodernism. The real threat emerged from 'classical liberalism', which to the surprise of contemporaries generated 'utopian energies' and was reconceived to celebrate both the unrestricted market and the strong state. The rise of libertarianism, 'neoliberalism', or what sometimes was also called 'the New Right' had begun in the mid-1970s. It would arguably not have happened without Margaret Thatcher and a determined set of policy intellectuals around Ronald Reagan. But it also would not have happened without the work of a number of economists and social philosophers earlier in the century. Ludwig von Mises had argued as early as the 1920s that 'only ideas can overcome ideas and it is only ideas of Capitalism and of Liberalism that can overcome Socialism'.34 Friedrich von Hayek had started his contribution to these efforts with direct attacks on Keynes in specialised journals in the 1930s, but then had branched out into popular political pamphleteering with his 1944 bestseller Road to Serfdom (which had been adapted for an American audience by Reader's Digest). In 1947, he had founded the Mont Pèlerin Society, named after the Swiss mountain village where it was first convened - a self-described 'nonorganisation of individuals',35 but de facto an elite advance troop in the war of ideas. Hayek claimed that 'we must raise and train an army of fighters for freedom'. The clarion call for libertarian 'second-hand dealers in ideas' had been heard both in the United States and in Britain. Think tanks such as the Institute of Economic Affairs in London were established and eventually gained influence on major politicians such as Sir Keith Joseph. Moreover, by the early 1970s, Hayek himself was no longer seen as a kind of intellectual crank, as had been the case during the heyday of Keynesianism. He received the Nobel prize (though it was suspected he was mostly chosen to 'balance' the socialist Gunnar Myrdal), and became a major influence in Latin America.36

<sup>34</sup> Quoted in Alan O. Ebenstein, Friedrich von Hayek: A Biography (Chicago: University of Chicago Press, 2003), 40.

<sup>35</sup> R. M. Hartwell, A History of the Mont Pelerin Society (Indianapolis, IN: Liberty Fund, 1995), xiii.

<sup>36</sup> Ebenstein, Hayek, 143.

Hayek's master idea was that a centrally directed economy could not make use of the tacit and socially dispersed knowledge of individuals, while a market economy could. Economic planning, he claimed in *The Road to Serfdom*, would bequeath totalitarian domination as an unintended consequence. Any central plan would necessarily have to be based on value judgments and a conception of what constituted a good life. These decisions would have to be made by bureaucrats and imposed on individuals who might have quite different values. Consequently, even the most well-meaning socialists would end up constructing a totalitarian state. While Hayek, in 1944, was still rather gloomy about the future of the West, he later argued that socialism had probably peaked with the British Labour government during the years 1945–51.

Hayek saw himself as rehabilitating a classical nineteenth-century conception of liberalism. He lauded the rule of law and argued that the limits, rather than the source, of political rule were normatively decisive. A staunch methodological individualist, he inspired Margaret Thatcher's famous saying that there was no such thing as society. In an interview with a journalist from *Woman's Own* in 1987, she said 'There are individual men and women and there are families and no government can do anything except through people and people look to themselves first.'<sup>37</sup>

But Hayek also turned out to be an advocate of the strong state, especially a state that was able to resist the demands emanating from society – in other words, special interest groups. He even argued for a new constitutional settlement ensuring that only universal laws (that is, not ones serving special interests) would be enacted and individual liberty maximised. In particular, he had in mind the creation of an upper house with a small membership – 'an assembly of men and women elected at a relatively mature age for fairly long periods, such as fifteen years, so that they would not be concerned about being re-elected'.<sup>38</sup>

Hayek's thought proved popular because it so clearly appeared to offer a solution to the 'governability crisis' of the 1970s. But, importantly, it also proved influential among dissidents east of the Iron Curtain. 'Liberalism' came to be identified with Hayek much more than with the liberal theorist John Rawls, for instance. In fact, Hayek was elevated to the status of an iconic figure for intellectuals like Václav Klaus, the Czech economist who later served as his country's prime minister and president.

<sup>37</sup> Margaret Thatcher, 'Interview for *Woman's Own* ("no such thing as society")', at Margaret Thatcher Foundation, www.margaretthatcher.org/speeches/displaydocument.asp? docid=106689.

<sup>38</sup> Friedrich von Hayek, Law, Legislation and Liberty, vol. III (Chicago: University of Chicago Press, 1981), 113.

In the end, libertarianism turned out to be vastly more influential in the United States than in Europe, even if some of the most important theorists in the United States – Mises and Hayek, for example – had of course been European. Libertarianism fitted a political culture that always placed a high premium on the ideals of rugged individualism. But, interestingly, the American version of libertarianism was also at the same time more popular (or perhaps populist) and more philosophically grounded. Only in the United States was there a ten-part television series, 'Free to Choose', by Milton Friedman; only in the United States did libertarian novels like those of Ayn Rand become bestsellers; and only in the United States could there be a viable trade in Mises T-shirts. But libertarianism was also more systematically developed philosophically there. Robert Nozick's 1974 Anarchy, State, and Utopia was a libertarian answer to John Rawls's social democratic Theory of Justice, and it had no equivalent in Europe.

In Europe, Hayekian liberalism was often still cloaked in the language of the social democratic consensus. In 1975, for instance, Keith Joseph claimed that 'the objective for our lifetime, as I have come to see it, is embourgeoisement'. He then went on to explain that 'our idea of the good life, the end product, and of embourgeoisement – in the sense of life-style, behaviour pattern and value-structure – has much in common with that traditionally held by Social Democrats, however we may differ about the kind of social economic structure best capable of bringing about and sustaining the state of affairs we desire'.<sup>39</sup> In continental Europe, there was even more of a sense that the achievements of the social democratic consensus had to be preserved. Dahrendorf was not the only intellectual who felt that 'the consensus is in a certain sense the most in terms of progress that history has ever seen'.<sup>40</sup> Even nominally conservative politicians agreed that things should change only in such a way that everything could essentially stay the same.

# The politics of anti-politics under post-totalitarianism

The question of whether intellectuals still mattered politically continued to be widely debated in the West during the last decades of the twentieth century. It could hardly be doubted, though, that they mattered in Central and Eastern

<sup>39</sup> Keith Joseph, Reversing the Trend: A Critical Re-appraisal of Conservative Economic and Social Policies – Seven Speeches by the Rt. Hon. Sir Keith Joseph Bt. MP (Chichester: Barry Rose, 1975), 55 and 56.

<sup>40</sup> Dahrendorf, 'Am Ende des sozialdemokratischen Konsensus?', 150.

Europe. Their dissident strategy from the mid-1970s onwards was based on what appeared to be an idea both of breathtaking simplicity and sheer genius: they wanted to take their regimes at their word, especially after socialist governments had signed the Helsinki Accords of 1975. Tor instance, Charter 77, a motley group of reform Communists, Trotskyists, Catholic conservatives, and assorted philosophical anti-modernists, sought to subscribe to a strict legal positivism and merely 'help' the Czechoslovak state to implement the accords. As Václav Benda, a leading Czech dissident, put it, 'this tactic of taking the authorities at their word is, in itself, a shrewd ploy'. Rights talk reminded everyone about their very absence; but this was less to engage the regimes than to 'talk past them'.

Of course, the establishment of political organisations outside the various Communist and socialist parties and their offshoots was strictly forbidden. So, almost by definition, any groups or associations being formed had to present themselves as 'apolitical' or perhaps even 'anti-political'. This also made conceptual sense, as the regimes were uniformly described by the dissidents as 'totalitarian' – that is, trying to monopolise the political. Although some observers felt that it was 'supremely ironic that just at the moment when the concept of "totalitarianism" was losing its plausibility in the West, it was helping to fuel democratic activism in the East', this was not strictly true. Antitotalitarianism became central for French left-wing intellectuals in the mid-1970s. It also made a comeback with older liberal anti-totalitarian thinkers such as Jean-François Revel in France and Karl Dietrich Bracher in Germany. They strenuously opposed the peace movement in Western Europe because of its alleged blindness to the threats emanating from a totalitarian Soviet Union.<sup>44</sup>

In fact, the dissidents in Eastern Europe shared more concerns with intellectuals in the West than is usually acknowledged. One was the idea that a 'lifeworld' of undamaged interpersonal relations (such as family and friendships) could be recovered or protected even under totalitarianism. This

<sup>41</sup> It is worth remembering that dissidents did not call themselves dissidents, for the most part.

<sup>42</sup> Václav Benda, "The Parallel "Polis", in H. Gordon Skilling and Paul Wilson (eds.), Civic Freedom in Central Europe: Voices from Czechoslovakia (London: Macmillan, 1991), 35.

<sup>43</sup> Judt, Postwar, 567.

<sup>44</sup> Jeffrey C. Isaac, 'Critics of Totalitarianism', in Terence Ball and Richard Bellamy (eds.), The Cambridge History of Twentieth-Century Political Thought (Cambridge: Cambridge University Press, 2003), 196. See Jean-François Revel, La tentation totalitaire (Paris: Robert Laffont, 1976), and Karl Dietrich Bracher, Das Zeitalter der Ideologien (Stuttgart: Deutsche Verlags-Anstalt, 1982).

intuition was particularly important in the thought of the Czech philosopher Jan Patočka. Patočka had emerged from the phenomenological school and had studied with both Husserl and Heidegger. Rather than going along with Heidegger's general suspicion of humanism, however, Patočka attempted to 'humanise' Heidegger and use his ideas in the service of a vision of individual dignity. Patočka appeared to present phenomenology as holding the promise of personal transformation, even of a kind of philosophical salvation in the face of terrible political circumstances. Central was the notion of 'care for the soul', which Patočka viewed as a distinctive European idea going back to Plato, and which meant both a resistance to a kind of self-forgetting in everyday life and a refusal of violent attempts to transcend everydayness, such as in war. <sup>45</sup> He also formulated the ideal of a 'community of the shaken' in the face of totalitarianism. He insisted on the specifically moral – again, as opposed to political – character of dissidence, claiming that morality 'does not exist to allow society to function, but simply to allow human beings to be human'. 46 As one of the first spokesmen for Chapter 77, he was arrested by the Czech secret police and died after a number of severe interrogations. Infamously, the authorities tried to disrupt his funeral with a motocross-race right next to the cemetery and a helicopter hovering above.

But the dissidents' voices could no longer be drowned out or silenced. Havel, who described himself as 'a philosophically inclined literary man', carried forward Patočka's legacy. He drew on Heidegger to formulate a comprehensive critique of modernity and of human beings' dependence on technology – a critique that was supposed to be applicable to the West as much as the East. <sup>47</sup> Like Solzhenitsyn at Harvard, Havel opposed 'rationalist humanism', 'the proclaimed and practised autonomy of man from any higher force above him', or simply 'anthropocentricity'. <sup>48</sup> In the end, Havel saw state socialism as just a more extreme or uglier expression of modernity. In the same vein, Solzhenitsyn claimed that 'this is the essence of the crisis: the split in the world is less terrifying than the similarity of the disease afflicting its main societies'. <sup>49</sup>

<sup>45</sup> Jan Patočka, *Plato and Europe*, trans. by Peter Lom (Stanford: Stanford University Press, 2002).

<sup>46</sup> Quoted in Martin Palouš, 'International Law and the Construction Liberation, and Final Deconstruction of Czechoslovakia', in Cecelia Lynch and Michael Loriaux (eds.), Law and Moral Action in World Politics (Minneapolis, MN: University of Minnesota Press, 2000), 245.

<sup>47</sup> Aviezer Tucker, Philosophy and Politics of Czech Dissidence from Patočka to Havel (Pittsburgh: University of Pittsburgh Press, 2000), 135.

<sup>48</sup> Solzhenitsyn at Harvard, 16. 49 Ibid., 19.

There was also another sense of 'anti-politics' – in the form of opposition to power politics in East and West – and especially power politics with nuclear weapons. As György Konrád put it:

Antipolitics strives to put politics in its place and make sure it stays there, never overstepping its proper office of defending and refining the rules of the game of civil society. Antipolitics is the ethos of civil society, and civil society is the antithesis of military society. There are more or less militarized societies – societies under the sway of nation-states whose officials consider total war one of the possible moves in the game. Thus military society is the reality, civil society is a utopia.<sup>50</sup>

More important than any more or less wholesale condemnation of modernity, however, was Havel's famous argument in 'The Power of the Powerless' that even under the conditions of what he now described as 'post-totalitarianism' individuals could start 'living in truth', if they stopped going through the ideological motions that the regime prescribed.<sup>51</sup> Havel's greengrocer who puts out a sign saying 'Workers of the world, unite!' without any real conviction became one of the most powerful symbols for the hollowness of the regimes – and the cynical complicity of their subjects. By the same token, however, Havel had shown that despite the apparent 'auto-totality' of the system, the regimes were in fact extremely fragile.

In one important sense, Havel was to take anti-politics to an extreme which alienated more traditional liberal democrats. In his view, restoration of parliamentary democracy was only a first step that had to be followed by an existential revolution and the 'restoration of the order of being'. Rather than copying existing models in the West, the goal was a 'post-democracy', characterised, above all, by the absence of political parties.

Yet it would be wrong to think that all 'anti-politics' was anti-institutional per se. One of the most influential ideas among the dissidents was to create what Benda had termed 'the parallel polis', or what Adam Michnik had theorised as a 'New Evolutionism'. Institutions with very concrete purposes parallel to the state were created within fledgling civil societies: workers' defence committees, most prominently with the Komitet Obrony Robotników (KOR)

<sup>50</sup> György Konrád, *Antipolitics: An Essay*, trans. Richard E. Allen (San Diego, CA: Harcourt, Brace, Jovanovich, 1984), 92.

<sup>51</sup> Václav Havel, 'The Power of the Powerless', in Havel, *The Power of the Powerless: Citizens against the State in Central-Eastern Europe*, ed. by John Keane (New York: M. E. Sharpe, 1985), 23–96.

in Poland, underground trade unions, 'flying universities', and organisations such as Hungary's Szegényeket Támogató Alap (Foundation to Support the Poor). These were provocations, of course, in socialist countries where poverty was supposed to have been eliminated, but they were also genuine counter-cultural groups and social movements dealing, for instance, with the horrendous environmental consequences of state socialism.

Demands for 'truth-telling' and 'truth-living' against a background of high European philosophy were thus complemented by much more concrete action and limited, practical goals pursued by an ever proliferating number of civic groups and associations.<sup>52</sup> As Michnik had put it, the point was to 'give directives to the people on how to behave, not to the powers on how to reform themselves'.<sup>53</sup> Benda, in turn, summarised the strategy by saying that 'we join forces in creating, slowly but surely, parallel structures that are capable, to a limited degree at least, of supplementing the generally beneficial and necessary functions that are missing in the existing structures, and where possible, to use those structures, to humanize them'.<sup>54</sup>

Opposition could also take playful forms and was, at any rate, animated by a whole range of different political ideas: some outrightly nationalist, some religious, some purely focused on a kind of human rights universalism. Opposition movements often reflected long-standing splits and cleavages in different countries' intellectual scenes and political cultures more broadly. Hungary, for instance, saw the emergence of an opposition divided between 'democrat-urbanists' and 'populist-nationalists'.<sup>55</sup> In such circumstances, it was all the more important that intellectual figures could be found whose ideas were capable of integrating or at least appealing to different groups. In the Hungarian case, István Bibó – or rather, the memory of István Bibó – performed such a role. Bibó had identified distinctive Central European traditions which at the same time could be construed as liberal and as democratic. Nationalism and liberalism might therefore come together in a demand for popular sovereignty and territorial independence from the Warsaw Pact.

<sup>52</sup> This seems to me more accurate than to say that the generation of 'truth-tellers' had been superseded altogether. See Padraic Kenney, *A Carnival of Revolution: Central Europe* 1989 (Princeton: Princeton University Press, 2002), 12.

<sup>53</sup> Quoted in Noel O'Sullivan, Européan Political Thought since 1945 (London: Palgrave, 2004), 167–68.

<sup>54</sup> Benda, "The Parallel "Polis", 36.

<sup>55</sup> Ignác Romsics, *Hungary in the Twentieth Century*, trans. by Tim Wilkinson (Budapest: Corvina, 1999), 415.

## A late liberal triumph?

At first glance, it seems that the 1980s were, above all, a decade of renewed confidence and optimism leading right up to Fukuyama's 1989 thesis about the end of history. It was not just morning in America, as Ronald Reagan's campaign motto had asserted; it was a new dawn for the West as a whole. Yet, it is easily forgotten that self-doubt kept shadowing much of the decade. In 1988, anxieties about the erosion of US strength and the decline of the West made Paul Kennedy's *Rise and Fall of the Great Powers* into a major bestseller. The consumerism and hedonism (and, yes, cynicism) of the 1980s inspired diagnoses of decadence – after all, under Reagan the United States had become the world's largest debtor. And the fears of 'nuclear holocaust' only slowly subsided in the West after Gorbachev had committed to winding down the Cold War.

Nor was Fukuyama's 'End of History' the naïve, liberal triumphalism it has so often been made out to be. Fukuyama, after all, did not predict the end of all conflict and violence; rather, he asserted that there was, in the long run, no attractive alternative way of life or way of organising human collectives that could rival liberal democracy. <sup>56</sup> He predicted that the world was going to go the way of post-Hitler – that is, 'post-ideological' and therefore 'post-historical' – Western Europe, and that there would in all likelihood be a "Common-Marketization" of international relations'. <sup>57</sup>

Fukuyama was not afraid of asserting what both postmodernism and the methodological individualism of Hayek and other libertarians had allegedly discredited: a 'grand narrative'. Moreover, his interpretation was suffused with the very cultural pessimism that had animated Alan Bloom, his teacher. Were liberal democracies to be populated by Nietzschean 'last men', that is, docile, self-satisfied, mediocre, utterly un-heroic bourgeois philistines? Fukuyama's answer was not a happy one. The 'end of history', he wrote, 'will be a very sad time . . . In the post-historical period there will be neither art nor philosophy, just the perpetual caretaking of the museum of human history.'

Thus, liberal triumphalism was not nearly as triumphalist as commentators later tended to assume. The anxieties and the cultural pessimism of the 1970s, in fact, persisted beyond the end of the Cold War. Moreover, it was at least questionable whether liberal democracy actually reigned triumphant outside

<sup>56</sup> Francis Fukuyama, 'The End of History?', *The National Interest*, 16 (Summer 1989), 3–18. 57 *Ibid.*, 18.

#### JAN-WERNER MÜLLER

the immediate context of the US–Soviet confrontation. The year 1989 was an *annus mirabilis* for Europe, but it was also the year of Tiananmen. It was, furthermore, the year of the fatwa against Salman Rushdie. And it was the year of an altogether different peaceful transition against the odds: that of the Iranian regime, after the death of its charismatic leader Ayatollah Khomeini. Were these genuine challenges to liberal democracy, or could one confidently assert with Fukuyama that 'our task is not to answer exhaustively the challenges to liberalism promoted by every crackpot messiah around the world, but only those that are embodied in important social or political forces and movements, and which are therefore part of world history';<sup>58</sup>

In one sense, 1989 obviously *was* an ending: that of major ideological divisions marked by the Iron Curtain. And, yet, as this chapter has suggested, within Europe, as well as between Western Europe and the United States, there was much more of a *common* intellectual history than is often assumed. At the same time, it is clear in retrospect that many heated debates of the period – especially in Western Europe – were profoundly inward-looking, if not provincial. Paradoxically, a Europe at the mercy of the superpowers also had the privilege of withdrawing from the world at large. Among so many other things, 1989 also meant the end of that privilege.

58 Ibid., 9.

# The world economy and the Cold War, 1970–1990

#### GIOVANNI ARRIGHI

The 1970s began with the collapse of the gold–dollar exchange standard and the defeat of the United States in Vietnam – two events that jointly precipitated a ten-year-long crisis of US hegemony. The 1980s, in contrast, ended with the terminal crisis of the Soviet system of centrally planned economies, US "victory" in the Cold War, and a resurgence of US wealth and power to seemingly unprecedented heights. The key turning point in this reversal of fortunes was the neoliberal (counter)revolution of the early 1980s orchestrated by President Ronald Reagan and Prime Minister Margaret Thatcher. The purpose of this chapter is to highlight the relationship between this turning point and the preceding crisis of US hegemony on the one side and the subsequent collapse of the USSR on the other.

## The crisis of US hegemony and the onset of global turbulence

US hegemony in the Cold War era was based on institutional arrangements that originated in the widespread belief among US government officials during World War II that "a new world order was the only guarantee against chaos followed by revolution" and that "security for the world had to be based on American power exercised through international systems." Equally widespread was the belief that the lessons of the New Deal were relevant to the international sphere: "Just as the New Deal government increasingly took active responsibility for the welfare of the nation, US foreign-policy planners took increasing responsibility for the welfare of the

I Franz Schurmann, The Logic of World Power: An Inquiry into the Origins, Currents, and Contradictions of World Politics (New York: Pantheon, 1974), 44, 68.

world." To take responsibility, of course, "meant government intervention on a grand scale."<sup>2</sup>

In Franklin D. Roosevelt's original vision, the New Deal would be "globalized" through the United Nations, and the USSR would be included among the poor nations of the world to be incorporated into the evolving Pax Americana, for the benefit and security of all. In the shoddier but more realistic political project that materialized under Harry S. Truman, in contrast, the containment of Soviet power became the main organizing principle of US hegemony, and US control over world money and military power became the primary means of that containment.<sup>3</sup> This more realistic model was not so much a negation of the original notion of creating a global welfare state as its transformation into a project of creating a "warfare–welfare state" on a world scale, in competition with and in opposition to the Soviet system of Communist states.<sup>4</sup>

Neither the economic boom of the 1950s and 1960s nor the subsequent long downturn can be understood except with reference to the successes and failures of this project. The boom was launched and sustained through the joint operation of both military and social Keynesianism on a world scale. Military Keynesianism – that is, massive expenditures on the rearmament of the United States and its allies and the deployment of a farflung network of quasi-permanent military bases – was undoubtedly the most dynamic and conspicuous element of the combination. But the US-sponsored spread of social Keynesianism – that is, the governmental pursuit of full employment and high mass consumption in the First World and of "development" in the Third World – was also an essential factor.<sup>5</sup>

- 2 Ann-Marie Burley, "Regulating the World: Multilateralism, International Law, and the Projection of the New Deal Regulatory State," in J. G. Ruggie (ed.), *Multilateralism Matters: The Theory and Praxis of an Institutional Form* (New York: Columbia University Press, 1993), 125–26, 129–32.
- 3 Giovanni Arrighi, The Long Twentieth Century: Money, Power and the Origins of Our Times (London: Verso, 1994), 276–80, 295–97.
- 4 The expression "warfare-welfare state" is borrowed from James O'Connor, *The Fiscal Crisis of the State* (New York: St. Martin's Press, 1973).
- 5 On the critical role of military Keynesianism in launching the expansion, see, among others, Fred Block, The Origins of International Economic Disorder: A Study of the United States International Monetary Policy from World War II to the Present (Berkeley, CA: University of California Press, 1977), 103–04, and Thomas J. McCormick, America's Half Century: United States Foreign Policy in the Cold War (Baltimore, MD: Johns Hopkins University Press, 1989), 77–78, 98. On the First World and Third World variants of social Keynesianism, see Giovanni Arrighi and Beverly J. Silver, Chaos and Governance in the Modern World System (Minneapolis, MN: University of Minnesota Press, 1999), 202–11, and Beverly J. Silver, Forces of Labor: Workers' Movements and Globalization since 1870 (Cambridge: Cambridge University Press, 2003), 149–61.

The reconstruction and upgrading of the German and Japanese economies were integral aspects of the internationalization of the US warfare-welfare state. As Bruce Cumings notes, "George Kennan's policy of containment was always limited and parsimonious, based on the idea that four or five industrial structures existed in the world: the Soviets had one and the United States had four, and things should be kept this way." The upshot in East Asia was US sponsorship of Japanese reindustrialization. The Korean War became "'Japan's Marshall Plan' . . . War procurement propelled Japan along its warbeating industrial path."6 US promotion of the reconstruction and upgrading of the German industrial apparatus occurred through different but equally effective channels. Germany was, of course, among the main beneficiaries of the Marshall Plan and US military expenditures abroad. But the most important contribution was US sponsorship of West European economic union. As future secretary of state John Foster Dulles declared in 1948, "a healthy Europe" could not be "divided into small compartments." It had to be organized into a market "big enough to justify modern methods of cheap production for mass consumption." A reindustrialized Germany was an essential component of this new Europe.<sup>7</sup>

The "catching-up" of latecomers with the technological and organizational achievements of the leading capitalist state – "uneven development," in Robert Brenner's characterization of the process – was thus consciously and actively encouraged by the leader itself, rather than merely the result of the latecomers' actions, as it had been in the nineteenth century. This peculiarity accounts not just for the speed and extent of the post-World War II boom, but also for its transformation into the relative stagnation of the 1970s and 1980s. The capacity of Japan, Germany, and other West European countries to combine the high-productivity technologies pioneered by the United States with the large, low-wage, and elastic labor supplies employed in their comparatively backward rural and small business sectors pushed up their rate of investment and economic growth. Through the early 1960s, this tendency benefited the United States as well because the rapid economic expansion of Western Europe and Japan created profitable outlets for US multinationals

<sup>6</sup> Bruce Cumings, "The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences," in F. C. Deyo (ed.), The Political Economy of the New Asian Industrialism (Ithaca, NY: Cornell University Press), 60; and Cumings, "The Political Economy of the Pacific Rim," in R. A. Palat (ed.), Pacific-Asia and the Future of the World-System (Westport, CT: Greenwood Press, 1993), 31; see also Jerome B. Cohen, Japan's Postwar Economy (Bloomington, IN: Indiana University Press, 1958), 85–91.

<sup>7</sup> Quoted in McCormick, America's Half Century, 79-80.

and banks, new export opportunities for domestically based US firms, and ideological resources for the US government in the Cold War. "Uneven development" was thus a positive-sum game that buttressed "a symbiosis, if a highly conflictual and unstable one, of leader and followers, of early and later developers, and of hegemon and hegemonized."

By the mid-1960s, however, Germany and Japan had not just caught up with but had forged ahead of the United States in one industry after another textiles, steel, automobiles, machine tools, consumer electronics. More important, the newer, lower-cost producers based in these and other follower countries began invading markets hitherto dominated by US producers. As a result of this influx of lower-priced goods into the United States and world markets, between 1965 and 1973 US manufacturers experienced a decline of over 40 percent in the rate of return on their capital stock. Their response to this intensification of competition included pricing products below full cost, repressing the growth of wage costs, and updating their plant and equipment. But, in Brenner's view, the most effective US weapon in the incipient competitive struggle was the devaluation of the US dollar against the German mark (by a total of 50 percent between 1969 and 1973) and the Japanese yen (by a total of 28.2 percent between 1971 and 1973). Thanks to this massive devaluation, profitability, investment growth, and labor productivity in US manufacturing staged a comeback, restoring the US trade balance to a surplus, while the competitiveness of German and Japanese manufacturers was sharply curtailed. The global crisis of profitability was not overcome, but its burden was distributed more evenly among the main capitalist countries.9

The intensification of intercapitalist competition that ensued from the US-sponsored reconstruction and upgrading of the West European and Japanese economies was not the only cause of the crisis of profitability. Equally important was US support for full-employment policies and the spread of high mass consumption both at home and throughout the First World. While consolidating the hegemony of liberal capitalism, this variant of social Keynesianism strengthened the capacity of workers to seek a greater share of the social product. This empowerment of labor culminated in what E. H. Phelps Brown aptly called the "pay explosion" of 1968–73. Coming in the wake of twenty years of rising real wages in the core regions of the global economy, the pay explosion supplemented the intensification

<sup>8</sup> Robert Brenner, "The Economics of Global Turbulence: A Special Report on the World Economy, 1950–1998," *New Left Review*, 1, 229 (1998), 91–92; and Brenner, *The Boom and the Bubble: The US in the World Economy* (London: Verso, 2002), 14–15.

<sup>9</sup> Brenner, "The Economics of Global Turbulence," 17-24, 41, 93, 105-08, 124, 137.

of intercapitalist competition in exercising a system-wide downward pressure on profitability.<sup>10</sup>

Washington's Cold War policies thus put a double squeeze on profits: through the intensification of intercapitalist competition, which US actions encouraged by creating conditions favorable to the upgrading and expansion of the Japanese and West European productive apparatuses; and through the social empowerment of labor, which Washington promoted through the pursuit of near full employment and high mass consumption throughout the Western world. This double squeeze was bound to produce a system-wide crisis of profitability, but was not in itself a sufficient reason for the crisis of US hegemony which became the dominant event of the 1970s. What turned the crisis of profitability into a broader hegemonic crisis was the failure of the US warfare—welfare state to attain its social and political objectives in the Third World.

Socially, the "Fair Deal" that Truman promised to the poor countries of the world in his 1949 inaugural address never materialized in an actual narrowing of the income gap that separated them from the wealthy countries of the West. As Third World countries stepped up their industrialization efforts (industrialization being the generally prescribed means to "development"), there was indeed industrial convergence with First World countries; but there was virtually no income convergence. Third World countries were thus bearing the costs without reaping the expected benefits of industrialization (see Table 1).

Far more conspicuous was the political failure of the US warfare—welfare state. Its epicenter was the war in Vietnam, where the United States was unable to prevail, despite the deployment of military hardware and firepower on a scale without precedent for a conflict of this kind. As a result, the United States lost much of its political credibility as global policeman, thereby emboldening the nationalist and social revolutionary forces that Cold War policies were meant to contain.

Along with much of the political credibility of its military apparatus, the United States also lost control of the world monetary system. The escalation of

<sup>10</sup> E. H. Phelps Brown, "A Non-Monetarist View of the Pay Explosion," Three Banks Review, 105 (1975), 3–24; Makoto Itoh, The World Economic Crisis and Japanese Capitalism (New York: St. Martin's Press, 1990), 50–53; Philip Armstrong, Andrew Glyn, and John Harrison, Capitalism since World War II: The Making and Breakup of the Great Boom (London: Fontana, 1984), 269–76.

II Giovanni Arrighi, Beverly J. Silver, and Benjamin D. Brewer, "Industrial Convergence and the Persistence of the North-South Divide," Studies in Comparative International Development, 38 (2003), 3-31.

Table 1. Third World GNP per capita as a percentage of the First World's GNP per capita

Region	1970	1980	1985	1990
Sub-Saharan Africa (with South Africa)	4.7	3.9	3.1	2.7
Latin America	16.4	17.6	14.4	12.3
West Asia and North Africa	7.8	8.7	7.9	7.4
South Asia (without India)	1.7	1.3	1.4	1.4
East Asia (without China and Japan)	6.1	8.0	8.6	II.O
China	0.7	0.8	1.2	1.3
India	1.3	I.I	1.2	1.2
Third World	4.0	4.3	4.1	4.1
Third World (without China)	5.7	6.1	5.5	5.3
Third World (without China and India)	8.1	8.8	7.7	7.5
North America	105.0	100.7	101.6	98.2
Western Europe	104.6	104.6	101.5	100.5
Southern Europe	58.2	60.0	57.6	58.6
Australia and New Zealand	83.5	74.7	73.3	66.4
Japan	126.4	134.4	140.8	149.8
First World	100	100	100	100
Eastern Europe	_	_	_	II.I
Former USSR with Russian Federation	_	_	_	10.7
Russian Federation	_	_	_	14.1
Former USSR without Russian Federation	_	_	_	7.1
Eastern Europe and former USSR	_	-	_	10.8

Note: GNP in constant 1995 US dollars. Countries included in the Third World: Africa (except Angola, Libya, Mozambique, Guinea, Guinea-Bissau, Mali, and Swaziland), Latin America (except Cuba), West Asia (except Saudi Arabia, Syria, Turkey), South Asia (except Afghanistan and Bhutan), and East Asia (except Burma, Cambodia, Laos, Vietnam, North Korea, and Japan).

Source: Calculations based on World Bank World Development Indicators 2001, 2006.

public expenditures to sustain the military effort in Vietnam and to overcome opposition to the war at home – through the Great Society program – strengthened inflationary pressures, deepened the fiscal crisis of the US state, and eventually led to the collapse of the US-centered Bretton Woods regime of fixed exchange rates. Crucial in this respect was the explosive growth of the eurodollar and other extraterritorial financial markets.

Established in the 1950s to hold dollar balances of Communist countries unwilling to risk depositing them in the United States, the eurodollar market grew primarily through the deposits of US multinationals and the offshore activities of New York banks. Having expanded steadily through the 1950s and

early 1960s, it started growing exponentially in the mid- and late 1960s – eurocurrency assets more than quadrupling between 1967 and 1970. Hard as it is to know exactly what lay behind this explosion, it is plausible to suppose that it was triggered by the crisis of profitability of those years. Declining rates of profit under the impact of intensifying competition and growing labor demands must have boosted the liquidity preference of US multinational corporations operating in Europe. Since conditions for the profitable reinvestment of cash flows were even less favorable in the United States than in Europe, it made good business sense for the multinationals to "park" their growing liquid assets in eurocurrency and other offshore money markets rather than repatriate them.

The explosive growth of eurocurrency markets provided currency speculators – including US banks and corporations – with a huge *mass de manoeuvre* with which to bet against, and thereby undermine, the stability of the US-controlled system of fixed exchange rates. And once that system actually collapsed, fluctuations in exchange rates became a major determinant of variations in corporate cash-flow positions, sales, profits, and assets in different countries and currencies. In hedging against these variations, or in trying to profit from them, multinationals tended to increase the monetary resources deployed in financial speculation in extraterritorial money markets where freedom of action was greatest and specialized services were most readily available.<sup>13</sup>

It follows that the massive devaluation of the US currency of the early 1970s was not just, or even primarily, the result of a conscious US policy aimed at shifting the burden of the crisis of profitability from US to foreign business. It was also and especially the unintended consequence of lax US monetary policies aimed at sustaining the military effort in Vietnam on the one side, and of the actions of US multinationals and financial speculators aimed at profiting from the fiscal crisis of the US warfare—welfare state on the other. Combined with the loss of credibility of US military power, the massive devaluation of the dollar in turn prompted Third World governments to adopt a more aggressive stance in negotiating the prices of their exports of industrial raw materials — oil in particular. Intensifying intercapitalist competition and the stepping up of low- and middle-income countries' industrialization efforts

<sup>12</sup> Eugène L. Versluysen, The Political Economy of International Finance (New York: St. Martin's Press, 1981), 16–22; Marcello de Cecco, "Inflation and Structural Change in the Euro-dollar Market," EUI Working Papers, 23 (Florence: European University Institute, 1982), 11; Andrew Walter, World Power and World Money (New York: St. Martin's Press, 1991), 182.

<sup>13</sup> See, among others, Susan Strange, Casino Capitalism (Oxford: Basil Blackwell, 1986), 11–13.

had already led to significant increases in raw-material prices before 1973. In 1973, however, the virtual acknowledgment of defeat by the US government in Vietnam, followed immediately by the shattering of the myth of Israeli invincibility during the Yom Kippur War, energized the Organization of Petroleum Exporting Countries (OPEC) into protecting its members more effectively from the depreciation of the dollar through a fourfold increase in the price of crude oil in a few months. Coming as it did at the tail end of the pay explosion, this so-called oil shock deepened the crisis of profitability and strengthened inflationary tendencies in core capitalist countries. At the same time, it generated an \$80 billion surplus of dollars in the hands of oil-exporting countries (so-called petrodollars), a good part of which was parked or invested in the eurocurrency and other offshore money markets. The mass of privately controlled liquidity that could be mobilized for financial speculation and new credit creation outside publicly controlled channels thereby received a powerful additional stimulus. <sup>14</sup>

The tremendous expansion in the supply of world money and credit, engendered by the combination of extremely lax US monetary policies and the explosive growth of privately controlled liquidity in offshore money markets, was not matched by demand conditions capable of preventing the devaluation of money capital. To be sure, there was plenty of demand for liquidity, not only on the part of multinational corporations – to hedge against or speculate on exchange-rate fluctuations – but also on the part of low- and middle-income countries to sustain their developmental efforts in an increasingly competitive and volatile environment. For the most part, however, this demand added more to inflationary pressures than it did to the expansion of solvent indebtedness:

Formerly, countries other than the United States had to keep their balance of payments in some sort of equilibrium. They had to "earn" the money they wished to spend abroad. Now ... [c]ountries in deficit could borrow indefinitely from the magic liquidity machine ... Not surprisingly, world inflation continued accelerating throughout the decade, and fears of collapse in the private banking system grew increasingly vivid. More and more debts were "rescheduled," and a number of poor countries grew flagrantly insolvent. <sup>15</sup>

In short, the interaction between the crisis of profitability and the crisis of hegemony, in combination with lax US monetary policies, resulted in increasing

<sup>14</sup> Itoh, *The World Economic Crisis*, 53–54, 60–68, 116; de Cecco, "Inflation and Structural Change," 12; Strange, *Casino Capitalism*, 18.

<sup>15</sup> David Calleo, *The Imperious Economy* (Cambridge, MA: Harvard University Press, 1982), 137–38.

world monetary disorder, escalating inflation, and steady deterioration in the capacity of the US dollar to function as the world's means of payment, reserve currency, and unit of account. From 1973 to 1978, the abandonment of the gold–dollar exchange standard appeared to have resulted in the establishment of a de facto pure dollar standard that enabled the United States to tap the resources of the rest of the world virtually without restriction, simply by issuing its own currency. 16 By 1978, however, the threat of an imminent demise of the US dollar as world money had become quite real. When on October 6, 1979, the chairman of the US Federal Reserve, Paul Volcker, began taking forceful measures to restrict the supply of dollars and to bid up interest rates in world financial markets, he was responding to a crisis of confidence that threatened to deteriorate into a collapse of the dollar, perhaps leading to a financial crisis and pressure to remonetize gold, against which the United States had fought doggedly for over a decade. And when a few months later the flight of hot Arab money into gold in the wake of the Iranian crisis and the Soviet invasion of Afghanistan pushed the price of gold to a high of \$875, Volcker took even harsher measures to stop the growth of the US and global money supply.17

## The neoliberal (counter)revolution and the end of the Cold War

Volcker's switch from highly permissive to highly restrictive monetary policies in the last year of the administration of Jimmy Carter was the harbinger of the abandonment under Reagan of the ideology and practice of the New Deal, nationally and internationally. Drawing ideological inspiration from Thatcher's slogan "There Is No Alternative" (TINA), the Reagan administration declared all variants of social Keynesianism obsolete and proceeded to liquidate them through a revival of early twentieth-century beliefs in the "magic" of allegedly self-regulating markets. <sup>18</sup> The liquidation began with a

<sup>16</sup> Benjamin J. Cohen, Organizing the World's Money (New York: Basic Books, 1977); Riccardo Parboni, The Dollar and Its Rivals (London: Verso, 1981).

<sup>17</sup> Michael Moffitt, The World's Money: International Banking from Bretton Woods to the Brink of Insolvency (New York: Simon & Schuster, 1983).

<sup>18</sup> On the rise and demise of such beliefs in the late nineteenth and early twentieth century, see Karl Polanyi's classic work *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1957). For a comparison of the late twentieth-century neoliberal turn and its late nineteenth-century antecedent, see Beverly J. Silver and Giovanni Arrighi, "Polanyi's 'Double Movement': The *Belles Epoques* of British and US Hegemony Compared," *Politics and Society*, 31 (2003), 325–55.

#### GIOVANNI ARRIGHI

drastic contraction in money supply and an equally drastic increase in interest rates, followed by major reductions in corporate taxation and the elimination of controls on capital. The immediate result was a deep recession in the United States and in the world at large and a simultaneous escalation of interstate competition for capital worldwide.

TINA was thereby turned into a self-fulfilling prophecy. Whatever alternative to cutthroat competition for increasingly mobile capital might have existed before 1980, it became moot once the world's largest and wealthiest economy led the world down the road of ever more extravagant concessions to capital. This was especially the case for Second and Third World countries which, as a result of the change in US policies, experienced a sharp contraction both in the demand for their natural resources and in the availability of credit and investment on favorable terms. It was in this context that the liquidation of the legacy of the welfare state in the United States and other First World countries was supplemented by a sudden switch of US policies toward the Third World. The focus shifted from the promotion of the "development project" launched in the late 1940s and early 1950s to the promulgation of the neoliberal agenda of the so-called Washington Consensus. Directly or through the International Monetary Fund and the World Bank, the US government withdrew its support from the "statist" and "inward-looking" strategies (such as import-substitution industrialization) that most theories of national development had advocated in the 1950s and 1960s and began instead to promote capital-friendly and outward-looking strategies, most notably macrostability, privatization, and the liberalization of foreign trade and capital movements. 19

The change has been referred to as a "counterrevolution" in economic thought and political ideology. This characterization of the neoliberal turn contrasts with its promoters' preference for the term "revolution." In reality, as the expression "neoliberal (counter)revolution" is meant to convey, the phenomenon was counterrevolutionary in the intended consequences but revolutionary in the unintended ones. To focus for now on intended consequences,

<sup>19</sup> Philip McMichael, Development and Social Change: A Global Perspective, 2nd ed. (Thousand Oaks, CA: Sage, 2000); John Toye, Dilemmas of Development: Reflections on the Counter-Revolution in Development Economics, 2nd ed. (Oxford: Blackwell, 1993). As Hans Singer has noted, the description of development thinking in the postwar era as statist and inward-looking is correct, but neither characterization had the derogatory implications they acquired in the 1980s: "The Golden Age of the Keynesian Consensus: The Pendulum Swings Back," World Development, 25 (1997), 283–95.

<sup>20</sup> See, among others, Toye, Dilemmas of Development, and Robert Gilpin, The Challenge of Global Capitalism: The World Economy in the 21st Century (Princeton, NJ: Princeton University Press, 2000), 83–84, 227–30.

the counterrevolutionary thrust of the neoliberal turn was evident not only on issues of economic development in the Third World, but also in its attempt to reverse the empowerment of labor that had occurred in First World countries in the 1950s and 1960s.

The slowdown of economic growth and escalating inflation of the 1970s had already eroded the capacity of workers in the United States and other core countries to resist encroachments upon their working and living conditions. But their leverage collapsed only with the Reagan administration's liquidation of the New Deal. Beginning with the deep recession of 1979-82, pressure on profits emanating from workers' demands in core countries subsided. As Thatcher's adviser Alan Budd admitted in retrospect, "What was engineered in Marxist terms was a crisis of capitalism which re-created a reserve army of labor, and has allowed the capitalists to make high profits ever since." The maneuver was especially successful in the United States, as Volcker's successor at the helm of the US Federal Reserve, Alan Greenspan, pointed out when he attributed the higher profits and greater increases in productivity of US companies to Japan's and Europe's "relatively inflexible and, hence, more costly labor markets." "Because our costs of dismissing workers are lower," he explained, "the potential costs of hiring and the risks associated with expanding employment are less."22

The success of the neoliberal (counter)revolution in disempowering labor did contribute to the revival of US profitability in the 1990s, but it was not the key factor that pulled the US economy out of the deep recession of the early 1980s and propelled it towards renewed expansion in the 1990s. Far more decisive was what Brenner calls the "fortuitous" return of Keynesianism. Reagan's "monumental programme of military spending and tax reduction for the rich . . . partly offset the ravages of monetarist tight credit and kept the economy ticking over." This socially regressive Keynesianism brought back budget, trade, and current account deficits with a vengeance. In contrast to the 1970s, however, instead of precipitating a run on the dollar and increasing monetary disorder, even larger US deficits in the 1980s led to a sharp appreciation of the US currency and to the establishment of a long-lasting pure dollar standard.<sup>23</sup>

This different outcome of Reaganite Keynesianism can be traced in part to the taming of labor. On the whole, however, it reflected the fact that the

<sup>21</sup> Quoted in David Harvey, Spaces of Hope (Berkeley, CA: University of California Press, 2000), 7.

<sup>22 &</sup>quot;For Greenspan, Flexibility Key to US Gains," *International Herald Tribune*, July 12, 2000. See also Brenner, *The Boom and the Bubble*, 60–61.

<sup>23</sup> Brenner, The Boom and the Bubble, 36, 54-55.

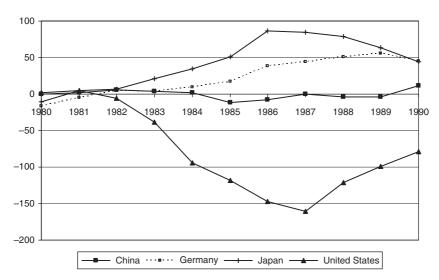
#### GIOVANNI ARRIGHI

neoliberal turn promoted a major reorientation of the US economy to take full advantage of the ongoing financial expansion of capital at home and abroad. As previously noted, in the 1970s a growing competition between lax US monetary policies and mechanisms of private interbank money creation set an increasingly large group of countries free from balance-of-payments constraints, thereby undermining Washington's seigniorage privileges while feeding offshore money markets with more liquidity than private capital could possibly invest safely and profitably. Unfolding in conjunction with the deepening crisis of US hegemony, this mutually destructive competition between US private and public money culminated in the devastating run on the dollar of 1979-80. Whatever the actual motivations and ostensible rationale of the sudden reversal in US monetary policies that followed the run, its true longterm significance – and the main reason why it eventually revived US fortunes beyond anyone's expectations – is that it brought this mutually destructive competition to an abrupt end. Not only did the US government stop feeding the system with liquidity; more importantly, it started competing aggressively for capital worldwide – through record high interest rates, tax breaks, increasing freedom of action for capitalist producers and speculators, and, as the benefits of the new policies materialized, an appreciating dollar – prompting a massive rerouting of global capital flows toward the United States.

The extent of the rerouting can be gauged from the change in the current account of the US balance of payments. In the five-year period 1965–69, the account had a surplus of \$12 billion, which constituted almost half (46 percent) of the total surplus of G7 countries. In 1970–74, the surplus contracted to \$4.1 billion and to 21 percent of the total surplus of G7 countries. In 1975–79, the surplus turned into a deficit of \$7.4 billion. After that, the deficit escalated to the previously unimaginable levels of \$146.5 billion in 1980–84 and \$660.6 billion in 1985–89 (see graph 1).<sup>24</sup>

This massive redirection of capital flows toward the United States had devastating effects on the Third and Second World countries that in the 1970s had been lured, to paraphrase David Calleo, the economic historian, into borrowing "indefinitely from the magic liquidity machine." When the United States reversed its monetary policies and started to compete aggressively in world financial markets, the "flood" of capital of the 1970s turned into the "drought" of the 1980s. Suffice it to say that the success of the

<sup>24</sup> Calculated from International Monetary Fund, International Financial Statistics Yearbook (Washington, DC: International Monetary Fund, various years). Leaving aside "errors and omissions," current account surpluses are indicative of net outflows of capital, and current account deficits are indicative of net inflows.



Graph 1. Current account balances, China, Germany, Japan, and the United States (in billions of 2006 US dollars)

Source: International Monetary Fund, World Economic Outlook Database, September 2006.

United States in attracting capital turned the \$46.8 billion *outflow* of capital from G7 countries of the 1970s (as measured by their consolidated current account surpluses for the period 1970–79) into an *inflow* of \$347.4 billion in 1980–89. First signaled by the Mexican default of 1982, the drought created a propitious environment for the counterrevolution in development thought and practice that the neoliberal Washington Consensus began advocating at about the same time. Taking advantage of the financial straits of many low- and middle-income countries, the agencies of the consensus foisted on them measures of "structural adjustment" that did nothing to improve their position in the global hierarchy of wealth but greatly facilitated the redirection of capital flows toward sustaining the revival of US wealth and power. <sup>26</sup>

<sup>25</sup> Calculated from International Monetary Fund, International Financial Statistics Yearbook.

<sup>26</sup> Arrighi, Silver, and Brewer, "Industrial Convergence and the Persistence of the North–South Divide"; Toye, *Dilemmas of Development*; McMichael, *Development and Social Change*; Sarah Bracking, "Structural Adjustment: Why It Wasn't Necessary and Why It Did Work," *Review of African Political Economy*, 80 (1999), 207–27; Manfred Bienefeld, "Structural Adjustment: Debt Collection Devise or Development Policy?," *Review* (Fernand Braudel Center), 23 (2000), 533–82.

#### GIOVANNI ARRIGHI

The impact of the neoliberal (counter)revolution on the Third World was far from uniform. Some regions (most notably East Asia) succeeded in taking advantage of the increase in US demand for cheap industrial products that ensued from US trade liberalization and the escalating US trade deficit. As a result, their balance of payments improved, their need to compete with the United States in world financial markets lessened, and indeed East Asian countries became major lenders to the United States. Other regions (most notably Latin America and sub-Saharan Africa), in contrast, did not manage to compete successfully for a share of the North American demand. These regions tended to run into balance-of-payments difficulties, which put them in the hopeless position of having to compete directly with the United States in world financial markets. The overall result was that between 1980 and 1990 the income per capita of East Asia (including China and Southeast Asia but excluding Japan) relative to that of the First World increased by almost 40 percent, while that of sub-Saharan Africa and Latin America decreased by about 30 percent.27

I shall later discuss the conditions that enabled East Asian countries to turn the neoliberal (counter)revolution to their advantage. For now, however, it is important to emphasize that the change in the conjuncture of the global political economy precipitated by the neoliberal turn contributed decisively to the terminal crisis of the Soviet system of centrally planned economies. Standard accounts of the crisis focus on the internal dynamic of these economies, emphasizing their tendency to privilege quantity over quality in economic production and social provision. As long as massive inputs of labor and natural resources could be channeled toward the building of a heavy-industry economy, central planning generated rates of economic growth among the highest in the world.<sup>28</sup> But once labor and natural resources became more fully utilized, and further growth more dependent on growing productivity, central planning became increasingly anachronistic. Worse still, attempts to spur productivity by stepping up investments in human capital further

<sup>27</sup> The G7 is the group of seven major industrialized countries: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. The exact percentages are +38.5 for China, +38.7 for the rest of East Asia (excluding Japan), -30.6 for sub-Saharan Africa, and -30.1 for Latin America. Less extreme were the changes for West Asia and North Africa (-14.9) and for South Asia (+8.3). All percentages have been calculated from data provided in World Bank, World Development Indicators (Washington, DC: World Bank, 2001). For details on the countries included in each region, see Giovanni Arrighi, "Globalization and Uneven Development," in I. Rossi (ed.), Frontiers of Globalization Research: Theoretical and Methodological Approaches (New York: Springer, 2007), table 2, 191.

<sup>28</sup> See Richard N. Cooper's and Wilfried Loth's chapters in volume II.

undermined the political legitimacy of a system that was more and more incapable of delivering on its promises of a quality of life superior to the Western one.<sup>29</sup>

Arguments of this kind are useful in highlighting factors that undoubtedly contributed to the terminal crisis of the Soviet system of centrally planned economies. They nonetheless obscure the fact that, despite its superpower status and the success of its modernization efforts, throughout the Cold War era the USSR occupied a position in the global hierarchy of wealth very similar to that of Latin American countries. Lack of data makes comparisons difficult for the period under consideration, but a fairly reliable source for an earlier period put the GNP per capita of the USSR at 25.2 percent of that of the wealthier countries of the West in 1938 and at 18.3 percent in 1948. These figures were almost exactly the same as those for Latin America (23.8 percent in 1938 and 16.2 percent in 1948) and for Hungary and Poland combined (26.7 percent in 1938 and 18.4 percent in 1948). Half a century later, on the eve of the collapse of the Soviet system, the situation had apparently not changed except for a further widening of the income gap vis-à-vis the wealthy countries of the West. Although there are no comparable figures for the USSR itself, the corresponding figure for Hungary and Poland combined in 1988 was 11.1 percent and for Latin America 10.6 percent.<sup>30</sup>

Assuming that the economic performance of the USSR between 1948 and 1988 was not very different from that of Poland and Hungary, the above

- 29 For good summaries of these accounts, see Paul Kennedy, Preparing for the Twenty-First Century (New York: Random House, 1993), 230–37, and Manuel Castells, The Information Age: Economy, Society and Culture, vol. III, End of Millennium (Oxford: Blackwell, 1998), 5–37. For a recent reassessment of the contradictions of Soviet planning, see Vladimir Popov, "Life Cycle of the Centrally Planned Economy: Why Soviet Growth Rates Peaked in the 1950s," available at www.nes.ru/nvpopov/documents/SovietGrowth-Boston.pdf.
- 30 Figures for 1938 and 1948 have been calculated from data provided in W. S. Woytinsky and E. S. Woytinsky, World Population and Production: Trends and Outlook (New York: Twentieth Century Fund, 1953), and figures for 1988 from World Bank, World Development Report (Washington, DC: World Bank, 1990). The figures are percentages of the weighted average per capita income of Australia, Austria, Canada, France, (West) Germany, New Zealand, Switzerland, the United Kingdom, United States, and the Benelux and Scandinavian countries. The Latin American aggregate includes Argentina, Bolivia, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Jamaica, Mexico, Paraguay, Peru, and Venezuela. The figures are based on current exchange rates (FX) calculations. If they had been based on purchasing power parity (PPP) calculations, the percentages would have been higher. The choice of FX-based data is justified by their greater validity than PPP-based data as indicators of relative command over world economic resources. For a discussion of the criteria used in the choice of the aggregates and of the data, see Giovanni Arrighi, "World Income Inequalities and the Future of Socialism," New Left Review, 1, 189 (1991), 39–65.

figures suggest that the economic position and trajectory of the Soviet system of centrally planned economies in the Cold War era was strikingly similar to those of a Third World region like Latin America. Despite their radically different political and economic regimes, not only did they occupy the same position in the global hierarchy of wealth, but they also lost about the same ground with respect to the upper echelons of the hierarchy. There was, of course, a fundamental difference in the status and power of the two regions in the Cold War era: Latin America was a politically subordinate and militarily insignificant domain of US hegemony, while the Soviet system of states had sufficient political and military power to limit and constrain the global reach of that hegemony. Over time, however, the capacity of the Soviet system to keep up politically and militarily with the US system was bound to be seriously restricted by the increasing income gap that separated the two systems.

The problem was not so much that, following Kennan's advice, the United States had succeeded in retaining within its domains four of the world's five main industrial core areas. As previously noted, in the Cold War era there had been considerable industrial convergence between lower- and higher-income countries. The problem was that industrial convergence with the high-income countries of the First World was not accompanied by income convergence, so that Second World countries, no less than Third World countries, had to bear the costs without reaping the expected benefits of industrialization. The nature of the predicament was nowhere more evident than in the armaments race on which much of the credibility of Soviet prestige and power had come to rest.

There is in this regard a close, if little noticed, parallel between the armaments race in the Cold War era and that between Britain and France in the nineteenth century. As William McNeill has pointed out, from the mid-1840s through the 1860s, most technological breakthroughs in the design of warships were pioneered by France. And, yet, each French breakthrough called forth naval appropriations in Britain that France could not match, so that it was "relatively easy for the Royal Navy to catch up technically and surpass numerically each time the French changed the basis of the competition." <sup>31</sup>

This pattern of the nineteenth-century armaments race shows that control over the world's financial resources can provide a more decisive competitive advantage than leadership in technological innovation. This possibility was confirmed in the Cold War competition between the United States and the

<sup>31</sup> William McNeill, The Pursuit of Power: Technology, Armed Force, and Society since AD 1000 (Chicago: University of Chicago Press, 1982), 227–28.

USSR. The key technological innovation in this competition was the launching of the Soviet Sputnik in October 1957. Although the power and prestige of the USSR were greatly enhanced by the innovation, soon they were completely overshadowed by the achievements of the space program that the United States launched in 1961 with financial resources entirely beyond the reach of the USSR. What is more, in the decade following the launching of Sputnik, the installation of hundreds of long-range missiles empowered the United States and the USSR to destroy each other's cities in a matter of minutes. The signing of a five-year Strategic Arms Limitation Treaty (SALT) in 1972 consolidated the balance of terror between the two superpowers, but did not halt the armaments race. It simply shifted it "to other kinds of weapons not mentioned in the treaty for the good reason that they did not yet exist." 32

In the scientific discovery of new weapons systems – even more than in earlier forms of the armaments race – the superpower with greater command over global financial resources could turn the balance of terror to its own advantage by stepping up, or by threatening to step up, its research efforts to levels that the other superpower simply could not afford. This, of course, is what the Reagan administration did in the 1980s primarily, though not exclusively, through the Strategic Defense Initiative. It is not clear to what extent the need to rescue the US economy from the deep recession of 1979–82 through a powerful dose of military Keynesianism influenced the strategic considerations that led to this final escalation of the Cold War armaments race.<sup>33</sup> But whatever the US rationale, Soviet miscalculations played a crucial role in determining the eventual outcome.

Two such miscalculations were especially crucial. One was the decision to join other middle-income countries in borrowing heavily from Western banks in the 1970s. The true extent of Soviet borrowing is not known, but we do know that East European countries assumed financial obligations that were among the heaviest in the world. A second and greater miscalculation was the invasion of Afghanistan. As previously noted, this event, in conjunction with the Iranian crisis, precipitated the run on the dollar that in 1980 led Volcker to tighten further the US money supply and take other measures that turned the flood of capital available to Second and Third World countries in the 1970s into the drought of the 1980s, and simultaneously produced a

<sup>32</sup> *Ibid.*, 360, 368, 372–73; for the US–Soviet arms race, see William Burr and David Alan Rosenberg's chapter in volume II.

<sup>33</sup> For Reagan's policies, see Beth A. Fischer's chapter in this volume.

<sup>34</sup> Iliana Zloch-Christy, *Debt Problems of Eastern Europe* (Cambridge: Cambridge University Press, 1987).

collapse in the price of gold, oil, and other raw materials, which had become the main source of foreign exchange for the USSR. These changes hurt the USSR as they did other middle-income countries that had gone into debt in the 1970s. The But in the case of the Soviet Union, a deteriorating financial position was aggravated by the capacity of the United States to borrow massively from abroad, mostly from Japan, so as to escalate the armaments race well beyond what the USSR could afford. Combined with generous US support to Afghan resistance against Soviet occupation, the escalation forced the Soviet Union into an unwinnable double confrontation: in Afghanistan, where its high-tech military apparatus found itself in the same difficulties that had led to the defeat of the United States in Vietnam, and in the arms race, where the United States could mobilize financial resources wholly beyond the Kremlin's capabilities.

This double confrontation did not in itself cause the collapse of the USSR.<sup>36</sup> But it was certainly one of the most crucial elements in the combination of circumstances that did. Above all, it had unintended consequences that had a lasting impact on things to come.

### The legacy of the neoliberal (counter)revolution

Who actually won the Cold War, if anyone did, remains a controversial issue.<sup>37</sup> Assessments of the global power of the United States in the wake of the demise of its Soviet rival vary widely.

"Now is the unipolar moment," a triumphalist commentator crows; "[t]here is but one first-rate power and no prospect in the immediate future of any power to rival it." But a senior US foreign-policy official demurs: "We simply do not have the leverage, we don't have the influence, the inclination to use military force. We don't have the money to bring the kind of pressure that will produce positive results any time soon." 38

These contrasting assessments of US power reflected the peculiar dynamic that had brought the Cold War to an end. The triumphalist assessment reflected the unanticipated ease with which US policies had thrown the Soviet colossus off balance and "won" the Cold War without firing a shot. The cautionary

- 35 Castells, End of Millennium, 21.
- 36 For the collapse of the USSR, see Alex Pravda's chapter in this volume.
- 37 Robert Gilpin, "The Prospects for a Stable International Political Order," paper presented at the conference "Plotting Our Future. Technology, Environment, Economy and Society: A World Outlook," Fondazione Eni Enrico Mattei, Milan, Italy, October 1996.
- 38 John G. Ruggie, "Third Try at World Order? America and Multilateralism after the Cold War," *Political Science Quarterly*, 109 (1994), 553.

assessment, in contrast, reflected the fact that the defeat of the Soviet Union had not eliminated the deeper causes of the crisis of US hegemony of the 1970s. To the extent that the Soviet collapse was caused by US power, it was due not to US military might but to a superior command over the world's financial resources. And to the extent that it had military origins, it confirmed rather than reversed the verdict of the Vietnam War: it showed that, in Afghanistan no less than in Vietnam, the high-tech military apparatuses controlled by the Cold War superpowers, whatever their use in reproducing the balance of terror, were of little use in policing the Third World on the ground.

Worse still, the mobilization of the world's financial resources to rescue the US economy from the deep recession of the early 1980s, and simultaneously to escalate the armaments race with the USSR, transformed the United States into the greatest debtor nation in world history, increasingly dependent on cheap East Asian credit, labor, and commodities for the reproduction of its wealth and power. This shift of the center of world-scale processes of capital accumulation from North America to East Asia may well turn out to be the most significant legacy of the Cold War. But whether it will or not, the shift provides key insights into the evolving relationship between the Cold War and the world economy.

The most immediate impact of the Cold War on the East Asian region was to reduce most of its states to a condition of vassalage vis-à-vis one or other of the two contending superpowers. Soon, however, the Korean War demonstrated the precariousness of this condition and induced the United States to establish in the region a trade and aid regime extremely favorable to its vassal states, especially Japan. This "magnanimous" early postwar regime set in motion a "snowballing" process of connected economic "miracles" which started in Japan in the 1950s and 1960s, rolled on in South Korea, Taiwan, Hong Kong, Singapore, and some ASEAN countries in the 1970s and 1980s, and eventually encompassed China and Vietnam as well.<sup>39</sup>

In spite of US "magnanimity," the faultlines between the US and Soviet spheres of influence in the region started breaking down soon after they were established, first by the Chinese rebellion against Soviet domination in the late 1950s, and then by the US failure to split the Vietnamese nation along the Cold

<sup>39</sup> Terutomo Ozawa, "Foreign Direct Investment and Structural Transformation: Japan as a Recycler of Market and Industry," *Business and the Contemporary World*, 5 (1993), 130–31, and Ozawa, "Pax Americana-Led Macro-Clustering and Flying-Geese-Style Catch-Up in East Asia: Mechanisms of Regionalized Endogenous Growth." *Journal of Asian Economics*, 13 (2003).

War divide.<sup>40</sup> In this respect, the Vietnam War was a crucial turning point. While the Korean War had resulted in the formation of a US-centric East Asian regime based on the exclusion of China from normal commercial and diplomatic intercourse with the non-Communist part of the region, defeat in Vietnam induced the United States to allow China to resume such contacts. The scope of the region's economic integration and expansion was thereby broadened considerably, but only at the expense of US capacity to control its dynamic politically.<sup>41</sup>

Japan's spectacular economic ascent from the 1950s through the 1980s gradually transformed the previous relationship of Japanese political and economic vassalage vis-à-vis the United States into a relationship of mutual dependence: Japan remained dependent on US military protection, but the reproduction of US power came to depend on Japanese finance and industry. This transformation has been widely attributed to policies that made Japan the prototype of the "developmental state." Equally important, however, were two other factors.

One was the strong growth in the United States and in the USSR of capitaland resource-intensive industries (such as the steel, aircraft, military, space, and petrochemical industries), which created profitable opportunities for specialization in labor-intensive industries and resource-saving activities. As economic historian Kaoru Sugihara has underscored, Japan seized these opportunities by developing interlinked industries and firms with different degrees of labor and capital intensity, but retained an overall bias toward the East Asian tradition of privileging the utilization of human over nonhuman resources. At the same time, a surge of nationalism under the Cold War regime generated fierce competition across the East Asian region between relatively low-wage industrializers and higher-income countries. "As soon as wages in one country rose even fractionally," that country "had to seek a new industry which would produce a higher quality commodity," thereby "creating an effect similar to the 'flying geese pattern of economic development."

<sup>40</sup> For an analysis of the Sino-Soviet split, see Sergey Radchenko's chapter in volume II.

<sup>41</sup> Bruce Cumings, "Japan and Northeast Asia into the Twenty-First Century," in P. J. Katzenstein and T. Shiraishi (eds.), *Network Power: Japan and Asia* (Ithaca, NY: Cornell University Press, 1997), 154–55; Mark Selden, "China, Japan and the Regional Political Economy of East Asia, 1945–1995," in Katzenstein and Shiraishi (eds.), *Network Power*, 306–40.

<sup>42</sup> The characterization of Japan as a "developmental state" was originally proposed by Chalmers Johnson, MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975 (Stanford, CA: Stanford University Press, 1982). The notion was later applied to other states in the East Asian region. See, for example, Deyo (ed.), The Political Economy of the New Asian Industrialism.

And the more low-wage countries joined the process, the longer the chain of "flying geese."<sup>43</sup>

The other factor that contributed decisively to the Japanese economic ascent and the diffusion of Japanese economic power throughout the East Asian region was the crisis of vertically integrated business organizations. As the number and variety of vertically integrated, multinational corporations increased worldwide, their mutual competition intensified, inducing them to subcontract to small businesses activities previously carried out within their own organizations. The tendency toward the bureaucratization of business through vertical integration, which had made the fortunes of US corporate business since the 1870s, thus began to be superseded by a tendency toward informal networking and the revitalization of small business.<sup>44</sup>

This trend has been in evidence everywhere, but nowhere more so than in East Asia. Without the assistance of multiple layers of formally independent subcontractors, noted Japan's External Trade Organization, "Japanese big business would flounder and sink." Starting in the early 1970s, the scale and scope of this multilayered subcontracting system increased rapidly through a spillover into a growing number and variety of East Asian states. Although Japanese business was its leading agency, the spillover relied heavily on the business networks of the overseas Chinese diaspora, which were from the start the main intermediaries between Japanese and local businesses in Singapore, Hong Kong, Taiwan, and most Southeast Asian countries. The region-wide expansion of the Japanese multilayered subcontracting system was thus supported not only by US political patronage "from above," but also by Chinese commercial and financial patronage "from below."

- 43 Kaoru Sugihara, "The East Asian Path of Economic Development: A Long-Term Perspective," in G. Arrighi, T. Hamashita, and M. Selden (eds.), *The Resurgence of East Asia: 500, 150 and 50 Year Perspectives* (London: Routledge, 2003), 105–10, 112–14. The flying-geese pattern of economic development to which Sugihara refers is the leading-sector model of spatial diffusion of industrial innovations which was originally proposed by Kaname Akamatsu, "A Theory of Unbalanced Growth in the World Economy," *Weltwirtschaftliches Archiv*, 86 (1961), 196–217. Ozawa's notion of a snowballing process of connected East Asian economic miracles is a later version of this model.
- 44 Manuel Castells and Alejandro Portes, "World Underneath: The Origins, Dynamics, and Effects of the Informal Economy," in A. Portes, M. Castells, and L. A. Benton (eds.), The Informal Economy: Studies in Advanced and Less Developed Countries (Baltimore, MD: Johns Hopkins University Press, 1989), 29–30; Bennett Harrison, Lean and Mean: The Changing Landscape of Corporate Power in the Age of Flexibility (New York: Basic Books, 1994), 244–45.
- 45 Daniel I. Okimoto and Thomas P. Rohlen, Inside the Japanese System: Readings on Contemporary Society and Political Economy (Stanford, CA: Stanford University Press, 1988), 83–88.
- 46 Giovanni Arrighi, Po-keung Hui, Ho-Fung Hung, and Mark Selden, "Historical Capitalism, East and West," in Arrighi, Hamashita, and Selden (eds.), The Resurgence of East Asia, 312–13.

#### GIOVANNI ARRIGHI

Over time, however, patronage from above and below began to constrain rather than support the capacity of Japanese business to lead the process of regional economic integration and expansion. As long as the "magnanimous" postwar US trade and aid regime was in place, Japan's dependence on US military protection was not a problem. But, by the 1980s, that regime had given way to US extortions, such as the massive revaluation of the yen imposed on Japan by the Plaza conference of 1985 and the so-called Voluntary Export Restraints imposed on Japanese imports into the United States, which considerably undermined Japan's capacity to profit from US patronage. 47 To make things worse for Japan, US corporations began restructuring themselves to compete more effectively with Japanese businesses in the exploitation of East Asia's rich endowment of labor and entrepreneurial resources, not just through direct investment, but also through all kinds of subcontracting arrangements. The more intense this competition became, the more the overseas Chinese emerged as one of the most powerful capitalist networks in the region, in many ways overshadowing the networks of US and Iapanese multinationals.48

This development encouraged Deng Xiaoping to seek the assistance of the overseas Chinese in upgrading the Chinese economy and in pursuing national unification in accordance with the "One Nation, Two Systems" model. The result was the close political alliance between the Chinese Communist Party and overseas Chinese business. Together, they greatly facilitated the reincorporation of mainland China into regional and global markets and resurrected a state whose demographic size, abundance of entrepreneurial and labor resources, and growth potential surpassed by a good margin those of all other states operating in the region, the United States included. The progressive realization of that potential in the 1990s and 2000s would create for US hegemony a new challenge in key respects more complex and difficult to contain than the Soviet challenge of the Cold War era.

<sup>47</sup> Gilpin, *The Challenge of Global Capitalism*, 118–19, 132, 230–32; Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the Twenty-First Century* (London: Verso, 2007), ch. 6.
48 Arrighi, Hui, Hung, and Selden, "Historical Capitalism," 315–16.

## The rise and fall of Eurocommunism

#### SILVIO PONS

After the Soviet invasion of Czechoslovakia in August 1968, the leading West European Communist Parties - the Italian and the French - expressed their disapproval of the repression of the Prague Spring and of its ideological justification, known as the Brezhnev Doctrine. Such dissent marked a historic turn of events, given that both parties had unconditionally approved the Soviet invasion of Hungary in 1956. For a brief moment, the creation of a Western Communist pole was conceived of as a possibility in Italy and France, and perceived as a danger in Moscow. However, in a few months, the scenario of a coup de théâtre – a new heresy in the Communist world – came undone. Under pressure from the USSR, Western Communism's united front fell apart. The French Communists (Parti communiste français, or PCF) backtracked, happily accepting the authoritarian "normalization" in Czechoslovakia. The Italian Communists (Partito comunista italiano, or PCI), on the other hand, maintained their dissent, but were careful not to break with the Soviets, retaining the idea of "unity in diversity" inherited from Palmiro Togliatti, the leader of the PCI from 1927 to 1964.1

Nevertheless, such a prospect was kept alive by the Italian Communists, the most important Communist force in the West. They obstinately refused to brush the Prague Spring aside as a negligible episode and gradually increased their electoral strength in the country. During the early 1970s, the PCI under Enrico Berlinguer's leadership developed into a party that promoted an Italian road to socialism within the framework of a parliamentary democracy. Although they constantly appealed to their own national tradition — especially to Antonio Gramsci's ideas about the complexity of revolution in the West and to the tradition of a mass party, the so-called *partito nuovo*, established by Togliatti after World War II — the Italian Communists tried to increase their

I See Maud Bracke, Which Socialism, Whose Détente? West European Communism and the Czechoslovak Crisis of 1968 (Budapest: Central European University Press, 2007).

legitimacy by forging an international alliance with their French and Spanish partners, based on independence from the USSR, detachment from the Soviet model, and the idea of Western socialism founded upon democratic principles. The partnership of the three Western Communist parties gave rise to what was called *Eurocommunism*.

The birth of Eurocommunism in the second half of the decade garnered attention in international public opinion for two reasons: first, because of its goal of modernizing European Communism; and, second, because it appeared to modify the Cold War landscape. By declaring orthodox Communist political culture obsolete, the Eurocommunists proposed a "third way" between social democracy and Soviet socialism. By viewing détente as a new international environment, they asserted themselves as one of the movements that advocated the gradual end of the Cold War divide in Europe. Therefore, Eurocommunism raised curiosity and concern, hope and hostility. In Western Europe, it was viewed with interest by some social democrats, mainly in Germany and Sweden, but opposed by others, as in France, and discarded by "new left" movements. In Eastern Europe, it was perceived with moderate empathy in Belgrade and in Budapest, and elsewhere in informal circles, while being rejected as a destabilizing factor by most representatives of the Communist establishments. Dissidents in socialist countries were inspired by the Eurocommunists' declarations of intellectual and political freedom, but also frustrated by their diplomatic prudence and political unpredictability. Both in Moscow and in Washington, Eurocommunism triggered apprehension and anxiety.

Thus Eurocommunism was a factor for change and a source of conflict in European politics. Eventually it collected more enemies than friends. The Soviet reaction prevented East European Communists from joining and thereby weakening bloc cohesion. The US opposition to any participation of Communist Parties in Western European coalition governments was maintained, and damaged the PCI. Most of the Western Communist Parties remained small sectarian entities under Moscow's influence. Furthermore, contradictions and divisions between Eurocommunists came to the surface, weakening their capacity to challenge Moscow and influence East European Communism. Crucial disagreements between the two main partners, the Italian and the French Communists, were never overcome. The Italian Communists' ambition to generate a new political culture failed and became simply a national peculiarity. As détente declined, Eurocommunism did not become an authentic political movement on the European scene and failed in its aim of representing a new model of reform Communism.

### The Italian origins of Eurocommunism

At the time of the Soviet repression in Czechoslovakia, Berlinguer had stood out as one of the PCI leaders who was staunchest in defending the right of other parties to disagree with the USSR. Since leading the Italian delegation at the Moscow conference of the Communist Parties in 1969, he had appeared to the Soviets to be an independent personality, barely reliable from their point of view.<sup>2</sup> When Berlinguer became general secretary of the PCI in 1972, he again proposed the idea of aggregating the Western Communists, a project now made more feasible by the progress of the international détente. The Italian Communists, not unlike the Soviet ones, supported détente and viewed West Germany's Ostpolitik favorably. But they developed their own particular point of view. Their propensity for a "dynamic," not static, détente overturned one of the Soviets' fundamental assumptions: while in Moscow bipolar détente and the authoritarian "normalization" of Eastern Europe were axiomatically linked, the PCI made a connection between European détente and the promotion of change under the banner of "socialism with a human face." At the same time, the Italian Communists had reexamined the negative opinion of the European Economic Community (EEC) that held sway in Moscow. The concept of Europe adopted by the PCI increasingly overlapped with that of the main social democratic parties, while remaining distinct from that of the other Communist Parties.<sup>3</sup>

Berlinguer set himself the goal of exporting the PCI's vision of détente and Europe to other Western Communist Parties. This appeared possible especially after the PCF softened its own anti-Europeanism and decided to emulate the PCI, sending a delegation to the European Parliament in 1973.<sup>4</sup> The Italians wanted to call a conference of the Western Communist Parties

- 2 A. Cherniaev, Moia zhizn' i moe vremia [My Life and My Times] (Moscow: Mezhdunarodnye otnosheniia, 1995), 271. At the time, Cherniaev worked under Boris Ponomarev, chief of the International Department of the Communist Party of the Soviet union. After 1985, he was to become one of Mikhail Gorbachev's closest collaborators on international issues.
- 3 Donald Sassoon, "La sinistra, l'Europa, il PCI," in Roberto Gualtieri (ed.), *Il PCI nell'Italia repubblicana 1943–1991* (Rome: Carocci, 2001), 223–49. See also the documents collected in Mauro Maggiorani and Paolo Ferrari (eds.), *L'Europa da Togliatti a Berlinguer: testimonianze e documenti 1945–1984* (Bologna: Il Mulino, 2005).
- 4 Gérard Streiff, Jean Kanapa 1921–1978: une singulière histoire du PCF, 2 vols. (Paris: L'Harmattan, 2001), vol. I, 553. Kanapa was head of the Foreign Department of the Central Committee of the PCF from 1973 to 1978. Among Europe's Communist Parties, the PCI was the first to send its own delegation to the Strasbourg parliament in 1969.

aimed at identifying the specific nature of the problems they were grappling with. Georges Marchais, the general secretary of the PCF from 1972,<sup>5</sup> agreed to assist Berlinguer with the conference, which took place in Brussels in January 1974. Berlinguer's intervention in Brussels centered on Europe's autonomous role in world politics. For the PCI, the initiative of aggregating the Western Communist Parties made sense only if it were linked to the idea of Europe as "neither anti-Soviet nor anti-American." The French seemed in tune with the Italians. But the majority of the Western Communist Parties – clearly influenced by Moscow and the East European regimes – did not change even slightly their extremely negative view of the EEC and of the North Atlantic Treaty Organization (NATO). Consequently, the conference showed more conflict than consensus.

Nevertheless, convergence between the Italian and the French parties respectively gathering more than one-fourth and more than one-fifth of the national electorate - looked encouraging. After all, the other Western Communist Parties represented almost negligible political forces. In Northern Europe, the traditional weakness of the Communists showed no sign of change. The British, the Belgian, and the Norwegian Communist Parties the three minor parties that had expressed dissent against the Soviet invasion of Czechoslovakia – saw their support from the working class decline and performed poorly in elections. All of the other northern parties were invariably pro-Soviet. Only the Communist Party of Finland was successful in terms of electoral percentages, but its interest in European issues was small. The Communist Party of West Germany - a fierce opponent of the PCI in Brussels – had no representation in the Bundestag and was strongly influenced by the ruling East German Communist Party. In Southern Europe, the prospects for change were more promising. But the Greek Communists were deeply split between pro-Soviet and reform factions, while the Portuguese

<sup>5</sup> For a biographical profile of Marchais, see Thomas Hofnung, Georges Marchais: l'inconnu du Parti communiste français (Paris: L'Archipel, 2001).

<sup>6</sup> Fondazione Istituto Gramsci, Roma, Archivio del Partito Comunista Italiano (hereafter: FIG APC), Fondo Berlinguer, serie Movimento Operaio Internazionale (MOI), fasc. 114; FIG APC, Scritti e discorsi di Berlinguer, 26 January 1974, mf 073, 389–99. The archives of the Italian Communist Party, including Berlinguer's personal papers, are extremely rich on international issues for the whole of the 1970s. This chapter is based on those archives. At the time of writing, the archives of the PCF and the Spanish Communist Party were not readily available for the second half of the 1970s, at least as far as international issues are concerned.

<sup>7</sup> See the memoirs of Antonio Rubbi, *Il mondo di Berlinguer* (Rome: Napoleone, 1994), 34. During the 1970s, Rubbi was a leading official of the Foreign Department of the Central Committee of the PCI. He became head of the department in 1979.

held orthodox positions. Only the Spanish Communist Party (Partido comunista de España, or PCE) supported change.<sup>8</sup>

After the meeting in Brussels, Berlinguer aimed gradually to define a set of distinctive principles and policies for Western Communism. His key idea was to put an end to the sectarian minority traditions and behavior of the Western Communists that had resulted from the Cold War, thus contributing to the prospect of Communism being able to compete with social democracy for hegemony on the Left. Berlinguer's West European Communist strategy also had a national aspect. It was conceived in parallel with the launching of the "historic compromise" between Communists and Catholics in Italian politics, proposed by Berlinguer in September/October 1973.9 He intended to avoid a repetition in Italy of what had happened in Chile – a cruel conflict between the Left and the moderate forces, and a military coup d'état made possible by a hostile international environment. In his view, as a consequence of European détente, American hegemony could be contained, liquidating the anti-Communist veto imposed over Italian politics from the outside. A sufficiently "dynamic" view of détente would bring a Communist party to power in a Western country, if the party were able to build national and international coalitions and to modernize its own political culture.

Despite the failure of the Brussels conference, the Soviets were unhappy. After having tolerated the initiative, they let the PCI know that they were not keen on the formula of Europe as "neither anti-Soviet nor anti-American," and that they were concerned about the possible creation of a Western Communist center. To As Cherniaev noted in his journal, it was clear in Moscow that some Western Communists avoided "identifying in any way with Soviet and Eastern European Communism," especially after the latest repressive measures against world-famous dissident intellectuals such as Andrei Sakharov and Aleksandr Solzhenitsyn. But the Soviets' discontent should not be interpreted solely in the light of their hardened ideological control. A political paradox was taking shape: more than in Western Communism, the PCI's policy encountered a certain degree of positive attention in the East – where it was essentially perceived as supporting European détente and national autonomy in

<sup>8</sup> See Aldo Agosti, Bandiere rosse: un profilo storico dei comunismi europei (Rome: Editori Riuniti, 1999), 264–87.

<sup>9</sup> See Enrico Berlinguer, *La "questione comunista," 1969–1975*, ed. by Antonio Tatò (Rome: Editori Riuniti, 1975), 609–39.

<sup>10</sup> Information note, Foreign Policy Department, February 18, 1974, FIG APC, Estero, 1974, mf 074, 414.

II A. Cherniaev, 'Na Staroi ploshchadi: iz dnevnikovykh zapisei. 1973 god', *Novaya i noveishaya istoriia*, 6 (2004), 115.

the Soviet bloc. The PCI's points of view came to influence the Communist Parties in Poland, Hungary, Romania, and Yugoslavia, although for differing reasons and with different emphases.<sup>12</sup>

The Italian Communists' policy sounded a discordant note, just at the moment when the Soviets wanted to take advantage of the Western world's weakness caused by the oil crisis after the 1973 Yom Kippur War in the Middle East. Given the internal political and social crisis in Italy and the rise of terrorism, that country appeared to be the weak link in the Atlantic alliance. Moscow would have preferred the PCI to exert influence in Italy by maintaining a traditional model of class politics. But the Italian Communists wanted to modify the bipolar architecture and develop an innovative example of reform Communism in Western Europe.

In this context, Berlinguer's personality assumed international significance. His strategy was by no means simply geared to obtaining national legitimation, even if his political discourse constantly evoked the particular intellectual and national heritage of Italian Communism. In Berlinguer's thinking, there was a link between the idea of a new paradigm of Western socialism to be built by embracing pluralist democracy and by rejecting a consumerist society – and the idea of Europe as a "third actor" in world politics, emerging through the process of détente and the birth of a political architecture of European integration. This vision had universal appeal as well as theoretical limitations: his analysis of international relations was still essentially based on the old Communist axiom of the "general crisis of capitalism." Nevertheless, Berlinguer put new issues on the agenda, believing in the possibility of pragmatic change in Communist political culture. His ideal of humanistic socialism was not intended to embrace social democracy: it was aimed at preserving and modernizing the revolutionary tradition inherited from the history of Communism.13

#### Eurocommunism: birth and contradictions

However, cultural change and alliance-building between Western Communists proved to be difficult, as evidenced by disagreements in the aftermath of

<sup>12</sup> Information by Sergio Segre on his trip to Bucharest and Belgrade, FIG APC, Estero, 1974, mf 074, 250.

<sup>13</sup> See, in particular, Enrico Berlinguer, La proposta comunista: relazione al Comitato centrale e alla Commissione centrale di controllo del Partito comunista italiano in preparazione del XIV Congresso (Turin: Einaudi, 1975). On Eurocommunism as a project of the Italian Communists, see Silvio Pons, Berlinguer e la fine del comunismo (Turin: Einaudi, 2006).

#### The rise and fall of Eurocommunism

Portugal's "carnation revolution" in April 1974. Views on the Portuguese revolution soon became a testing ground for the principles embraced by the West European Communists. The Italian and Spanish Communists publicly criticized the conduct of the Portuguese Communists, headed by Alvaro Cunhal. In Berlinguer's two subsequent meetings with Manuel Azcarate, the head of the PCE's foreign department, and with Santiago Carrillo, the general secretary of the PCE, held in June and July 1975, there was agreement on the concern that the model followed by Cunhal in his struggle with the socialists resembled that of the "popular democracies" in Eastern Europe and that he sought to achieve a monopoly of power for the Communists. 14 The French Communists, in contrast, supported their Portuguese comrades. 15 In the meeting between Berlinguer and Marchais held in Paris on September 29, 1975, the two sides agreed that their respective evaluations of the Portuguese question were different. The Italians understood that the French supported Eurocommunism essentially for domestic political reasons, but for those same reasons they could change their tactics at any time. <sup>16</sup> Berlinguer told his Italian colleagues that working out an understanding with the French was even more difficult than with the Soviets. <sup>17</sup> Consequently, while the public meeting held between Berlinguer and Carrillo in Rome in July 1975 was intended to convey a sense of harmony between Italian and Spanish Communists, nothing came out of the November 1975 meeting between Berlinguer and Marchais in Rome except symbolic declarations of good intentions. 18 The alliance between the three parties had no clear political content.

The PCF's positions on Portugal largely reflected those of the Communist Party of the Soviet Union (CPSU). In private, the Soviets criticized Berlinguer and accused the United States of preparing a coup in Portugal similar to what had happened in Chile. <sup>19</sup> The Soviets' own objectives during the Portuguese crisis were probably more restrained than revolutionary. A confidential note written by Vadim Zagladin, one of the main officials of the CPSU's International Department headed by Boris Ponomarev, after a trip to Portugal in

<sup>14</sup> FIG APC, Fondo Berlinguer, serie MOI, fasc. 122 and fasc. 125.

<sup>15</sup> FIG APC, Estero, 1975, mf 204, 216-19.

<sup>16</sup> FIG APC, Fondo Berlinguer, serie MOI, fasc. 129. The notes taken by Kanapa at the time also confirm the divergence between the PCI and the PCF on the Portuguese question: see Streiff, *Jean Kanapa*, vol. II, p. 30.

<sup>17</sup> FIG APC, Direzione, Verbali, September 26, 1975, mf 0208, 176-78.

<sup>18</sup> FIG APC, Fondo Berlinguer, serie MOI, fasc. 129.

<sup>19</sup> Record of the meeting between A. Kirilenko, V. Zagladin, E. Berlinguer, A. Cossutta, G. Napolitano, G. Pajetta, and S. Segre, March 24, 1975, FIG APC, Estero, 1975, mf 204, 593–94.

early September 1975, shows that the Soviets sought contacts with a number of political forces, starting with the Socialists, and that they wanted to convince Cunhal to contain the extremist tendencies working in his party and in the army. The Soviets worried that a Portuguese Communist Party grab for power could result both in the party getting crushed and in Moscow losing its influence on politics in a strategically important country. However, Moscow believed Cunhal's conduct served as an example for other Western Communist Parties – in terms of both loyalty to the USSR and aversion to US leadership – and constituted an alternative to Berlinguer's policy.

On Western Communism, paradoxically, Soviet and American interests converged. For different reasons, both Moscow and Washington feared the PCI's reform Communism. In 1974-75, Henry Kissinger, the US secretary of state, outlined a position on the "Communist question" that matched his geopolitical thinking and his bipolar vision of the European theatre. The Portuguese revolution led him to fear a "domino effect" that would threaten the system of American alliances in Southern Europe, notwithstanding the political and ideological differences between the various Communist Parties. He worried that the United States would have a weakened capacity to control Western Europe.<sup>21</sup> Even when the Italian Communists abandoned their anti-NATO position in December 1974, Kissinger's views did not change.<sup>22</sup> At a meeting with his staff in January 1975, he rejected the argument that the United States could find a Communist Party "acceptable" if it were independent of Moscow, observing that "[Josip Broz] Tito is not under Moscow's control, yet his influence is felt all over the world." Should the Communists come to power in any West European country, the map of the post-World War II world would be "totally redefined."23

The Soviets avoided formulating so clear a position. But they probably approved Kissinger's veto of the PCI. They were afraid that the model of an independent Communist Party might help create an independent West European center for Communism, which in turn could influence the parties of

<sup>20</sup> Fond Gorbacheva, Archives, Moscow, fond 3, opis' 1, kartochka 13678.

<sup>21</sup> See Mario Del Pero, Henry Kissinger e l'ascesa dei neoconservatori: alle origini della politica estera americana (Rome-Bari: Laterza, 2006), 88–94. See also Jussi Hanhimäki, The Flawed Architect: Henry Kissinger and American Foreign Policy (Oxford and New York: Oxford University Press, 2004), 400.

<sup>22</sup> On December 10, 1974, in his report to the Central Committee of the PCI, Berlinguer declared that the party was no longer requesting Italy to break with NATO; see Berlinguer, *La proposta comunista*, 60–64.

<sup>23</sup> Kissinger's staff meeting, January 12, 1975, United States National Archives, Washington DC (NARA), RG 59, 78D443, 6. See Henry Kissinger, *Years of Renewal* (New York: Simon & Schuster, 1999), 627, 631.