

The Interwar Depression in an International Context. *Edited by Harold James*. Munich: Oldenbourg Verlag, 2002. xv + 192 pp. Figures, notes, references. Cloth, €44.80. ISBN 3-486-56610-5.

Reviewed by W. R. Garside

Harold James's edited volume on the Great Depression, covering the years 1929 to 1933, arises from a colloquium organized in honor of Knut Borchardt, who did much to highlight the scope and direction of policy choices under conditions of economic uncertainty. *The Interwar Depression in an International Context* offers not only detailed contributions on aspects infrequently alluded to in the now prodigious literature on the subject, such as the fate of peasants and the collapse of insurance companies, but also a means of tracing the proximate causes of the international downturn and the impact that it had upon contemporary economic thinking. This is not unimportant for the psyche of members of subsequent generations for whom economic crises, such as those in the mid-1970s following the quadrupling of oil prices and that in Asia in 1997, were the more daunting for their perceived threat of "a return to the 'thirties.'"

James's own research has emphasized the importance of financial vulnerability as central to an understanding of how economic depression was transmitted so readily after 1930. Though much of the current literature on international economic decline after 1929 focuses on the restrictions of an inflexible gold-exchange standard, James and his fellow contributors highlight other important influences, including weakening confidence in financial markets, the imperfections of central banking in the early 1930s, and the resolve of most countries to seek autarkic solutions based on trade protection, control of capital movements, exchange control, and limits on immigration, as crucial determinants in what turned out to be a check on economic globalization.

The significance of the essays included here, which in addition investigate the early years of the Bank of International Settlements, the failure of international economic cooperation, Keynes's perspective on the depression, and international capital movements, is the way in which they demonstrate the retreat from the market and

economic liberalism that followed upon a financial contagion, the upsurge in nationalist sentiment, and ultimately for some the descent into political dictatorship.

The volume focuses less on business enterprise than upon commercial and economic institutions and upon activity at the international level, including the International Chamber of Commerce. It provides a fascinating analysis nonetheless of the context in which business enterprise was conducted in an era when the forces that had spurred economic growth and success in the late nineteenth century—the free movement of goods, capital, and people—were being severely compromised in the shadow of war during the 1920s. Postwar inflation, currency instability, and the sheer determination of major industrialized countries to resurrect financial and institutional arrangements from a pre-1914 era, despite the fact that their utility had rarely been tested in the midst of propitious, but ultimately short-lived, circumstances, paved the way for the catastrophic reactions to the American recession of 1929.

The panic and failures within the world economy of the early 1930s highlighted the problems of countries with large foreign debts and weak banking structures. Creditor countries with relatively sounder banking systems, such as Great Britain, became infected by fear of insolvency as credits were frozen in Central Europe. In the absence of concerted international action to avert a domino effect by which financial crises worked through state budgets, the central banks, and particularly through the linkages of the restored gold standard, it was almost inevitable that those countries, dragged down by what appeared to be a failure of international capitalism, should seek solutions in economic nationalism, protectionism, and competitive devaluations. State action in many areas turned increasingly to protecting one's own citizens and to externalizing the costs of economic adjustment upon those outside one's national community. With the mutuality of gain from economic liberalism swept aside by increased regulation and planning, the belief in democracy's ability to meet basic social needs was sufficiently weakened to allow political extremism and dictatorship to flourish, particularly but not exclusively in Russia and Germany.

The common link between the contributions—that of the existence of inherently fragile financial systems—provides the thematic background against which supporters and critics of current economic globalization frequently argue their case. The essential

dilemmas are neatly encapsulated in Barry Eichengreen's contribution ("Averting a Global Crisis"). If a return to 1931 is not to manifest itself (and perhaps even more drastically), not only will the institutional infrastructure in the world economy need to be strengthened by the creation of autonomous regulatory bodies insulated from political pressure, but emerging markets will also need to protect themselves by strengthening their financial systems. This the more so since any improved international institutional arrangements designed to provide the cooperation so conspicuously absent in the 1930s will take time to achieve and even longer to deliver appropriate responses.

The lessons of history remain crucial therefore, not as a means of providing foolproof answers but as a timely reminder of the power of orthodoxy and selfishness in the pursuit of national self-interest. James's volume provides a well researched symposium of how difficult it always was to blend the inherent influence and attractiveness of the nation state with the need to have it operate in a relatively benign and accommodating institutional, economic, and political setting.

*W. R. Garside, formerly professor of economic history at the University of Birmingham, U.K., is now professor of economic history and dean at the University of Otago, New Zealand. He is the author of numerous books and articles on government economic policy in the twentieth century, with particular reference to industry and labor, including British Unemployment, 1919–1939: A Study in Public Policy (1990) and Capitalism in Crisis: International Responses to the Great Depression (1993). He is currently working on a book-length study of government, markets, and industry in Britain and Japan since 1945.*