Introduction

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What epitaph should we give to the twentieth century? The philosopher and historian, Sir Isaiah Berlin, once described it as ‘the most terrible century in Western history’ while Eric Hobsbawm (1994) gave it the unpropitious title of ‘the age of extremes’. Compared with the previous century, ‘The Twentieth century . . . is a confusion of emergencies, disasters, improvisations, and artificial expedients. One passes in a few weeks of 1914 from a quiet stream, as it were, to white water’ (Landes 1969, 359). A more unkind epitaph would be to label it ‘the age of the common man’. This was the term used by Noel Coward in the mid-1950s to describe England, though for America he felt it was ‘definitely the age of the crazy-mixed-up kid’ (Payn and Morley 1998, 342, 351). One could go even further and describe it as ‘the century of the common man and slob culture’, epitomized surely by the way an insignificant corporal came for a time to dominate the continent of Europe and by the mass vulgarity and decline in social mores and family values of the latter half of the century.

Whatever one’s personal predilection, few would dissent from view that it was a violent century: three super-monsters alone, Hitler, Stalin and Mao Tse-tung, were responsible, either directly or indirectly, for over 100 million deaths, while the frequent wars and military conflicts in the Third World together with the Great War may have accounted for another 50 million. To be sure, there were brighter interludes, notably the ‘Belle Epoque’ of the Edwardian era, and the ‘Golden Age’ of post-Second World War (the 1950s and 1960s) when economic growth surpassed that of any other period by a substantial margin (Bairoch 1976). Moreover, the century as a whole witnessed a big rise in living standards and in material and social progress generally, though there were exceptions, notably in Africa. Technological progress was also quite spectacular though not all of it was put to good account. Weapons of mass destruction and biological warfare are the evil products of this process, and even the mass consumerism generated by rapid technical change may be seen to have its downside (Geissler and van Courtland Moon 1999; de Grazia 2005).

This volume is concerned with another description for the twentieth century, namely, the age of economic disasters. This begs the obvious but

difficult question of how we define an economic disaster. No doubt most centuries could claim they have had their share of disasters, but the twentieth century certainly seems to have been more prone to them than the previous one. Of course disasters are never purely economic; social and political factors loom large in events such as world wars, whereas oil price shocks are much more economic, though engineered by the machinations of an oil cartel. Others, the crisis in Eastern Europe from 1989 for example, may be politically determined but with huge economic implications.

These initial thoughts were in the minds of the editors after they were asked by Edward Elgar to prepare this volume, coupled to the realization that the selection of themes would be dictated by obvious disasters and conditioned by space and the availability of authors. After discussions with Elgar, the consensus that emerged was for a book that would have three aims. First, it would confine itself on the whole to a study of specific events or crises that had a finite time period, for example, the two World Wars and the Great Depression. Second, it would select one or two disasters that peppered the twentieth century, for example, financial crises and stock market crashes. Finally, it would have a macroeconomic slant. We are aware that these strictures will disappoint some readers who might be expecting a discussion on the global polarization of income between North and South, or between the First and Third Worlds (although tangentially this is referred to in the chapter on Africa). Similarly, the ever-present divide between rich and poor within societies, whether capitalist or otherwise, receives no treatment. For the same reason we have not touched upon the long-term prognosis favoured by the social historicists, who see the periodic crises and upheavals of the twentieth century as but one more nail in the capitalist coffin before societies revert to the systemic chaos from which they emerged some six or seven centuries ago (see Arrighi 1994). Some of our critics will also point to some notable omissions, for example, the existence of mass unemployment, although this topic is to some extent subsumed under other chapters, notably that on the Great Depression. Others that are excluded are more controversial, such as the rise of government spending and the welfare state, the breakdown of the family and social control, the increase in world population and the destruction of the resource base and environmental issues.

It is fair to say that in defining the events we are in a sense assuming that they were economic disasters of some magnitude, although we would add that contributors have had a free hand to decide the significance of their subject matter and so determine their severity. The problem with defining something as a 'disaster' from a macro standpoint is that the mere force of the word conjures up an image of all and sundry becoming embroiled in a sudden and violent maelstrom. In the case of war, it might seem obvious to

associate such a word with the dreadful events that unfolded between 1914 and 1918 and again between 1939 and 1945. However, as John Singleton reminds us in his chapter on the First World War (Chapter 1), although there was death and destruction in Europe, the war had far less of an impact elsewhere in the world.

Clearly, the same cannot be said for the *economic* impact of the 'Great War'. Singleton carefully considers the individual costs, discussing the difficult concept of measuring the net loss of utility suffered by all who were directly or indirectly involved in the war. Singleton shifts the evidence to examine whether or not war was rational from an economic perspective, and he notes the lengths that main actors were ready to go to risk their wealth, crowns and even heads, as well as the lives and property of their underlings. The wider economic losses in Europe include destruction of property, social overhead capital and industrial capacity and, as he grimly notes, for the survivors, the psychological costs may have outweighed the material ones. However, even as war brought chaos to the European economies, as Singleton illustrates with a pithy quote from the vice-president of the Hudson Motor Car Company of Detroit, it is unsurprising that Europe's economic disaster was for the United States at least, 'the greatest business proposition since time began'. The impact on the rest of the world is striking: whereas Western Europe's real GDP fell by 11 per cent between 1913 and 1919 (and very much more in Eastern Europe and Russia), Latin America's real GDP rose by 4 per cent and Asia's real GDP rose by 13 per cent.

The legacies of economic disasters are frequently complicated to unravel, but Singleton manages to capture the controversy over the degree to which the First World War was responsible for the economic problems of the 1920s and early 1930s, including hyperinflation, deflation and the dislocation of the international monetary system. Rick Garside explores these themes in more detail in Chapter 2 on the Great Depression. Garside carefully traces how the global economic crisis of the early 1930s had its origins in the restoration of the gold standard from the mid-1920s and the policy regimes that emerged as a consequence. The mechanism through which cyclical depression was transmitted worldwide are explained in two stages: first, by an account of how the world economy developed in the 1920s to where it 'stood on a precipice' in 1929 and 1930, and, second, how the financial crisis in Europe in late spring and summer of 1931 proved to be the turning point of the Great Depression. Like other authors in this volume who comment on how economic disasters affect people, industries, regions and nations disproportionately, Garside offers us an account of how the Great Depression caused unemployment and industrial stagnation, the measures that some governments took to abate the consequences and how in others, 'limited pragmatism reigned'.

Are economic disasters avoidable? This is considered by Niall Ferguson in Chapter 3, who utilizes Churchill's famous assertion that the Second World War was 'the unnecessary war', to form the central thesis of his chapter. Conquest was not the solution to the economic problems of Germany, Japan and Italy and the economic arguments that led the Western powers to appease rather than to deter Germany and Japan were equally as spurious. As Ferguson discusses, both the Axis powers and Allies erred, a war was fought that cost governments \$1 trillion, unquantifiable human suffering was inflicted during the conflict and yet, in spite of the disastrous impact of the Second World War, ultimately the vanquished were transformed into victors with the post-war 'miracle' of high and sustained growth over two decades.

Considering economic disasters of the twentieth century does not exclude comparative work with earlier centuries. This is particularly so for the monetary disasters that are covered in the volume, although, as Forrest Capie explains in Chapter 5, severe inflationary experiences belong in the twentieth century. To be sure, there were experiences of very rapid inflation in earlier times, for example, the American War of Independence in the late 1700s, the French Revolution of the 1790s or the Confederacy in the US Civil War of the 1860s, but these events were rare outside of the twentieth century. As Capie states, the fundamental cause of inflation is the scope given to governments for expanding the money supply and the fundamental reason for the extreme cases is serious social unrest and weak governments. Because of this, there are plenty of inflationary episodes to choose from in the twentieth century, whether it is Germany and Austria and for that matter much of Europe in the first half of the 1920s, China and Hungary in the 1940s, Israel in the 1980s, Indonesia in the mid-1960s, the Balkans in the 1990s and many Latin American and African countries from time to time during the century.

Concomitantly, as Michael Oliver (Chapter 6) points out quoting Charles Kindleberger, although there were financial crises in earlier centuries, they continued to occur in the twentieth century despite vigorous attempts to strengthen the international financial architecture. There were more currency crises during the Bretton Woods period than the interwar years and during the last quarter of the century there was a tendency for banking crises to spill over into the currency markets, creating what has become known as the 'twin crisis' problem. In the crisis periods of the twentieth century, emerging markets have suffered greater output losses than industrial countries, but because of differences in methodology, the evidence of how much growth has been reduced is mixed.

This thought does raise the question of whether there is a learning curve in economic matters. On the whole, the evidence does not fill one with

confidence, whether it is because policy-making is often one step behind events, or whether it is impossible for decision-makers to agree on a coherent strategy or even if human nature prevents us from drawing lessons, as shown by the behavioural finance literature with its emphasis on heuristics, framing and prospect theory (see Kahneman and Tversky 2000). For instance, there is a high probability that whatever reforms continue to be made to the international financial architecture and however robust domestic financial systems are made, economists and policy-makers will still be dealing with financial crises 100 years hence. As Geoffrey Wood (Chapter 7) notes, stock markets have continued to have their fashion bubbles from the late 1920s onwards to the most recent IT euphoria, when market values lost all relevance to fundamentals so that the ensuing crash was all the more dramatic.

When we come to Africa it is difficult to find any benefits or the presence of a learning curve. As Derek Aldcroft (Chapter 9) shows, the new indigenous rulers in the post-colonial period eschewed the lessons of the past with disastrous consequences. Nor has there been much in the way of an enlightened policy in the West towards Africa. There is a lot of hot rhetoric but little substantive action that benefits the masses. International debt relief measures are often cosmetic, while the advanced nations continue to maintain trade barriers and gigantic subsidies to primary producers in their own countries to the detriment of African and Third World countries in general. However, Michael Beenstock's chapter (Chapter 4) on the rise and fall (and rise again) of OPEC does suggest a learning curve, at least insofar as OPEC III (which began at the start of the millennium) is concerned. Beenstock reminds us that the quadrupling of the price of oil in 1973/74 (OPEC I) led to panic in official circles with the sense of 'doom and hopelessness' only becoming worse when in 1979 OPEC further doubled the price of oil (OPEC II). The total cost of the OPEC I and II was about 15 per cent of world GDP. Per contra, following the five-fold increase in real oil prices since 2000, global stagflation did not break out during the first half of 2006 while world economic growth continued apace at about 3.5 per cent per year and stock markets remained strong. The difference between the 1970s and the 2000s is accounted for inter alia by sound macroeconomic policies and greater labour market flexibility. Like Ferguson, who argued that the Second World War was an avoidable economic disaster, Beenstock shows that the oil price explosion of the 1970s need not have turned into an economic disaster.

As Steven Morewood argues (Chapter 8), it is perhaps too early to reckon the full costs and benefits of the collapse of Eastern Europe. To be sure, the collapse of communism has begun a process (albeit a protracted one for several former Soviet bloc countries) towards full integration into

the international economy. What is significant is that its disintegration and subsequent fragmentation of territories on ethnic or nationalistic lines is another Versailles only worse. The full implications of the post-First World War peace settlement were not immediately apparent at the time but the repercussions rumbled on throughout the twentieth century. The ethnic, religious and linguistic realities of the region only lay dormant under the new nation state structure that emerged after 1918. But as Hobsbawm (1994, 31) noted, 'The national conflicts tearing the continent apart in the 1990s were the old chickens of Versailles once again coming home to roost'. Perhaps the prospect of a decent future through joining the European Union will encourage many former Soviet bloc countries to quicken their pace of economic reform; although there will undoubtedly be some critics who argue that there should be a limit placed on the enlargement process.

If our assessment of each chapter has appeared unduly bleak and focused on the costs from the economic disasters, we should perhaps take a more positive approach and ask whether there were any benefits as well as the obvious costs from the economic disasters. The most obvious case of benefit arises from global warfare. Both World Wars gave rise to benefits in terms of new inventions and technologies (radar, nuclear power), as well as social progress and improved efficiency. Moreover, there is a marked contrast in the civil administration in wartime between the two World Wars, and a much better planned post-war reconstruction in the second case, which avoided many of the gross mistakes of interwar years and thereby laid the basis for the sustained prosperity of the Golden Age. The oil shocks of the 1970s led to concern about resources and fuel conservation measures, though long-term strategies for fuel conservation have been at best half-hearted and most consumers pay lip-service to them. If there is a serious long-term problem (both of supply and the environmental impact of energy consumption) the price of energy and fuel should be a good deal higher than it is, especially in countries such as the United States where energy is especially cheap. Similarly one can argue that a new economic policy ('Keynesianism') emerged out of the Great Depression, although it was unfortunately too late to do much to ease the situation in the 1930s, and when it did gain general acceptance, in the post-war period, it was of less relevance and less use in dealing with the economic problems of the 1970s and 1980s.

If one were to take a cynical view, one would acknowledge that economic disasters might sometimes produce benefits, but that more likely they give rise to more state interference, increased bureaucracy and the pursuit of power in the interests of the few (the elite) at the expense of the populace at large. The African experience of divide and rule and the concomitant

increase in the power of the oligarchy is an excellent illustration. Perhaps what is remarkable given the number of large disasters that punctuated the previous century, is that economic progress was fairly robust taking the century as a whole. Growth was particularly strong in the Golden Age after the Second World War, and even with the slowing down of the last quarter of the century it was still higher than the long-term average in most regions of the world. Even the interwar years did not depart much from the long-term growth trend. All of which implies that economies are remarkably robust and resilient or adaptable to major shocks to their systems.

We would be foolish not to end this introduction by considering the one shock that the world might not be able to cope with in the twenty-first century, namely global warming. The majority of scientists now recognize that human activities are altering the concentration of the atmosphere (McCarthy et al. 2001, 24), although perhaps few would subscribe fully to James Lovelock's view that, unless we modify our behaviour, by the end of the present century the world will become 'Hell: so hot, so deadly that only a handful of the teeming billions now alive will survive' (Lovelock 2006, 147). The economic impact of such a scenario sits uncomfortably with the analysis in Mendelsohn and Neumann (1999) who instead point to the positive and beneficial effects of global warming. Where the truth lies has yet to be determined but Skene's (2006) recent admonishment that 'we must dispense with the notion that global warming is catastrophic and focus on maximizing its benefits' reminds us that, even if an environmental catastrophe were to strike in the twenty-first century, the resilience of human nature to adapt to disasters should not be underestimated.

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