

THE BROOKINGS INSTITUTION  
FALK AUDITORIUM

WORLD ORDER WITHOUT AMERICA?  
REFLECTIONS ON THE U.S. GLOBAL ROLE  
ON THE CENTENARY OF ARMISTICE DAY

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**Introduction:**

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## PROCEEDINGS

GENERAL ALLEN: Good morning ladies and gentlemen. I hope you all are well today and you had a very good Veteran's Day weekend. My name is John Allen and I'm the president of the Brookings Institution. It is great to be with all of you who have gathered here today for this event and all of you who are tuning in via webcast.

This past weekend, marked the centenary of the conclusion of World War I. As the historians in the audience will recall, it was the armistice agreement of 1918 that would cause the guns of the western front to fall silent on the eleventh hour of the eleventh day of the eleventh month of that year thus, Armistice Day. And from 1954 onward in the United States, it would be known as Veteran's Day.

For all its participants, the casualties and the suffering of World War I vastly exceeded that of any previous war. And for the European participants, it would be the war to end all wars and they marked what would become known as the lost generation in recognition of the millions of young men who died in the trenches of World War I. As horrendous as the war had been for all the warring parties, America's entry into the war in 1917 largely decided the outcome and saved the allied effort. Even so, the U.S. would suffer over 50,000 combat deaths and over a 100,000 total of their deaths on the western front. This war would last barely a year for the United States.

Nevertheless, America's appearance in the war catapulted it to the world stage for the first time in its history as it stepped forward as a political, economic and military leader of a nascent world order. Yet soon after, the United States largely disengaged from that same international order that it helped to build. Becoming sadly isolationists, protectionists and xenophobic with devastating consequences over the next two decades leading directly into World War II.

To both mark the centennial remembrance of Armistice Day as well as

discuss how the decisions and the events of those days unfolded and the subsequent impact that they've had on history, we've gathered three top experts on international order for a conversation on the role of the United States and the world both then and now in the aftermath of World War I. For that discussion, I'll be welcoming Bob Kagan, our senior fellow here at Brookings and author of the excellent book, "The Jungle Grows Back: America and our Imperiled World." As well our guest today is Adam Tooze, the Kathryn and Shelby Cullom Davis professor of history at Columbia University. Dr. Tooze is also the author of two recent highly relevant books for today's discussion. "The Deluge: The Great War, America and the Remaking of the Global Order 1916-1931" and "Crashed: How a Decade of Financial Crisis Changed the World." Dr. Tooze, Adam, it's great to have you with us this morning, thank you for joining us. And finally, we'll be welcoming the man moderating today's event, Brookings senior fellow and director of our Center for the United States and Europe, Tom Wright. And after roughly an hour of discussion, they'll turn out to you, the audience, for questions and answers. And a final reminder that we are live and we're on the record for today's session.

Let me close just a moment with two simple requests though as we reflect on the most recent Veteran's Day. I would ask that each of us make a point of both thanking a veteran for his or her sacrifices while on active duty or for those who remain on active duty, to thank them for their service. And second, remember that all the veterans who came before us sacrificed for us so that we could gather today to have this conversation. And though we've moved passed the day itself with the inevitable march of time, we should recognize that many of our veterans are leaving us in large numbers even as we speak today. And it is never a bad moment to show your appreciation for these precious individuals who gave so much for the freedoms that we enjoy today in America and around the world.

So with that, let me welcome to stage Brookings senior fellows Bob Kagan and Tom Wright and our visiting scholar today, Professor Adam Tooze for today's discussion. Thank you very much and welcome, gentlemen.

MR. WRIGHT: Thank you John and thank you all to you in the audience for coming and for all of you joining us on webcast. So, I'm delighted to moderate this panel discussion today with Adam and Bob on the topic of World War I Armistice Day. What it means for today but also what followed World War I in that 20-year period and that led to the collapse of world order and World War II and the role of American leadership. Both Adam and Bob have written really fascinating books on this topic. So we'd like to look at those lessons but also take it to today, what it means for the role of Europe today for American leadership, for U.S., China. I think it would be appropriate to start with the history.

So Bob, if I could maybe start with you and just ask what do you think the main lesson is of the interwar period and what followed World War I for world politics today. What is the big sort of takeaway from your scholarship and work on that and geopolitics.

MR. KAGAN: Well, thank you, Tom. It is a pleasure to be here. It's a pleasure to be on a panel with Adam Tooze for whom I have enormous admiration. His new book is "Crashed," which is making a big sensation. I strongly recommend that you go back and read his book "The Deluge" which covers an interesting period, 1916-1931. I always wanted to ask you how you picked those exact dates but I guess it is probably clear from the book which is a terrific book and you should go back and read it.

When I was listening to John talk about Armistice Day and the return and the end of the war, American's had a very mixed reaction to a war that they had played a part in winning. Obviously, the war was won by French and British troops. The American's came very late even though we entered the war technically in April 1917, we

didn't get any substantial forces to anything like the front until the summer of 1918. By that time, the war ended in November. And this actually had an unfortunate affect in terms of American attitudes which is, the soldiers that hung around in Europe for months waiting to be shipped back home. And in that time, they were sort of bivouacked in French and German homes and they found out that they didn't like the French and the did like the German's for some reason.

So, when they came back actually there was no great feeling about their experience. Most of them hadn't gone into the fight, they had spent a long-time training. There was very little in the way of celebration, actually. It was in the middle, there had just been a political election, mid-terms, neither the President nor his opposition wanted to give the other side any credit for anything that had happened. And then Wilson immediately headed off to Europe to negotiate. So, he never took a victory lap. And all of this contributed to a tremendous sort of disillusionment which was then heavily compounded and used in what was a bloody partisan, metaphorically bloody partisan struggle that began immediately. I know it is shocking to you to think that politicians would use foreign policy or any other tool for purely partisan purposes --

MR. WRIGHT: Even without Twitter.

MR. KAGAN: Pardon?

MR. WRIGHT: Even without Twitter.

MR. KAGAN: Even without Twitter, yes. And everybody was thinking immediately as happens after a mid-term election, what happens after a mid-term election, what's the next subject? The next subject is the next presidential election and for the Republicans, everything was about winning the next presidential election. And the leading Republican in the country was Henry Cabot Lodge who had become the Senate Majority Leader, Chairman of the Senate Foreign Relations Committee. And his number

one goal was to get a Republican back in the White House after the Democrats had been in the White House for eight years under Wilson which was a tremendous aberration since the Civil War and unthinkable.

He used the treaty fight as a way of doing that. It was essential that Wilson's treaty and League of Nations had to be defeated otherwise it would help the Democrats in 2020. Which led in turn, to a tremendous insistence that everything that Wilson was trying to do and everything that was happening in Europe was a failure. That is a prelude because I think it is important to understand the political background to this. That American's then were terribly disillusioned and negative about the war. They defeated the treaty and this had a huge impact in Europe.

The impact was inevitable because what the United States had done in entering the war was completely shift the balance of forces in Europe. From what had been, at most, a stalemate and possibly a stalemate favoring Germany to a situation where Germany now was completely overwhelmed by essentially American economic and ultimately American demographic power added to that France and Britain. So, the American role in the war completely changed the balance.

But when America then decided that it was not going to participate anymore, the balance that had been created and the balance upon which the Versailles Treaty was premised was then removed. The Americans were pulled out of the equation, now you had once again an unstable balance on the continent and a treaty that reflected one balance now had to be carried out in a different balance. So, the withdraw of the United States essentially and we could talk about all the economic and the military aspects of that. But the bottom line was the Versailles Treaty which was so discredited by so many historians was never meant to work without the United States. And with the United States I actually think there was a chance of achieving a stable peace in Europe.

Without the United States, there was effectively no chance.

We always think about what happened after World War II and the United States playing this critical role. The United States had the opportunity to play that critical role after 1918 and chose not to. I think it falls heavily on the United States, the disaster that then unfolded over the next 20 years.

MR. WRIGHT. So Adam, in *The Deluge* you, I think, take a sort of a similar line in terms of the role of the U.S. after World War I. But you're very critical of President Wilson rather than of the domestic political situation. As I understand it, your argument is that the U.S. had this immense power, this sort of looming potential from 1916 on and that the U.S. basically failed to take a constructive role in terms of working Britain and France to construct this order. Do you sort of see things sort of similarly to Bob? And also address if you have a totally different sort of lesson from that period as well, please talk about that. But I'm just interested also in trying to tease out some of the differences maybe on where the blame lies in the twenties for that abdication of U.S. leadership.

DR. TOOZE: Thank you very much. It is an absolute delight to be here. Brookings is a legend and it is delightful to be on a platform with the famous blue backdrop and to be alongside Bob and Tom is really a delight. So, I'm very happy to be here and on this occasion in particular, of course.

I was thinking about World War I because I wrote a book about Nazi Germany and thinking about Nazi Germany led me back to the war. And the argument of the book about Nazi Germany was that the United States was pivotal to driving Hitler's aggression in the sense that the United States was the looming force in global politics from the 1930's onwards already. The economic power of the United States, even in the situation of depression with the promise of forwardest mass production transforming the

material circumstances of everyone's lives is deeply saturated European and Asian political and social culture at this moment.

All of this was in the background. So as it were, the shadow of American power hangs over Europe. (Inaudible) was the national socialism was now Hitler's movement and its aggression was a reaction to that threat. Of course, in his case, suffused with anti-Semitic conspiracy theories, which have attached themselves to American power for longer than one might credit. This is a longstanding idea that American power reflects the influence of the world Jewish conspiracy.

And in the book, I wrote about World War I what I wanted to do was write the prequel to that and to understand whether it was really true. That politics more generally across the world, power politics, had come to revolve around the United States. And I do think that 1916 is an extraordinary moment in that respect because it is obviously an American presidential year. And for the first time in history, the attention of the world was focused on the outcome of an American presidential election. This is so, for the follow of the century and more that has followed, we take this regard.

I was saying to Bob earlier today, that in Berlin ten days ago, there were two conceptions of the world. Plan A and Plan B and it hinged on the outcome of the American mid-terms. That's literally the basic structure in question for German foreign policy. And after the American mid-terms they probably still don't know what world they're in. That reality of everyone's decisions being conditioned on the outcome of American democratic processes stems to 1916.

If you think about the mass of historical literature that we have on the outbreak of World War I in 1914 in the July crisis, America features nowhere. However long the book and it could be 1500, 2000 pages, America the diplomacy of William Jennings Bryan, the Secretary of State, is an irrelevance to 1914. It wasn't until the



1890's that the British became the first European power to actually install a full embassy on embassy row in Washington, D.C. Up to that point, America was such a peripheral irrelevance to global affairs that you could do with a consulate.

So, quite suddenly the world reorientates around the United States. I do think it does so quite spectacularly. Whether you look at decision making in imperial Japan or the insurgent nationalists in China or the French Republicans trying to figure out whether they can make the French Republic survive. Or the British Empire trying to figure out what future it will have in the 20<sup>th</sup> Century, or indeed, in Germany. Everyone's decision making in the final phases of World War I is conditioned by some idea about how they're going to relate to the United States.

We shouldn't be too pessimistic, I think, about the outcome of the war and the way in which it ended. Particularly, we shouldn't fall into the trap of contrasting negatively with the end of World War II which many people think of as being the war where we learned the lessons and we should be cooperative with each other and out of them came European integration. And then contrast that darkly with what happened in 1918.

That's about as much the inverse of reality as we can possibly imagine. The extraordinary thing about 1918 in a sense is that it was ended through negotiation. This is a total war with tens of thousands of men dying every week in the major battlefields. And yet the European states and the United States found it within themselves even as the shooting was going on. In those final battles of 1918 as our chair was saying, those 50,000 Americans, they died in the space of two to three months. Even as killing on that scale is going on, like entire Iraq War campaigns compressed into a single week, the politicians and diplomats are finding it within themselves to negotiate.

And what enables that is Woodrow Wilson. And it is hugely controversial

at the time. Woodrow Wilson starts unilateral, it's not Twitter but it's telegraph diplomacy with Berlin in the first week of October just as the American Army is going into intense fighting in northern France. And the reaction of the insurgent and resurgent Republicans who are going to win those mid-terms in the first week of November is to impeach Wilson for betraying the American soldier. He's fighting in the field and without the cooperation of the British and the French without communicating with them. The American soldiers are fighting alongside British and French troops with British and French equipment. This isn't World War II. American soldiers in World War I fight with French equipment, not the other way around.

Over the heads of London and Paris, Wilson is negotiating on his peace terms with Germany. It is out of that process that we get to the Armistice of the 11<sup>th</sup> of November. Contrast with 1945 at Torgau where the war ends when there is literally no living German. No living German between the advancing red army and the American GI's. So messy is the battlefield in which they meet that it takes then three days to clean it up satisfactorily for *Time Magazine* and *Time Life Magazine* to be able to take photos. Because what the retreated German army had done is blown up a bridge including women and children in a convoy and the scene was that of mangled civilian devastation where the Russians and the Americans met in 1945.

In 1918, it's a merging German democracy which negotiates this peace. That the result of the subsequent lease negotiation should be disappointing, I think, is the last thing that should surprise us. It is evident that it will be disappointing because that kind of negotiated peace out of the maelstrom, the horror of a war consuming tens of thousands of lives every single week has to be based to some degree on illusions. You have to be kidding yourselves about what you're going to get out of this otherwise you never get to that moment of actually ending the fighting.

You simply need that element of illusion compounded by the fact, and this is to exculpate the Americans if you like, the expectations of every single power in the world are focused on it and they're not compatible with each other. Some people are going to end up devastatingly disappointed by the conclusion. The Americans manage to disappoint everybody which does take a certain amount of failure on the American part. But this should be a disappointing conclusion should not distract us from the fact that the war ended and the war ended without the total annihilation of Germany.

And that, I think, would be the next point that I would make in defense of 1918 is that the peace itself is not the act of savagery that it is sometimes made out to be and certainly not the act of savagery that the reality of peacemaking after 1945 was. The way in which the difficult ethnopolitical landscape of Eastern Europe after 1945 is resolved is by means of the ethnic cleansing of 13 million Germans. This is larger than the Pakistani/India transfer, it is at least as murderous. 13 million Germans are earthed after 1945 so as to create the ethnically homogenous states of Poland and Czechoslovakia that will become the foundations of a peaceful order in the Cold War period of under Soviet held Germany.

None of that kind of violence is contemplated in 1918. The fundamental sovereignty of Germany, to the agony of Germany's politicians who have to exercise it remains intact. Infringed, of course, hemmed in subject to conditions. But the ultimate agony for the Germans in June 1919 is they have to sign this peace. No one expected (inaudible) to sign the peace that ended World War II. There was no peace that Germany could sign. He was an installed government in the western zone after all of the dirty work had been done. In 1919, the German politicians are asked to sign their own evisceration as a state.

Yes absolutely, this would have been a much more stable structure if the United

States had stayed in place. And one should then add that this a chain reaction because America pulled back, Britain pulled back too. Britain's commitment to France was conditional on America's commitment to Britain. Why did it have to be because Britain's only weapon was the blockade, that's its most powerful weapon and the blockade is dangerous for Britain if it doesn't have the cooperation of the American's because it is what leads to the alienation between Washington and London in the course of 1915 and 1916. British power is a smothering naval blockade which can only be implemented alongside the American's. If the American's won't cooperate than it's not safe for Britain to commit to France and so Britain pulls back too. And that leaves France in a position where it can only seek security by means of aggression towards Germany which is the fundamental driver.

Why does America pull back? You could deduce the politics, the extreme parties (inaudible). One could make a case, I think, for this as a moment in the long-troubled history of American partisanship of an extreme. It's the moment where the Democrats are associated with Bolshevism for the first time. Where you get an association between the Democratic party and leftism that it is extremely dangerous for American political DNA from that moment onwards. I would adduce structural courses as well that need to be part of the consideration here. The American state is just not ready to bear the weight of global hegemony. And what is the fundamental indicator of this, it's the tax base, it's the fiscal operators. The key issue in the negotiations with the allies and the Germans and the Americans after World War I or at least the fundamental one that burns most slowly and most agonizingly is reparations.

British and France demands for reparations from the Germans are conditioned by the claims for dollar repayment being made by America. America cannot forgive the interallied debt, so-called, easily after World War I because they constitute for

one-third of the total debts of the United States. So, in modern terms it would be a matter of trillions of dollars that Britain and France owe to the United States. This is a pre-big government, a very confederal government. It's not the government of 1945-46 wherein the hugely inflated apparatus of new deal America, you can hide the Marshall Plan as a relatively small element of American government expenditure.

In 1919, it's front and center and America furthermore has financed the war by massively aggressive taxation. Rich Americans were paying extraordinarily high tax rates in 1918, 1919. So, the Republican backlash is a political backlash against Wilson. It's also a political economic backlash saying this kind of craziness has got to end. Ten years ago, income tax was unconstitutional in the United States. Now I'm paying a marginal tax rate of 65 to 70 percent, this has got to end. Mellon's program and the Republican administration is indicative of where that's going to go. A scaling back of government, a scaling back of tax and all of that makes it extraordinarily difficult for America to do the deals. The big government, the new deal apparatus of the post-'45 period can do with such extraordinary finesse as World War II.

MR. KAGAN: The war debt issue is a critical issue. A couple of things just to add to Adam's story. One is, when the United States began lending this money as a government as opposed to it had been private Americans had been lending huge quantities of money before the United States entered the war. But as soon as the United States entered the war, Congress passes, I think, a \$3 billion loan to the allies. And on the floor of Congress, the people who were arguing for this loan are saying, this is a substitute effectively for American troops. This will help them fight for us. And there are even congressmen saying, and we don't even care if we ever get paid back. Because what this is doing is it's making it unnecessary for American boys to die overseas so let the European's die, we'll loan them the money to fight the war. Well needless to say

when the war is over, that's no longer operative and Americans are just saying -- the only thing I want to --

DR. TOOZE: It's operative in the minds of the Europeans because they can do that math too. My son died, why should I pay taxes to pay you back.

MR. KAGAN: They did do that and as you know, the French many times say, we paid in blood so you can afford to pay in dollars.

DR. TOOZE: Uncle Shylock.

MR. KAGAN: Uncle Shylock. It's also true that, I don't think you mean to but I don't want to leave the impression that American's had no choice about this. Republican policymakers who then were in charge, chose not to make certain kinds of sacrifices. They didn't want to run a big budget deficit because they had been witnessing budget deficits they had never seen before and they did want to lower taxes and do all those other things. And by the way, they wanted to raise tariffs because that was a traditional Republican policy which also made it harder for the Europeans to earn the dollars necessary to pay back the war debts. I mean, they did everything they possibly could to make this impossible.

But the major financial institutions of the time and the major bankers of the time, JP Morgan, was saying you've got to forgive the debt. Otherwise, you're going to choke off the international economic system, you know this stuff much better than I do. But most of the people, as far as I know who you were actually in the banking community, wanted to at least postpone payment of the debt.

DR. TOOZE: I mean, I would absolutely not deny the importance of choice but you have to imagine the choices as constrained as the choices are in the American political system today. America is a system built on checks and balances. It's built on a system of federal representation of local interest. It is an extremely divided

entity both in parties and in terms of its political economy. The interests of Wall Street are not the same as those of middle America.

So, the question of the ability of America to govern and to act as a hegemon depends on American political forces developing a package that works at several different levels at once. This is the thing; can you break the log jam in several different places at once. Otherwise, the American system is going to be haphazard, you'll be lucky sometimes. The rest of the time it is a recipe for incoherence.

And what you do have to credit Wilson with in his so-called new freedom agenda devised by Brandice before 1914 is a kind of new deal vision light. But it was coming out of the convulsions of the post-reconstruction period of the crisis of the 1890's, the extraordinary upsurge of the first populism in the American Democratic party with William Jennings Bryan running very close in the presidency of 1896 who would have taken America out of the gold standard. And what the Democratic party is trying to put together is an agenda that would combine increased taxation at home, reduced tariffs, a rebalancing of the political economy of America. The struggle in 1916 and about keeping America out of the war is a struggle over whether or not the White House or JP Morgan controls American policy.

Because it wasn't just ordinary Americans who lent money to the European combatants it was JP Morgan which was the dominant force in Wall Street at the time out of who's offices European war contracts were being organized in 1916 greater than the total exports of the United States in 1913. So, that one private corporation with the British empire, the French empire and the Russian empire acting from the other side was doing a kind of public/private partnership to mobilize the United States economy against the wishes of the White House. And the Fed emerges precisely after this struggle in the United States going back to the 1890's who actually controls the

money power in America.

All of these kind of issues are at play. The first thing that Wilson does after he's reelected in November 1916 is to get the Fed to issue a memo to Wall Street saying, we no longer approve of issuing new private loans to the entant which would have strangled Britain and France but for the German decision to go through U boats. The point I'm trying to make is yes, there is agency at an individual level but given the complexity of America's political economy it takes a movement, it takes a coherent package. Like the Regan market agenda which moves lots of different pieces of the pie simultaneously. It's a regulatory strategy, it's a macroeconomic strategy, it's a grand strategy in terms of defense. And the new deal has that --

MR. WRIGHT: I'd like if I could just let you two argue it out but I do want to press (inaudible) and then I want to press you both in one thing.

MR. KAGAN: Let me just, because I actually think this is an interesting discussion. The thing that historians always have to weigh is how much of something is structural and how much of it are decisions that actual people make. Of course, the answer is it's always both. I don't think there's any question that the difficulties you're talking about existed, and by the way, exist again. And I think it's likely that the aberration was the period when these problems were overcome.

DR. TOOZE: That's what I was building towards. The new deal was the aberration.

MR. KAGAN: Right and not just the new deal but the whole post-World War II American approach to the world could be something that we're generally incapable of but we did at that time. But I also just want to say if the Senate had approved the Treaty and entering the League, which it could have, it really was Lodge's decision whether that was going to happen or not. He decided it was in Republican political



interest not to. The question is, if it had approved that would some of these things have been easier to grease and make possible. Because you are talking about an environment where the United States had basically said, we are out, which then, of course, allows some of these forces to play to run free.

MR. WRIGHT: So can I -- sorry to play the role of moderator, that is my role. I think I should just step out and you two and have at it. But both of you basically here and in your writings argue that the U.S. could have played this World War II role potentially after World War I and that was a big mistake. After World War II, the United States did have this broader role of leadership and what is interesting to me is that in 1945 and '46 they completely fell flat, right. So, the United States was thinking about providing an interest-bearing loan to the UK in the winter of 1945. It was immensely unpopular in Congress. There was huge opposition.

In 1946, the U.S. wanted to play this larger role in Europe. There was enormous opposition and there were great demands to come home. I think Averell Harriman said, American's just want to come home and drink Coke and don't want to do anything with the rest of the world. And what changed was the role of communism and it was the threat of the Soviet Union and that's what greased the wheels of Marshall Plan and the loan to the UK and troop deployments around the world.

So, my question is yes, structural factor is new deal state capacity were all facilitating contributing factors. But Bob, you know, you've written in *The Jungle Grows Back* that this American led order is sort of an unnatural position for any country to play and that it's at operation and that we shouldn't really expect it. So, I guess my question to both of you is, is it unreasonable, should we be surprised at all about the U.S. role after World War I because there was no overarching threat. There was no state. Yes, there was a threat of disorder and of chaos and of needing to build a better world, that's always

there, but there was no existential threat. In the absence of that and, I guess, that's sort of the pivot to today as well, will the U.S. just act like any other normal country and look out for its own interests and have a more minimalist approach on the world. Adam, why don't you start and then Bob.

DR. TOOZE: I do agree that we need a new benchmark against which to judge what is normal. That is the basic question here. And history may not be a terribly good guide because it is so extreme. We've had extraordinary wild observations. As somebody interested in the economy, I tend to come back to that as one of my organizing ideas. That really tells you that despite the political retreat from Europe that we saw in 1919-1920, the problem of interconnection just doesn't go away. Because on the contrary, American money floods into the Europe in the 1920's. There is a profound interconnection also from American commodity exports at the time because that is what American exports through the 1950's depends on those large European and those rich European markets.

And that surely is the question also in the present day. What is the level of interconnectedness, what is the level of systemic interconnectedness that to some extent, necessitates action by the United States in its well understood and widely understood self-interests in the sense of an enlightened conception of American self-interest.

I think there we have to conclude surely that the levels of communication, the levels of economic interconnection are simply so large that a comprehensive retreat, a kind of island America kind of conception is naïve. It was naïve in the 1920's, it would have been after 1945 and it would be wholly so today. No economy, no group and this is a highly unequal story so we should be explicit. American business, we should be quite clear about this, American business and the American's are

fortunate enough to have a share of its profits and wealth have benefited enormously from globalization. There is no question at all that they are the big winners, certainly not the Europeans.

And so, the measure of how far America needs to go needs to be, I think, benchmarked against that. One can raise the security issue too, one can raise broader issues of political ideology and how extensive and universal the claims of liberalism necessarily need to be. Can we tolerate certain sorts of abuse around the world given our own commitments?

But just from a strictly functional point of view, the economy would tell you that this is an ascending graph, and ascending line of interconnection. Which particularly, in its immediate region with regard to NAFTA for instance, but also across the Atlantic and into large parts of east Asia now give America truly an existential interest in some of stabilizing role. And that, I think, is where to me the argument needs to start. Where is our benchmark and how do we avoid the conclusion from the economic side that the interdependency is massive.

MR. KAGAN: Again, look at the historical record after World War I. I think that all Americans in positions of responsibility agreed what America wanted in Europe after World War I. From Wilson to Charles Evans Hughes and Herbert Hoover. They all knew that what they wanted was a stable Germany that could become a good market for the United States. Again, this was certainly in Britain's interest and sort of the revival of the European economy which depended on preventing, on the hand Bolshevik revolution and on the other hand, a return to the kind of right-wing conservatism of the past. That was in their interest and you could read any number of documents where they make it clear that they understand perfectly well what their interests are.

However, in order to fulfill those interests, they would have to do things

that they were essentially forbidden by Congress from doing. And that leads, for instance, to instead of stopping the French, for instance, from invading the Ruhr to punish the Germans for not paying reparations which we could have done. We were taking a neutral stance on that. I would say the Ruhr invasion in 1923, it certainly if not, was at the beginning of the end of German democracy, it certainly sowed the seeds for the unraveling of German democracy and ultimately gave a big boost to the right-wing forces. America's failure to do that because there were certain things, we would not do even though we knew what our interests were.

And so that's what concerns me now. We can perfectly well understand what an interest we have in a globalized world but if it requires us to do the things that we've already told ourselves we're not going to do. And that could be as much as preventing an intervention somewhere or it could simply mean caring about what is going on in Europe because we didn't want to do that either in the 1920's. You can have a big mismatch between what your obvious interests and acknowledged interests are and what you're willing to do to preserve them.

MR. WRIGHT: That's a good pivot, I think, to the present day. Adam, in your book, in the two books, *Deluge* and *Crashed*, one of the things that is a common theme in both which is sort of interesting is you pause at that. If you looked at the world in 2012 or 2013, one would think that the effects of the financial crisis were very limited. That the populous waive had been overcome. Obama had been reelected, the bailouts had gone through, recovery had started.

In *Deluge*, you say the same point in 1928. In 1928, Hitler looked at the U.S. and the world and was despairing. You have Trotsky, Churchill and Hitler as three people who look at the world and are very optimistic. Churchill is optimistic about America and the other two are pessimistic but optimistic about America. They think the U.S. holds that

role horrified by American power but believing that it is sort of working out. And one of the things you say is that everything sort of depends on what comes next and things can get better and then they can get worse with that same effect.

We're sort of seeing that obviously play out a little bit today and part of it in the United States but part of it is also what is happening in China and Russia. And one could possibly say that those countries are looking at the U.S. not as a country in decline but as a country with looming potential that they worry about what America will mean. So, my question to both of you is how worried should we be by the deterioration in the geopolitical situation and what are the historical parallels that we could draw. And what are the range of futures that we're potentially facing in terms of a best case and worst-case scenario. Bob, do you want to start this one?

MR. KAGAN: Well in a way, Adam should start. We had a conversation this morning in which you said something which I should understand but didn't understand as well until I heard you say it. Which is that the growth of the Chinese economy is something that is brand new in the world.

DR. TOOZE: Absolutely.

MR. KAGAN: It's unprecedented in terms of its scope and its impact on the rest of the globe. I suppose you could say maybe the growth of the American economy was similar from the late 19<sup>th</sup> century on which did, by the way, change the whole structure of the world. Because otherwise I would say look, there's a Russia, there's a Germany, there's a Europe. If China is now where Japan was, a lot of the situations are familiar and therefore you can go back and find the appropriate historical analogy.

If you take things beyond 1928, you have The Great Depression but if you would have had The Great Depression and a stable geopolitical environment you

might have been able to work through The Great Depression. But what really is happening and this is where, I think, at some point economics gives way to force as the determining factor of history. It's when the Japanese invade Manchuria in 1931 and the world proves that it won't do anything about that which, I think, encourages Mussolini in 1935. Which, I think, encourages et cetera, et cetera and you have this cascading. You've moved from unstable economic system to an unstable geopolitical system.

DR. TOOZE: And then economics catches back up. Total mobilization in war and the Soviet Union and the United States decide the outcome with the (inaudible).

MR. KAGAN: Exactly. But you could also say, then of course you have a geopolitical situation which is unraveling at the same time that you have a global economic meltdown. To me, I'm constantly unfortunately worrying about the next shoe to fall. And the next shoe to fall is not an economic shoe it's a geopolitical shoe. Whether it is something that the Chinese do in east Asia, whether it's something that the Russians do along their borders or whether it's something that we're not even thinking about yet, India Pakistan. I mean, who knows what it is. Which then begins the sort of grand unraveling so that's the way I tend to look at it. But the thing I don't factor into that which you do is this utterly new phenomenon of the Chinese economics.

DR. TOOZE: Yeah and in reading your book this morning, quick plug, you should get it and read it, it's great. But what I particularly love about it is the way in which you insist the international order is a contingent product of peculiar historical circumstances. So, a key condition for the rise of British power in the 19<sup>th</sup> century was the debilitation of all of the classic gun powder owned powers of Eurasia. A key element of that is the decline of the Indian empires, the Boogle empire and the weakness of China at the time. This is a precondition for the emergence of Britain. This tiny little island

which had, prior to that, not really figured anywhere except in the Shakespearian imagination of the center of the world. Like suddenly emerges as this dominant power. And that, in turn, then opens the door and sets the stage for the United States which also operates in that space on the basis of a British power.

On the anniversary on the Armistice Day of 1921, the Republican administration welcomes the world to Washington for the first time for the grand naval conference which will define that new order. And it establishes the parity of five, five, three and a half, one and a half, one and a half for the Navy's of the United States, Britain, Japan, Italy and France. And that is the new order that is taking shape nested within the British order.

So, I do think thinking about our present moment, a central element of our thinking has got to be an awareness, that 18<sup>th</sup> century ellipse, the ellipse that opened in the 18<sup>th</sup> century with the decline of China and India in anachronistic terms as least as far as India is concerned. That the decline of the great Asian powers, that ellipse is now closing. We are no longer in that space. So, the question of power for Germany has to be posed against that backdrop.

In diagnosing it, I would go back to what I was trying to sketch earlier on. Which is that the question of American power is the question of the articulation of its different elements. Because America has enormous potency at lots of different levels. At the political cultural level, despite it all it's an attractive political culture at its best. It has enormous military (inaudible) undisputedly. It has huge economic power still and the dollar remains utterly pervasive in international finance.

The question at the current moment is how those different bits are articulated with each other either in the United States itself or in relation to the key fault lines and the key crisis areas of the world. I see absolutely nothing like the kind of

coherent synthesis that we saw from Wilson or even the 1920's Republican's which, God bless them, had a disarmament private finance kind of model or the new deal or the Regan era model of American power. Nothing of the sort appears to exist currently in this town. Without that, the way in which those vectors of power operate and then intersect with the massively complex regional tensions of east Asia is hugely unpredictable. It's not clear whether the American political system at this moment has the capacity to resynthesize something like a coherent foreign policy (inaudible).

MR. WRIGHT: Can you unpack that a little bit? I mean there is a view, right, there is an idea which is the traditional post-war idea of prolonging, preserving the status-quo, the alliance system in Asia, in Europe. Encouraging China's rise as long as its not aggressive or assertive in foreign policy. There is a little bit of rethinking that now on the economic side. There may not be alternatives but there is a very clear American view of national order. I guess my question is with this I'm speaking on the rise of China. What are you suggesting that sort of an accommodation should take place that the U.S. should sit down with China and try to sort of figure out a way to ensure that it is satisfied. Or as you sort of suggested in *Deluge* that the U.S. should basically stand up for this multilateral order and do what Bob suggested and push back against any instances of aggression for fear of setting a precedent.

DR. TOOZE: I mean the novelty of the situation, I think, can be kind of indexed by four elements of our current political economy. We have a situation, this is not a 1970's or '80's Cold War situation where we can reclarify the fronts and just raise military spending. Because the United States business community has a giant stake in China. GM sells more cars in China that it does anywhere in the United States. Apple doesn't have an alternative to the production of iPhones in China right now. It isn't Samsung which actually has a Vietnam base.



At the same time, Chinese business is hugely indebted, you might be surprised to hear, in dollars. We think that the Chinese business community on the private side has a \$2 trillion-dollar exposure. So, there is huge entanglement in a way that we've never had before. Add to that, the fundamental questions, if you like, of the technological frontier and the question of data and artificial intelligence and the resources that democratic law constrain regimes. On the one hand, be it the American or the European variant which of themselves are quite different and the unaffected authoritarianism of China offers for the development of data driven new frontier technologies.

In which again, America so far has demanded and claimed for itself a preeminent role and yet now faces the reality that there is a genuine competitor in China. And the fact that China accounts currently for 30 percent of world growth, more than the United States, Europe and India combined. And then superimpose on top of that a simple model of deciding that we may need to sort of front up against China and raise geopolitical tension. That configuration in that form on those dimensions in that scale we have never seen before. We haven't even invoked the nightmare of the early 2000's which was the fact that America's fiscal incontinence, the fact that its books don't balance in part because of large scale military expenditure means it is structurally dependent on various forms of external financing. And the question of where that's going to come from down the line is quite open at this point.

Emerging markets have not been big buyers of U.S. treasuries for several years now. Where and whether that is a stable configuration going forward is just very unclear. So, that's what I mean by saying that the bits are disarticulated. We have a technological frontier which is intersecting and indelibly connected with politics. We can't get away from the fact that artificial intelligence and tech involve issues of civil

liberties. We have crass commercial interests running one way, have crass commercial interests running the other way and we have a fundamentally unresolved fiscal situation in the United States driven by intractable domestic political economy constantly compounded by rising inequality in the United States which perpetuates itself in this unbalanced fiscal situation.

That configuration with that degree of entanglement is historically novel. Especially if it attaches, and we're not talking about imperial Germany and Edwardian Britain, these are orders of magnitude larger lumps that we're talking about here, China and the United States. Much, much bigger parts of an even bigger and more complex system. That's the lack of synthesis I'm referring to.

MR. KAGAN: It seems to me there are two ways to try to rationalize these things into a coherent policy. We've done both and neither basically. One is to say, well and as people like Bob Blackwell and Ashley Tellus and others have recommended, is we have to get our economic strategy in line with our geopolitical strategy which means we have to basically stop feeding the Chinese beast in whatever way we can. The sort of version of that that we're getting is tough trade talks, trying to deal with intellectual property and all the things the Chinese are doing that are taking advantage of the system while at the same time, beefing up your military.

So, to me that's like trying to move toward a Cold War situation. I personally think that's impossible. I think that because we're a capitalist country and because of everything you say about business, we're never going to be able to sustain that politically.

DR. TOOZE: That's a 1916 moment. That's like Wilson trying to kill JP Morgan's entant business.

MR. KAGAN: Well right and that didn't work, by the way. It wasn't going

to work. And so, it's like Jefferson understood immediately. He wanted to embargo the whole rest of the world but he knew that he couldn't do it. So, it seems to me the other way of rationalizing this is aside from negotiating with the Chinese about whether they're cheating too much on one thing or another, not engaging in an effort to squeeze their economic capacity. Letting their economic capacity go where it's going to go and having this mutual economic dependency. But then being strong enough militarily to continually steer them in the direction of economic growth rather than geopolitical growth.

Now, you say that we can't afford to do that, I actually think that our fiscal problem is not based on our military expenditure big as that is. It's obviously based on other things like entitlement spending that we refuse to deal with and other budget items. But it seems to me that deterring them militarily and allowing them to succeed economically is our best hope of rationalizing the situation.

I do think that the Chinese, when confronted, on the one hand by a credible military deterrent and on the other hand by this incredible mutual economic interdependence. Which means, for us it means you might lose an election but for them it means they may lose their lives if things implode. That between those two things, that is enough to sort of contain this problem, at least for the foreseeable future.

MR. WRIGHT: So, let's take a step back towards Europe for a second and then we'll go to questions in the audience in five or ten minutes or so. But looking at Europe today, I think both of you are relatively pessimistic about where Europe is headed. It is an interesting sort of example of the retention of American power not necessarily militarily because even the Trump administration has bolstered U.S. forces in central and eastern Europe but politically and diplomatically. The U.S. is deeply engaged in Europe after World War II and then throughout the 70 years since. But it has essentially washed its hands of the internal European debates. The U.S. is nowhere to

be seen on Brexit at all, completely absent from any attempt to shape the negotiations.

We see Germany looking at its post-Merkel future, authoritarian developments in central and eastern Europe. So, how should we think about and Adam in your work in particular, you talk about the centrality of the Atlantic economies still and the global economy on financial power and the financial crisis and the possibility of occurrence that it is still really Europe that is the most sort of worrisome variable there above everywhere else. So, how should we think about Europe's future, can we conceive of alternative futures to the EU and the Eurozone. I mean, if Merkle and Macron essentially fail in their attempt to build a kosher union, what type of Europe are we facing? And maybe Adam we can start with you and then go to Bob.

DR. TOOZE: What I argue in the book and it is an important point, I think, is that the reality of transatlantic financial diplomacy from 2008-2009 onwards is an unwritten story. It really doesn't so justice to either the late Bush administration or the Obama administration to say that they washed their hands of the Eurozone crisis. The real question we have to ask is why their extremely active engagement with the financial crisis and then the Eurozone crisis in Europe was on the downlow in the way that it was. Why it was buried as deep as it was. Why it features nowhere in the retrospective accounts of Obama era foreign policy that have poured off the presses since.

It's an extraordinary fact, I think, that when Obama gave that Atlantic interview that was the sort of starting gun for the retrospectives on the Obama administration, Europe barely figures other than for him to say well, he wished they would pull their socks off and do a little bit more. The reality is that America was knee deep in the inside struggle over the efforts to stabilize the financial crisis in 2008 in Europe and then the Eurozone crisis that followed. And it had to be because I insistently argue, the stakes are simply too high.

Half the funds held by one of the largest classes of money market mutual funds in the United States were invested in European bond stock. The one thing that could jeopardize the fragile American recovery in 2011 would have been the failure of one or several major European banks. At the key moments and the G-20 provided an absolutely crucial cover for this are these meetings at the G-20 which are notionally global but they break out into groups. At key moments, the G-20 would focus on Eurozone problems in Mexico where it was meeting or in France where it was meeting. And at the absolutely critical moment, the French handed the chairmanship of G-20 meetings pertaining to the Eurozone to the Americans. Why, because Obama was the only person that could muscle Merkel into line in shifting her position on the Eurozone.

America continued to play throughout that crisis, the pivotal role. And I don't need to speak about Ukraine sitting next to you, Bob. The tasset interaction between Berlin and Washington over the handling of the Ukraine crisis is pivotal to the entire story in eastern Europe. Of course, it's not a story without frustrations but it's a story of continued essential interdependence which offloads problems the Americans don't really need to be dealing with and translates them to a zone where they really should be dealt with. And then, of course, the Europeans do tend to fail so I am pessimistic.

To me, this is a self-fulfilling prophecy. If America and Europe continually basically to hide the scale of their interdependence and not to celebrate the win, the joint management of the financial crisis between 2008 and '12 ultimately proved to be. Then liberals shouldn't be surprised if their enemies point essentially to the continuous failure of their model to provide what average Europeans and Americans desperately want which is shared prosperity for everyone.

I don't want to go into too much of the financial details but without the

swap lines which the Fed provided to the European banks which is basically a shower of dollar liquidity onto the other side of the Atlantic, none of the European banks would have survived. And yet, this was essentially written out of history by the Europeans and the Americans after 2008. That, I think, is the question we have to ask. It is similar to me to the structurally analogist to the NSA scandal.

Why is that a scandal. Everyone in Europe must have understood that their security agencies were in bed with the NSA apart from anything else because they transparently don't have the capacities that the Americans do have and which the Europeans rely on in that area as they rely on the United States in so many other areas. And this was the unfolding crisis in Europe. First of all, the shock horror probe, the Snowden revelations, then the revelations about the bugging of Merkel's phone and then the dawning realization that the German security service was completely in bed with the NSA and the American intelligence and had to be because it really doesn't have that many capacities. It is quite good at human intel but it doesn't have any of the technological resources to do it itself.

Now one could argue from different political points of view what kind of a surveillance apparatus we want to have and what our relationships ought to be. But the extraordinary thing about our present moment in that area as in finance is that we see determined to avoid the conversation. And what worries me about that is that is it's a defacto offloading of what our fundamentally political geoeconomic, geopolitical questions which ought to be the subject of basic bargains. You were referring earlier on to communism. Legitimate it however we're going to legitimate. Make them palatable to a broader public however we need to make them palatable or however palatable we can reasonably make them palatable. It's not just the manipulative question, we actually have to build some conviction around our answers.

Those hard-political tasks are being dodged over and over again in the transatlantic sphere. We end up with these bizarre conversations about the perspective major trade deal between Europe and the United States being bogged down by European progressives to the question of chlorine chickens. This becomes the key issue whilst the Europeans are blind to the fact that that Americans won't touch the European banking system with a barge pole because they think it's so badly regulated.

So, the politics of tea tip in Europe was a politics of chlorine cleaned chickens rather than the stability of the European financial system. I mean, that is an abdication of political responsibility. Either we're for it or against it, make the case one way or the other but talk about the actual pillars of power and interconnection here not that kind of peripheral irrelevance.

MR. KAGAN: In terms of keeping the economic relation on the downlow, I just can't help remembering that in the 1920's when the United States wanted to negotiate what became known as the Dawes Plan. American officials traveled to Britain because they pretended this was all being done by private entities. American officials traveling to London to have these negotiations behind the scenes had to pretend that they were visiting their tailors.

DR. TOOZE: The bar association. They hosted the annual meeting of the American Bar Association in London so that Charles Hughes could go.

MR. KAGAN: Who was then Secretary of State but he was not going as Secretary of State, he was going as a member of the bar association. So, there's a long history here and again, it is worth remembering that if we're talking about what the norm is. The norm is, the United States and Europe do not get along. And, I think, it's worth remembering how unusual it is historically for us to be as tightly intertwined as we were.

Nevertheless, I think you can make the case on Ukraine, it happened

because of Russia. But when it came to internal European politics, when Germany was reunifying, the Americans, the George H.W. Bush administration believed that this was a vital interest of the United States that thing work out correctly and they were heavily involved in making Margaret Thatcher feel better, in making (inaudible) feel better about what was happening. It wasn't that the Germans weren't going to do it anyway but the Americans felt they had to shepherd it along.

When Brexit begins and when we're still going through the divorce which is at least as important from the American strategic point of view, Britain separated from Europe is a disaster for the United States in terms of our interests in a coherent Europe. And we did almost nothing to prevent it. You don't think it's a disaster?

DR. TOOZE: It's a total disaster. Obama went to London.

MR. KAGAN: That was so late in the day. You can't go swimming into London and say, by the way, you should really vote against Brexit. There had to be a whole process. By the way, I'm not even saying --

MR. WRIGHT: Of course, the U.S. has been absent since on the negotiations.

MR. KAGAN: That's what I would more say. It was maybe Brexit was going to happen in the same way that German reunification was going to happen because, by the way, Britain distancing itself from the content is also the most normal activity in the history of the world. However, the way this divorced played out, the United States has an interest in the way it plays out and we have not been playing that game in the same way that we did shepherd German unification through.

DR. TOOZE: But the day after it happened, Trump was on his golf course in Scotland cheering. The current administration of the United States favors Brexit and to the alarm of the Europeans and these are the stories that are followed in



Europe. The day after he entered the White House, he's taking back so much country (inaudible).

MR. KAGAN: And by the way, this is what's new. Even in the 1920's when Americans were not doing anything to save Europe, they would have liked to save Europe. Trump is on the side of Brexit, he's on the side of LePen, he's on the side of Salvini, he's on the side of Victor Orban, he's on the side of all the people who were against a coherent liberal Europe and that is absolutely unprecedented.

MR. WRIGHT: He's not alone. I mean, John Bolton wrote a series of Op-Ed's for the *New York Post* in 2010, '11 and '12 in which he called for, he said America had an interest in the collapse of the Eurozone. So, at a point when the U.S. is deeply involved in trying to bolster the Eurozone, he's saying the Euro is a threat to American interests.

MR. KAGAN: But these are the same people -- this is exactly the same thing that was said when the League of Nations was actually an imperial effort to take over the United States and deprive us our sovereignty. We're back to William Bora type arguments.

MR. WRIGHT: So, let's go to the audience. We'll take a few questions. The gentleman over here to start with.

QUESTIONER: Both of you gentlemen seem to insinuate that Henry Cabot Lodge might have had the power to prevent World War II had he approved the League of Nations or at least made it less likely.

MR. KAGAN: I think I insinuated that. We'll leave poor Adam alone.

QUESTIONER: If we accept this as true or at least somehow persuasive, I wonder as being in America's interest despite being at odds with the Republican party's interest in that period of time, the question is can it be blamed, what

changes would need to be made to see the right decision more easily. How should our elected officials today determine the appropriate time to place country above party and is there ever a time to place party above country?

MR. WRIGHT: Great, thank you. So, the gentleman here. And if you could introduce yourselves and then ask a question.

MR. JEHCO: Larry Jehco, senior advisor to Serve USA. I learned a lot. I thought I knew something about this subject but I guess I didn't. Today with Mr. Trump doing what he's doing, I used to think that was an aberration on the part of the United States. It seems like it is just history repeating itself. We saw what happened when we withdrew from the world in the twenties and all you had was Europe to deal with. Now we're withdrawing and we have China, Russia, Europe, all the (inaudible). How further can we go into this without really jeopardizing our hegemony?

MR. WRIGHT: Great, thank you. And then the lady just behind.

MS. FAZZEL: Thank you very much. I'm Marina Fazzel, an African American journalist. You mentioned that the unpredictability of what international interactions might combust into a future crisis for the whole world in reference to the first World War and the atmosphere in the major wars in the past. The Russians just recently hosted the Taliban. Afghanistan was pivotal in the Cold War and the fall of it. Some Afghan's like to take credit for bringing down the Soviet Union. Right now, in the midst of this atmosphere where in the Trump era, American foreign diplomacy still is undefined for internal and external audiences. Afghan's wonder, like many other nations, where they should look to in terms of this evolving new world order. What could a country like Afghanistan look towards? What kind of commitment can it expect from the United States and its western allies. Thank you.

MR. WRIGHT: Great, thanks. So, back to both of you and then we'll go

to another round in a minute.

MR. KAGAN: Do you want to start the argument we're about to have about Henry Cabot Lodge?

DR. TOOZE: No, no, I'm a revisionist. I just follow the revisionist trend on Lodge which is to say that the historiography of so-called isolationism was written by disappointed Wilsonian's. In fact, though Lodge and the Republicans opposed the treaty as Wilson proposed it, they were, in fact, willing to uphold the security guarantees that Wilson had made to the French --

MR. KAGAN: This is where we're going to have our argument.

DR. TOOZE: Because they regarded that as a much more parsimonious and more important commitment. One of the reasons they didn't like the league was that it was essentially a kind of system of indifference. Whereas, the Republican's throughout the war had upheld the position which was strongly in favor of the entant to a degree that Wilson was never comfortable with.

So, I actually think and Wilson in response to the Republican's attaching conditions to the peace proposal withdrew the whole thing never allowing Congress to have a chance to vote on the subordinate elements which were a security guarantee for Britain and France. Which are actually the essentials of a stable peace, not the League, but the security guarantee for Britain and France. So, the two of them sort of stalemated each other removing two elements of an architecture that would have been stable either individually or together and none of them transpired.

On Afghanistan, let me speak about that. I think what surely must be exciting to Afghani's, I'd imagine. I don't know but if I was Afghani, I would be excited by it, is what is happening in Pakistan. And the unfolding there of this extraordinary drama of geopolitics. Pakistan and Afghanistan are key to the stability of that entire region. The

problem of Islamism, obviously, but also the problem of economic development. And what we have in Pakistan is this test case of the balance of forces between the old order which is the IMF centered regime dominated by the western powers still though with China having an increasingly large voice. It will be very interesting to see how Madame Lagarde plays this out. And China, with its absolutely massive investment in the One Belt One Road annex in Pakistan. And how that hashes out, I think, is one way of testing the contours of this new system.

Because as far as I know, and I must admit that I didn't follow the political economy of the American campaign in Afghanistan to the extent that I would have liked. But it struck me even then that we were very strong on drones and finding Taliban leaders and hunting people down in the Swat Valley but I don't remember a large-scale commitment in the tens of billions of dollar range to rural development in Pakistan, infrastructure development. The sort of thing America routinely did in Vietnam, by the way, to very mixed reviews. But that kind of holistic thinking about social stabilization embetterment, I think, slipped further down the agenda of American policy.

It is very interesting that the Chinese with the One Belt One Road program with this commitment to very big building in Asia but also in Africa are in the business of changing the game about how we think about the development prospects of some of the poorest societies in the world. Pakistan is very important on that list because it is one of the poorest societies with nuclear weapons in one of the most dangerous areas. So that, I think, for me is the thing I'd be looking for. Afghan's should watch Pakistan closely and see how that story plays out there.

MR. WRIGHT: Bob.

MR. KAGAN: When it comes to the Chinese involvement in One Belt One Road, I must say, I'm not as persuaded as everybody else as this is a horrible thing.

And that if they're the ones who want to throw their money, which by the way, may not be the best investments for them. Some of it is being taken and done for strategic reasons which means in a certain sense, it's not being done for strictly economic reasons. If it leads to some development, I don't know that I have any great objection to that.

I want to answer your question about, you know the one thing about the structure that was set up after World War II, this sort of alliance structure that the United States is at the center of. I do think it is extraordinarily durable and that it will take a lot of undoing. Now I do think we are in the process of undoing it and I think that process began under Obama, actually. Just because I think the mere fact that they have to hide what they're doing in Europe means the American public isn't really there, they know it's not really there. Obama acted as if American support wasn't there and Trump is explicitly saying that we're not in that game anymore. You just don't know historically; a situation has been created for an explosion but the explosion may not come for ten years.

But I do want say that all of America's allies overseas have near neighbors that they are afraid of. They are naturally going to look to the United States for that support and for as long as they have any hope of getting that support, they're going to keep looking there because they don't really have a lot of other options. The Baltic States don't have other options. I think that Japan, its option is to become independent, become a nuclear power, become a militarized Japan again. I think most Japanese do not want to go there so they're going to continue to look to the United States.

So, I think, this is one of those things where there is a lot of ruin in an international system that was created and I don't think that one term or maybe even two terms of a Trump will necessarily undermine it. But that's contingent on events and you just don't know what's going to come up that's going to blow things up.

I think I should avoid getting to the argument of what exactly the fate of

the French Security Treaty was. Because we could have that separate discussion. The view that Adam is expressing is unfortunately no longer the revisionist view it's now the mainstream view. It's just wrong. I have a book coming out in a year --

DR. TOOZE: We could do this again.

MR. KAGAN: And I go into excruciating and I hope not too deadly boring detail about what happened to the French Security Treaty because I do think it's a pivotal question. Suffice to say that the first person to lay out in detail in all its grandiose elements, the idea of a League of Nations was Theodore Roosevelt. And he did it at the end of 1914 in response to what had just happened. Henry Cabot Lodge was a big supporter of the idea of what he called the United Nations. And the latecomer to this idea was Woodrow Wilson who really as a Democrat because in those days, the two parties had a distinct position. The internationalists were Republicans. The Democrats were "isolationists".

Why Roosevelt and Lodge then flipped against the League, historians and intellectuals have been dying to say it's because a problem with this particular and that particular which they had no problem with when they articulated it themselves. The truth is, in my view, it was about politics and they hated Woodrow Wilson. For Roosevelt, by the way, he felt guilty that Wilson was in power. You know why, because it was his fault. He got Wilson elected and his bitterness towards Wilson is about that sense of responsibility and it informs so much else. Anyway, I said I wasn't going to do that and then I did it anyway.

DR. TOOZE: Can I just add that it's really important, I think, to recognize that Wilson is the first southern president elected since the Civil War. And the most, I think, cutting abuse that Teddy Roosevelt hurls at him is that you're a copperhead. You're a surrendering Illinois Democrat who wants to rip the floor out from underneath

the Lincoln presidency. The stakes in this war are the same stakes, essentially, as in the Civil War. That is the kind of test that we're undergoing here and you with your peace without victory talk have literally adopted a slogan from 1864.

MR. KAGAN: It kills Roosevelt that Wilson is the one to lead them into war and win the war because that was supposed to be him.

DR. TOOZE: And his son dies.

MR. KAGAN: And his son dies in the war.

MR. WRIGHT: So, we don't have that much time but I see a bunch of hands. We have five minutes until the end for our Vice President or two minutes at the end to give some closing remarks. Can we take a lightning round. The lady here in the second row.

MS. SHINER: Helen Shiner, retired economist and fascinated with all these kinds of programs. But this one was so overwhelming because there are so many pieces that in retrospect differ from the way we thought of it. And trying to put the pieces together and to connect it to today. My question specifically though is how do we deal with not just this administration but later on when the State Department has been devastated by lack of personnel and power and so forth and the entire government White House structure has no structure. There is no strategic plan, especially in foreign policy or in economic policy. Everything is just ad hoc and I see things just tumbling down making for even greater chaos. Thank you.

MR. WRIGHT: The gentlemen behind.

MR. GULLIVAN: Hi, Carl Gullivan, Domain Reference and Ideal Lives On .net. As a reference for my question, two references, Benjamin Friedman at age 71 gave a talk at the Willard Hotel here in D.C. in 1961. He was connected in the Wilson administration. He was actually present in Versailles in 1919. Secondly, a book, *The*

*Controversy of Zion*, by journalist Douglas Reed written in 1956 not published until 1978. You mentioned the money power circa 1900. Arguably the money power is named in the person to whom the Belfour Declaration was addressed. Friedman would argue that the Belfour Declaration --

MR. WRIGHT: So, what is the question?

MR. GULLIVAN: I'm laying a foundation.

MR. WRIGHT: Yeah, we have very limited time.

MR. GULLIVAN: Okay. The Belfour Declaration, was it not negotiated as a reward for bringing the U.S. into the war by Zion interests. Reed would argue that the roots and objectives of both Bolshevism and Zionism were inextricably intertwined.

MR. WRIGHT: All right I think we've got it, thanks. The gentleman down in the back and then the lady in the middle and then we'll close.

MR. REEMER: My name is Jeremiah Reemer, I used to teach at Sise. Just to quick questions to Adam Tooze. I'm a little puzzled about the association of the Democratic party with Bolshevism that early given that the guy who led the Palmer Raids also ran for the Democratic nomination. And for much of the 1920's the clan was a major part of the Democratic party. That's one little question.

MR. KAGAN: Isn't politics wonderful?

MR. REEMER: My more important question, I agree with you that Obama and Geithner's role in the European Euro crisis was very, very important. I'm intrigued by and would like to get further thoughts from you on why it is that isn't celebrated. I can imagine it's difficult for both sides to sort of sell this to their publics, their constituencies, their ideologies. It's hard for me to see Merkel saying, yes, of course, I had to agree with Shouipla and posterity hocs but really I'm grateful that Obama and Geithner and the IMF made me do solidarity with Greece, made me do more



stimulus. And it also must be difficult for the Democratic party for some reason to say, gee we really even wanted more stimulus but we pushed it on Europe. Something like that.

MR. WRIGHT: Thank you. Final question to the lady on the aisle.

QUESTIONER: Thank you very much. I'm a journalist with Hong Kong Phoenix TV. My question is right now after the mid-term election and it looks very hard for Trump administration to pass domestic legislations. So, on the foreign policy side should we expect he's going to look for more breakthrough in the next two years and do you expect he's going to take a much tougher stance on issues like North Korea and trade with China. Thank you.

MR. WRIGHT: So, we are pretty short on time. If you could maybe just choose one or two of those and give quick responses and then we'll turn it over to Bruce. So, Adam and then Bob.

DR. TOOZE: Since it's so puzzling, I'll talk about the association between Democrats and Bolshevism. It goes by way of the controversy course by Wilson's negotiations with Germany over the heads of the allies in October. What's that got to do with the Bolsheviks. It's got to do with the Bolsheviks because of A Germany's role in slusing Lennon into Russia in 1917 and more importantly and more immediately, the fact that the German's had done the (inaudible) peace treaty with the Bolsheviks earlier in the year which is what had unleashed the full force of the German army on the western front in 1918 and almost brought the house down.

So, from the point of view of militant Republicans who want to blaze a path of fire from the western front to Berlin which is really what they want to do, no negotiations. Somebody who is selling the allies out, as Wilson was perceived to be doing, to do a deal with the Germans on the basis of his peace without victory proposal of

January 1917 before America was even in the war looks like an agent of German and Bolshevik conspiracy.

Very briefly and I don't want to be misunderstood here. It's no doubt at all that in the minds of anti-Semitic British statesmen in 1917 who were trying to make sense of the world and were reading the *London Times* whose reporter in Russia in 1917 was a profoundly anti-Semitic British reporter and who attributed the influence of the world Jewish conspiracy to the undermining of czarism and the advent of Bolshevism. In the minds of people who have that kind of framework of analyzing the world, there is indeed a connection between the influence of Jewish bankers and American policy.

And there is already on the part of British policymakers an expectation that if you cut a deal like this by way of figures like Brandice, you will be able to gain some kind of purchase over Washington. And it is framed quite explicitly in those terms as a bid for the opinion of world Jewry. In which, of course, Zionists activists have an interest in cultivating the idea that such a thing exists and that it does, in fact, have some influence. Because by means of that idea you can, in fact, then exercise leverage over decisions makers in London and Washington. You have to insist that those constructions, that architecture is framed by a preexisting antisemitism that starts on the basis of the existence of that within that context. Those linkages are real, they are documented, there is no doubt at all that that is what the decision makers in London thought they were doing.

We also know the work that the Zionists organizations around the world had to do to suppress protests from Jewish communities across the world against the Balfour Declaration. Notably in revolutionary Russia where an association of the largest Jewish community in the world with an imperialist promise of a Palestinian homeland at the expense of the Ottoman empire at this particular moment would have been

devastating for their revolutionary credentials. The government had just fallen in Petrica precisely over that issue. It's willingness to uphold early war commitments to imperialism against the Ottoman empire and the Habsburg empire.

And so, Zionists actors in both London and Washington have to do a huge amount of work to silence the news of the fact that huge assemblies of Russian Jews had voted against the proving of this. So, it's a hugely complex forcefield in which the virus of anti-Semitic conspiracy theory is operating in an extraordinary policymus kind of way having meaning for lots of different actors at lots of different places.

MR. KAGAN: And to add the American politics part of that because I don't think Roosevelt and Lodge were playing that particular game. But they had decided, it's kind of interesting given where we are at this moment. They had decided early on that their position was going to be, we are nationalists. We are looking out for America and we are American nationalists as contrasted with Wilson who was an internationalist. As it happens, everybody knew that what an internationalist meant was that Trotsky was also a sort of self-proclaimed internationalist because the revolution had to be international. So, at his speech, his big speech opposing the League of Nations, Henry Cabot Lodge says, I was born in America, I'm an American and I'm an American nationalist and I will not support those who, like Trotsky, go the way of the Bolsheviks and internationalism. Okay, that's our Henry Cabot Lodge for you. That is just political rhetoric. I don't think he believes one tiniest bit of it but that was the political decision they made to run on at that time. We've seen it, I think, again.

MR. WRIGHT: Thank you. This is terrific. I'd like to call on our vice president for foreign policy, Bruce Jones, who will offer some closing remarks and take us home. Thank you.

MR. JONES: I'll be very brief. I wanted to thank you all for coming out

on this event to commemorate the 100<sup>th</sup> anniversary of the Armistice. I think it is an extremely good day to reach back into rich histories of the events that unfolded at the time and the events that have unfolded since to try to understand where we are.

I have just been both in Tokyo and in Shanghai and in Tokyo where there is lots of talk, Bob, of a return to what gets coded as war fighting capabilities not self-defense capabilities. And in Shanghai where the strategy there is kind of continued financial integration as a way of defanging our capacity to constrain them but with a lot of that beginning to unravel.

Adam, you briefly mentioned imperial Germany and an Edwardian Britain and I wonder whether we aren't beginning to see a replay of a deliberate strategy to deintegrate the economies precisely for geopolitical reasons leading to the kinds of concerns that Bob has. But I have to say that it is extremely refreshing to hear nuanced accounts of the interplay between economics and geopolitics rather than superficial accounts of them which we're spending a lot of time dealing with in this town and elsewhere today.

Adam, you also said that history may not be a guide to where we're going but at the very least to have the rich history that you both do and the incredibly informed discussion we had today, helps us close off some mistaken analogies and some mistaken possibilities and to focus us on what really is in front of us. So, I'm incredibly grateful to you for writing your books. To Bob for being Bob. To Tom for leading this conversation and to all of you for being here today. Thank you so much.

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