

IRSH 67 (2022), pp. 129–159

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Internationaal Instituut voor Sociale Geschiedenis

BOOK REVIEWS

CAMPBELL, JOHN L. and JOHN A. HALL. *What Capitalism Needs. Forgotten Lessons of Great Economists.* Cambridge University Press, Cambridge [etc.] 2021. xii + 299 pp. £20.00.

John Campbell is Class of 1925 Professor and Professor of Sociology at Dartmouth College; John Hall is Professor of Comparative Historical Sociology at McGill University. They have both published widely on a range of topics, and are major scholars in their fields. Their co-authored book is ambitious and original. As sociologists, they want to remind economists and policymakers that capitalism is and has always been embedded in a political and societal context. For it to function well, certain preconditions must be fulfilled. We can learn about those from “great economists” whose lessons have been forgotten, or, rather, I would claim, simply ignored. Its political and social embedding implies that capitalism can take different shapes in different countries and that it should also be interpreted against a geopolitical background. It is hard to find fault with these assumptions, which are presented in Chapter 1.

The point of departure for their analysis is the conviction that capitalism is in crisis. Their central thesis is that it performs best “when states possess the intellectual and institutional capacities to manage their economies effectively and when societies are blessed with basic social cohesion so that the interests of the many in widespread prosperity are not outweighed by those of the privileged few” (p. 1). Over the past few decades, however, state capacity and social cohesion have been eroded in the capitalist world and international co-operation and coordination has deteriorated. After giving a broad analysis of the preconditions of capitalism, its history from roughly World War I until the early 1970s, its crisis and what caused it, in their final chapter the authors discuss what the future may have in store for capitalism.

The text ranges far and wide. I will not discuss the last chapter on “What Next”. The authors’ expectations with regard to President Joe Biden are, in any case, rather optimistic as they claim he “will enhance state capacity, especially in relation to the COVID-19 catastrophe” and will restore “cordiality and civility [...] with allied powers” as he is “well versed in foreign policy and understands the importance of cultivating cooperative relationships with the country’s allies” (pp. 165, 198, 228). Only time can tell whether the authors’ expectations make sense. I confine myself to discussing the analysis on which they base them.

The book starts with an exposition of the major lessons that, according to the authors, we can learn from certain “great economists”. Adam Smith shows the importance of cohesion, the state, and the belief in progress and upward mobility. Albert Hirschman, too, stresses the importance of social cohesion. Friedrich List and John Maynard Keynes have valuable things to say about the importance of state capacity for developing economies and combating crises, whereas Joseph Schumpeter and Karl Polanyi point out that capitalism, by nature, is instable and discuss the implications of that observation. With only some thirty pages dedicated to distilling these lessons, the introduction to their work is inevitably quite superficial. It is also idiosyncratic, especially in the case of Smith and Schumpeter. One may ask,

moreover, to what extent the ideas of Smith and Keynes are still applicable. Even in the world's most neoliberal countries the state is more present than Smith could ever have imagined and endorsed. Keynes would have abhorred the level of taxation that has become normal in capitalist countries and the habit of governments to *permanently* spend more than they earn, which has led to such enormous debts that Keynesian policies of deficit spending boil down to giving money to an alcoholic for yet another drink. When it comes to the Keynesianism of the authors, they never seem to worry about the possibly negative inflationary impact caused by all that deficit spending (see p. 161, for example).

A more fundamental problem, however, consists in the incompatibility of many of the insights of these economists. Let me give a few examples. Whereas Smith opposes protectionism, List wants to protect infant industries. Whereas Smith pleads for the exploitation of *existing* comparative advantage, List pleads for the *creation* of comparative advantage. Endorsing Listian protectionism because it is used only to help infant industries is small consolation to the more efficient competitor whose exports are barred, and leaves open the question of when the protected "infants" become "adults". How does one reconcile the fact that Smith is fiercely anti-monopolistic whereas Schumpeter explicitly proclaims that innovation, the motor of capitalism, entails the existence of "monopolistic practices"? Can one construct a somehow coherent strategy on the basis of the often fundamentally different and even contradicting lessons of Campbell and Hall's great economists? And if not, whose lessons should we follow, and in what instances?

This problem of "whom to believe on what" is not confined to those economists. The authors repeatedly point out that the state can adequately manage capitalism only if it heeds the advice or even guidance of "experts" (pp. 23, 27, 60, 104–105, 167, 178, 201, 212) and that state capacity has an intellectual component (pp. 46, 57, 60–61, 80, 157). They are clearly impressed by the technocratic and meritocratic approach that they see prevailing in Singapore, Taiwan, Hong Kong, China, and, for a long time, in Japan. China's political leaders are explicitly praised for their "intellectual capacity" (p. 188). That capacity is apparently lacking in neoliberal thinkers. Their logic is labelled "flawed" (p. 77). Are we to believe that scholars who held distinguished professorships – and in the cases of Milton Friedman, Friedrich Hayek, and Robert Lucas even received the Nobel Prize – and who were popular not only among economists, but also with parts of "centre-left as well as centre-right political parties in many members of the OECD" (p. 124) are not "real" experts? How can the non-expert know? Can one be an "expert" with "intellectual capacity" and think differently from Campbell and Hall? How does one approach the fact that, in as far as ideas matter, the "crisis" of capitalism has been caused by "experts" rather than "prevented"? There are now over 17,000 people working as economists in the US alone. Might there not be something seriously wrong with these experts?

A substantial part of the book consists of an overview of the history of capitalism since World War I. The authors distinguish three periods. Firstly, the Darkest Days, i.e. the inter-war period: a period of low social cohesion; low state capacity; and an unstable international political order lacking a hegemonic power that could and wanted to internationally coordinate policies to combat the crisis. Then came the Golden Age, roughly the three decades after World War II. After a period of war, ethnic cleansing, and mass murder, people stuck together to rebuild their countries and social cohesion was strong, whereas, in line with the dominant Keynesian approach to the economy, capitalist countries enhanced their state capacity. In the rather optimistic view of the authors, the United States and the Soviet Union were in "restrained competition both between and within their spheres of influence" (p. 49), with the US providing benign hegemony in the capitalist camp and

pushing for coordinated policies. Campbell and Hall attribute fundamental importance to the development of a set of institutions to regulate international economic order. They refer to the Bretton Woods agreements that created a fixed yet flexible exchange-rate system; to the founding of the International Monetary Fund and the International Bank for Reconstruction, later to become part of the World Bank; to the General Agreement on Tariffs and Trade that would evolve into the World Trade Organization; and to the fact that national governments were permitted to control capital flows (pp. 52–53). The Golden Age combined “free trade and capital mobility [...] with domestic Keynesian-style stabilization policy, all nested within the Bretton Woods architecture” (p. 63). In the last third of the twentieth century, the tides turned again. Social cohesion was increasingly challenged, in particular by economic elites that cared only about their own class interests. The existing state capacities and the Keynesian ideas on which they were built came under attack. The international architecture of capitalism began to unravel, not least because the US turned into a predatory hegemon, preoccupied with its own narrow national interest. The age of neoliberalism had arrived.

The overview given by the authors is concise, clear, knowledgeable, and helpful. As a historian, I cannot resist some nitpicking. They suggest that Adam Smith was in favour of free trade between England and Portugal so that the Portuguese could acquire good woollens and the British good wines (p. 12). But Smith was not at all enthusiastic about the Treaty of Methuen of 1703 in which that trade was declared “free”. Their claim that social democrats in Germany before World War I supported their country’s imperialist expansion is quite rash (p. 39). Their claim that Conrad von Hötzendorf, Chief of Staff of the Austro–Hungarian military on the eve of World War I, advocated war because he was in love with a married woman and thought military success would lead to a successful petition for divorce is certainly original (p. 40). There was no hyperinflation in Germany in the 1930s (p. 57). Nor is it true that the Americans held hostage for over a year in the American embassy in Tehran managed to escape and flee the country. They were released after negotiations (p. 72).

These comments relate only to details. My more fundamental critique is that their presentation and interpretation of the rise and spread of neoliberalism – the central subject of their book – is rather problematic. It not only remains unclear what exactly it is, in some respects one may even doubt whether it actually ever existed. What is clear is that the authors consider neoliberalism to be the main culprit of the crisis that began to unsettle capitalism in the last third of the twentieth century. They refer to it as “an ideology that called for less government control over the economy” (p. 67) and describe it as “the anti-thesis of the thick state capacities that capitalism needed” (p. 75). At the domestic level it is a call for “cutting government spending, taxes and reregulating the economy” (p. 81). But they also write that “in practice, neoliberalism [...] is a bundle of policy options, including free trade, balanced budgets, low debt, and more, from among which policy makers can pick and choose, not always consistently” (p. 74). Nowhere, they claim, did neoliberalism have more impact than in the US under Reagan and in the UK under Thatcher. But they also point out that the US’s habit of running sizeable deficits never abated and that several of Thatcher’s efforts to cut welfare programmes were stymied (pp. 77–78). Figure 3.5 (p. 88) in their own book actually shows that in the G20 advanced economies national debt as a percentage of GDP *increased* almost uninterruptedly from 1975 onwards (see also pp. 209–210). At times they blame neoliberalism for *increases* in government spending and borrowing (pp. 95 and 174). When they further concede that average revenues and expenditures in OECD countries rose steadily from the 1970s on, and that in the advanced capitalist world state capacities may have increased incrementally, I am lost (pp. 152 and 211). If, as the authors nevertheless like to emphasize,

the capacities of many advanced capitalist states to manage their economies have diminished, that cannot be because of lower revenues or expenditures. On pages 152 and 153 they suggest that liberalization and privatization were the real causes of decreasing state capacity and the essence of neoliberalism as these eroded the institutions that kept inequality in check and sustained social cohesion. That may be true, but then why not highlight liberalization and privatization much more in defining neoliberalism and why not provide more concrete and systematic information *on* and an explanation *of* their effects? As it is, their differing and rather inconsistent descriptions of neoliberalism do not add up to a useful analytical concept. Nor does the fact that they constantly attack neoliberalism but in the case of developed capitalist countries favour free trade and free migration, but *not* the free movement of capital, make their position clearer (see under “protectionism”, “migration”, and “capital, controls” in the index).

Their history of capitalism is also striking in its emphasis on crisis. They note almost in passing: “Not everything about capitalist society has turned sour during these last decades” because “inequality across countries [...] has declined” (p. 186). Elsewhere they write: “Opening up to free trade, one part of the neoliberal package, has lifted millions of peoples out of poverty in India, China, and some other emerging economies”. But they then continue: “But what is important [about this finding] is the stagnant position of the middle classes in the advanced economies” (p. 128). Is that really (more) important? What exactly does the crisis of capitalism consist of when it has lifted many *hundreds of millions* of people out of poverty, in a growth spurt that has no precedent in global economic history?

The essence of *What Capitalism Needs* is the thesis that capitalism “needs” certain institutions. According to the authors, more prosperous countries have “higher-quality institutions” (p. 153). To what extent can they prove their claim? If we accept the definitions of such institutions by the World Economic Forum, Table 5.7 (p. 154) roughly confirms it. I wondered, though, about the situation in Poland and China, countries with impressive growth rates but no “good” institutions to match. The authors’ claim that China’s state capacities would have improved with dramatic effect is not substantiated (p. 199). Moreover, it is hard to square this with what they say about “rising inequality”, “the possibility [*sic*] of institutionalized corruption”, and (in my view, increasing) “state authoritarianism and repression” in the country (p. 189). Their judgement is surprisingly lenient considering they miss no opportunity to lash out against “populist” regimes such as those in Poland or Hungary, which score *less badly* in these respects. Good institutions not only lead to prosperity, but also help to more effectively combat COVID-19. The graph supposed to show this is not exactly convincing (p. 175). Many Western countries score much worse than expected. Interestingly, in November 2019, internationally acknowledged “experts” published a Global Health Security Index that indicated that the United States, followed by the United Kingdom and the Netherlands, were the countries best prepared to cope with large-scale outbreaks of disease.

The best foundation for good institutions is social cohesion. Here, Switzerland and Denmark provide good examples (p. 155). In that respect, Switzerland is an interesting case. Its population is not strikingly homogenous, which suggests it might be less cohesive (p. 148). Neoliberalism is assumed to undermine capitalism because low state capacity and unfettered capitalism lead to rising inequality, which, in turn, tends to erode social cohesion. As such, Campbell and Hall argue, it has been a major cause of the rise of populist movements (p. 109). Actually, they themselves present (too) many exceptions to that rule. According to Figure 4.1 (p. 115), income inequality *decreased* in Denmark, France, Ireland, Italy, and Switzerland between the mid-1980s and the mid-2010s. But populism

increased in France, Italy, and Switzerland during that period. In Denmark, in 2021, the ruling social democrats turned “populist” by changing their take on immigration. Nor, as the authors themselves indicate, do the cases of Poland and Hungary fit their thesis (p. 144). They did not experience serious economic crisis nor a substantial rise in inequality. The explanation that both countries suffered from rapidly diminishing state capacity or domestic cultural wars is not very convincing either (p. 224). There certainly are serious social tensions, but the position of Poland’s and Hungary’s leaders in terms of popular support is certainly not weaker than that of their counterparts in many other European countries. Their observation that right-wing populism is (again) popular in the countryside of capitalist countries is correct, but I do not see a clear link here with neoliberalism (pp. 132–133).

For Campbell and Hall, populism boils down to opposition to cosmopolitan elites (who welcome globalization and, in Europe, a further transfer of power to the EU) and to immigrants, whose arrival is usually seen as a consequence of “elite” policies. Populists tend to feel economically *and* socially/culturally excluded, and this combination makes their grievances “social dynamite” (pp. 149, 125, 131–132). With all their protestations of “understanding”, the authors do not hold “populists” in high esteem, in particular not those who claim to be culturally excluded or threatened and who oppose migration and, in Europe, the EU. Such people are not interested in facts, but only in perception, and they are misled by half-truths and misinformation (pp. 136–140). Populist feelings of being abandoned by the elite or suffering because of immigrants are often described as “inchoate” and “poorly focused” (p. 140). People harbouring them are easy “prey” to manipulative opportunists. But, so our authors add: “We should not too easily blame those who fall under the spell of such opportunists” (p. 140). It transpires that Campbell and Hall consider them to be less clever than “well-educated” people, who, as we all know, are never manipulated and do not fall under the spell of others. Brexit supporters, as right-wing nationalists, like other Eurosceptics usually being “less educated, older, retired, Christian and either manual workers or unemployed” would never have had a major impact without the support of right-wing elites and of parts of the Labour Party (p. 147). Though I believe it is not their intention, I find several of their comments on populists to be rather condescending and too one-sided. When it comes to economic grievances, “ordinary people” are often simply correct in claiming they are left behind. Actually, by and large, they were quicker and more adept at understanding what was going on in the economy than many “experts”, who for a long time simply denied the negative effects of globalization and claimed, as the economist Robert Lucas did in 2004, that economists should not waste their time studying questions of distribution, or were convinced that the rising tide of growth would “lift all boats”. Many of the populist economic grievances are fully justified – something the authors actually never deny. Moreover, you do not have to be “less educated” to have doubts about the functioning of the EU and the euro. An undisputed “expert” like Joseph Stiglitz thinks introducing the euro was a major error. The socio-cultural anxieties of populists, for which our authors have much less understanding than for their economic anxieties, are undoubtedly often fed by misinformation, lies, and opportunism. But it is too simplistic to suggest that, for example, anxieties about migration and migrants are just a matter of simple people misleading themselves or being misled. There certainly are cases where complaints about criminality, high costs, or competition for jobs and housing are *not* groundless. There have been many Islamist terrorist attacks in Europe. The authors do not even refer to them. Personally, *at least for the situation in Europe*, I am not so sure that most immigrants do indeed “[...] have at least some post-secondary education” and use public services but “typically

compensate for that by paying more in taxes than they receive in public benefits” (p. 139). Additional data would have been welcome here.

It is clear that Campbell and Hall think that, often, neoliberal elites pursue policies that increase inequality and thus, in their view, social polarization. National governments, of course, can take all sorts of measures to combat inequality and polarization. But it is less clear to me, and not made clearer by the authors, what governments can do at the national level to effectively combat any negative consequences of economic globalization and the fluidity of finance and trade that have come to characterize capitalism. Unsurprisingly, our authors see a connection between such negative consequences and “scaled-back state capacities both nationally and internationally” (p. 99). At least in the context of current Western capitalism, they proclaim themselves to be in favour of free trade and free migration, and thus globalization. They like to dwell on its advantages. But what, for example, is a government supposed to do with its state capacity when globalization has negative consequences for the domestic economy, as has often been the case in advanced Western capitalist countries, by creating unemployment or a dangerous dependency on imports? Just try to cure the symptoms? When it comes to capital, the authors seem to favour controlling its trans-border movements. How is that supposed to work in the globalized economy they welcome in other respects? Campbell and Hall themselves point out that the economist Dani Rodrik has argued that of three essential institutional goods in today’s global political economy – democratic politics, national sovereignty, and global economic integration – a country can possess only two at any one moment (p. 129). I would have liked the authors to face this trilemma head on as it would have shown that it will not do to simply plead for globalization *and* for state capacity, and that one can easily imagine situations where protectionism and curbing immigration are acceptable.

Strangely, considering that they stress the importance of *social* cohesion for economic development, the authors never dwell on the fact that what drives many populists is probably exactly the fear that this cohesion will disappear when, to consider just the situation in Europe, their countries are ruled by a “distant” elite in Brussels and they have to share those countries with people having very different cultural backgrounds. Whether justified or not, such fears of losing one’s identity and way of life are very important in populist thinking, often more important than strictly economic issues. Being sociologists, Campbell and Hall nevertheless privilege a quite “economistic” perspective. Problems and solutions are described and analysed in economic categories, and cultural and social problems presented as perceptions by a “native” population “who are imagined [sic] to share some common features” (p. 126). It is in that respect rather ironic that they, like populists, suggest that homogenous societies tend to have more cohesion, which would mean more state capacity and growth (see, for example, pp. 58, 25, 202) and that, referring to Denmark, where social democrats have begun to impose restrictions on immigration, they comment that “[...] limited openness to others may be the price paid if social democracy in general is likely to succeed” (p. 223). Their references to the positive effects of the Cold War on Western social cohesion could also be interpreted as suggesting that cohesion requires resistance to an “Other” (pp. 54, 111–112, for example).

One can only admire the daring of the authors in writing a book like this. I fully share the assumptions on the basis of which they wrote it. They certainly are knowledgeable. In principle, this is my kind of book. But ultimately I was disappointed by the way they implemented their project. Central concepts in their analysis are not unequivocally defined in empirical terms. In several instances, generalizations and explanations essential to their claims are not supported, or even contradicted, by the empirical data they themselves

provide. I am afraid the authors wanted to cover and explain too much with too little, and too hastily. So, the problems discussed did not receive the clear, methodical, and systematic analysis they deserve and require. That is regrettable. When they plead for “thoughtful political leadership and policy making based on the best expertise available”, that “involves a wide array of policy tools and the authority to use them” for policymakers who “respond flexibly”, and for “relatively hegemonic power willing to provide international leadership” (p. 201), I am afraid no one can object since their plea lacks any specific content.

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doi:10.1017/S0020859022000116

DE DIJN, ANNELIEN. *Freedom. An Unruly History*. Harvard University Press, Cambridge (MA) 2020. 426 pp. Ill. \$35.00; £28.95; € 31.50.

At the heart of Annelien de Dijn’s book is the idea that there are two distinct – and, indeed, conflicting – ways of conceiving of freedom in the West. The original understanding was first developed by ancient Greeks and Romans, subsequently revived by Renaissance Humanists, and went on to provide the ideology and energy behind the Atlantic Revolutions of the late eighteenth century. This linked freedom to democracy equating it with popular self-government. According to De Dijn, while there were, of course, many opponents of freedom over this period, this basic understanding of what was meant by freedom remained largely consistent for more than 2,000 years. However, this all changed in the aftermath of the late eighteenth-century revolutions. In seeking to overthrow the ancien régime, the revolutionaries provoked a backlash, which resulted in the development of a new understanding of freedom. According to De Dijn, this new conception was linked not to popular self-government, but rather to the protection of property, personal security, and individual rights. Where the original, ancient, understanding of freedom focused on *who* governed and placed emphasis on exercising control over the way in which one is governed, the modern version prioritized instead the *extent* of government, suggesting that freedom is negatively correlated with state intervention in one’s life.

In some ways, De Dijn’s account is not new. After all, as she notes herself, it is reflected in Benjamin Constant’s famous speech at the Athenée Royal in 1819, which contrasted the liberty of the ancients with that of the moderns. Yet, De Dijn tells the story in much greater detail than Constant, building a compelling and comprehensive argument, which she also carries through into the nineteenth and twentieth centuries. Moreover, De Dijn challenges the tendency of earlier accounts (including that of Constant) to draw a distinction between the collectivism of ancient freedom as compared with the individualism of its modern counterpart. She insists that, among the ancients, individual and collective freedom were closely intertwined, since participating in government was seen as the best way of protecting one’s individual security and interests.

The argument is forcefully made and certainly made me think more deeply about a topic I already know well. Of course, it is inevitable that painting on such a broad canvas results in a