JOHN F. KENNEDY-INSTITUT
FÜR NORDAMERIKASTUDIEN

ABTEILUNG FÜR WIRTSCHAFT
Working Paper No. 80/1995

ISSN 0948-9436

Carl-Ludwig Holtfrerich
Brooks Adams
and Charles P. Kindleberger
Brooks Adams and Charles P. Kindleberger

by

Carl-Ludwig Holtfrerich

In summarizing his achievements, Collier's Encyclopedia informs us that Brooks Adams anticipated "Max Weber in his treatment of the Reformation, Karl Haushofer in the effect of geography on politics, Oswald Spengler in the cyclical theory of history, Charles Beard in the influence of economics on law, and Thorstein Veblen with respect to technology." (Beringause 1967: 99) In the future the list should be expanded to include Charles P. Kindleberger. Brooks Adams anticipated him in explaining historical shifts in the leadership of the world economy and the frictions connected with it in transition periods. This article is an attempt at sorting out the similarities and differences between the views of Adams and Kindleberger. I will first present Adams' position on the concept of "economic supremacy" (Adams 1900) and on the causes and direction of its shifting from one country to another over the centuries. I will then summarize Kindleberger's views on world economic primacy and its shifting. Finally I will compare and point out the similarities and differences.

1. Brooks Adams on World "Economic Supremacy"

Brooks Adams (1848-1927) was an offspring of the Adams family whose members played leading roles in U.S. political life and literature from the time of the Founding Fathers. He was the great grandson of the
second President of the United States John Adams, the grandson of the sixth
President John Quincy Adams and the brother of Henry Adams, the
important writer on history and historical philosophy. His father Charles
Francis Adams, as American ambassador to England, held the most
important diplomatic post of the United States, and this during the crucial
period of the American Civil War, when preventing England from siding
with the rebellious South became the primary goal of all diplomatic efforts
of the North. He also performed extended diplomatic missions to Russia.
Thus Brooks and Henry spent much of their formative childhood and young
years in Europe. Brooks graduated from Harvard in 1870 and practiced law
in Boston thereafter. Equipped with a substantial inheritance, he gave his
practice up in 1881 for lecturing, free-lance writing, and extensive travel not
only in Europe, but in the Middle East and India as well.

He was a convinced adherent of the then current Social Darwinism.
His thinking was strongly shaped by natural science also in other respects.
His cyclical theory of history is based on "the accepted scientific principle
that the law of force and energy is of universal application in nature" and
that it applied to human societies, too. (Adams 1895: 5-6) The term
"centralization", obviously an allusion to the law of gravity, plays a key role
in all of his works. It means the consolidation of human energies or forces.
Brooks Adams might have had the physics of a pirouette in figure skating in
mind, when he described the process of centralization in the following
terms: "Probably the velocity of the social movement of any community is
proportionate to its energy and mass, and its centralization is proportionate
to its velocity; therefore, as human movement is accelerated, societies
centralize." (Adams 1895: 6) He held the view that the velocity of social
movement and thus the process of "centralization" is mainly determined by
the extent of the organizational and technical innovation in that society. In
1896, Henry Adams defined his brother's famous law of history in a
nutshell thus: "All Civilization is Centralization. All Centralization is Economy. Therefore all Civilization is the survival of the most economical or cheapest." (Quoted in Donovan 1961: 126-127)

In his first book *The Emancipation of Massachusetts*, published in 1887, he elaborated on the theme that the development of societies must be understood as the struggle among men for the survival of the fittest. He held that definite stages marked the development of every society. In the struggle for the survival of the fittest the centralization of energies of a society would be crucial. In the early stage of the rise to civilization, religion and priests would play a dominant role, because in scattered communities fear produces a vivid imagination, a demand which priests can serve with their offer of salvation. Adams elaborated on the strong role that the Puritans and the church had played in Massachusetts, "a petty state" ruled by an "autocratic priesthood". He attacked the orthodox view that the Puritan Founding Fathers were "devoted to civil liberty, and as liberal in religion as was consistent with the temper of their age ..."); (Quoted in Wilson 1986: 4)

He argued that the Massachusetts Puritans preached and supported opposition to the British because the Crown in London tried to impose religious toleration upon them (Beringause 1967: 99). Thus, paradoxically, they helped to bring about the American Revolution, which paved the way for the formation of the most tolerant society in world history up to then. Brooks Adams shattered the prevailing opinion that American society owed its political and cultural values to the Puritan heritage.

In his *magnum opus*, *The Law of Civilization and Decay*, published in 1895, he placed the modern concept of economic power at center stage. In the advanced stage of civilization, the centralization of energies would manifest itself in a concentration of trade and economic power. Brooks Adams maintained that history progressed in cycles "between barbarism and
civilization" or "from a condition of physical dispersion to one of
congestion." (Adams 1895: 5) The driving motives for mankind, he
contended, were the two great instincts that gave direction to human
energies: fear and greed. The centralization of human societies would
always take one of two forms, depending upon which stage a society was
in. In the early stage of civilization, where people live widely dispersed in
rural areas, fear is the outlet for human energy, thus creating a demand for
religious, military, and artistic expression, organization, and leadership. In
such communities, blind faith characterizes social attitudes, not yet
skepticism and rationalism. In the late stage of civilization, where society is
more concentrated in urban areas and does no longer expend all its energy
in the daily struggle for life, "fear yields to greed and the economic
organization tends to supersede the emotional and the martial." (Adams
1895: 6) In other words, money and the accumulation of wealth, which is
stored energy and as such can be transferred from country to country,
becomes more important than spiritual, emotional, and military protection
against the frightening unknown. The economic man, the financial capitalist
becomes the dominant figure in society. The producers of goods, in
contrast, suffer on account of cheap labor that comes with the extension of
the empire either by military conquest or by the development of
international trade from a superior competitive position. Finally, a climax in
competition as well as concentration is reached, after which capital, the
stored energy, is dissipated. "A reversion may take place to a primitive form
of organism." (Adams 1895: 7) The cycle is then complete.

Brooks Adams illustrates his theory with chapters on the rise and
decline or, in his words, "the expansion and contraction" of ancient Rome,
empires in the middle ages, Constantinople, Spain and India, and especially
England. He observed that, historically, the center of economic power had
moved with the center of international exchange, commercially and
financially, from Rome, to Constantinople, to Venice/Genua/Florence, to the North of the European continent and finally to England. But in his 1895 book he did not yet mention the shift of the center of economic power from England to the United States that was under way already then. His last chapter deals with "modern centralization", that is the rise of the financial capitalist in the industrial age, establishing his control over producers, who are always his debtors, by manipulating his credit in the cycles of boom and bust on the basis of a legal-tender money that has been made very scarce by demonetizing silver and by establishing the gold standard. Brooks Adams took exception from his social and regional background, advocated an international bimetallic standard and thereby backed the proponents of free silver against those of the gold standard in the United States. Consequently, in the 1896 presidential election campaign he supported the cause of the candidate of the Democratic Party, William J. Bryan (1896), against the Republican candidate William McKinley. After his personal wealth as well as that of the Adams family at large had been deeply affected by the financial panic of 1893, which followed the collapse of the Baring Bank in London and the withdrawal of British capital from the U.S., Brooks Adams was convinced that the fetters of the gold standard were better to be avoided and that the currency supply should be made more flexible and less scarce (Anderson 1951: 45-50. Beringause 1955: 99-109). Already in 1894 had he supported bimetallism, and thus a role for silver in the monetary system, with a separate publication, a pamphlet entitled The Gold Standard. An Historical Study, with revised editions in 1895 and 1896.

After McKinley and thus the "gold-bugs" had won the elections, new gold deposits along the Yukon, in Alaska, South Africa, and Australia were exploited. The discovery of the cyanide process for extracting gold from low-grade ores led to a further increase of gold production. Increasing supplies of gold shifted the prevailing downward trend in prices between
1873 to 1896 upward for the next twenty years and brought about an economic upswing. Farmers and manufacturers were relieved from the pressure of debt. Brooks Adams, therefore, lost interest in the free silver issue and accepted the triumph of the "gold-bugs" within his own frame of theory as "the survival of the fittest" solution, like in nature. Already shortly before the election in November 1896 he had distanced himself from the losing Bryan: "Bryan I conceive to be one of the most empty, foolish, and vain youths, ever put into a great crisis by an unkind nature" (B. Adams to H. Adams, Sept. 6, 1896, quoted in Beringause 1955: 153. See also Anderson 1951: 59-61).

In connection with the easy U.S. victory in the war with Spain in 1898, Brooks Adams became a strong advocate of imperialist territorial expansion by the United States in the Pacific, even into China (Beringause 1955: 194). In 1900 he even gave up his membership in the Democratic Party and instead supported the Republicans, especially his friend Theodore Roosevelt, who was elected as McKinley's vice-president in that year (Carson 1983: 96. Beringause 1955: 212). America's strong industrial expansion and its successes in international competition had by now convinced him that the center of economic power had moved from Great Britain to the United States. The consequence of this fact for the goals, the shape, and the instruments of American foreign and domestic policies was the main theme of his volume of collected essays entitled *America's Economic Supremacy*, published in 1900.

In the preface to this booklet, Brooks Adams expresses his view that most of the greatest catastrophes in history can be attributed to the precipitate movement of the international center of empire and wealth from one people to another (Beringause 1955: 195). This center would always be located at the center of trade routes, which would move as a result of
innovations in transport and in production techniques. As to the geographical direction of the shift of power in history, Adams wrote: "For upward of a thousand years the tendency of the economic center of the world has been to move westward, and the Spanish War has only been the shock caused by its passing the Atlantic" (Adams 1900: 104). Among the reasons for the decline of Great Britain's economic power, he mentioned that the British "squander their incomes as they go. In France and America men accumulate" (Adams 1900: 164). Adams reinforced this statement with figures on per capita deposits in savings banks: In 1898 they amounted to $136 in the United States as compared to only $23.60 in Great Britain (Adams 1900: 140). Britain had been liquidating its foreign assets in the 1880s and especially after the Baring crisis in the 1890s, especially in the United States, its largest and most solvent debtor. While the U.S. trade balance had turned favorable, the British was running increasing deficits.

Adams also observed that since about a generation ago, when Germany overthrew France and began to rise in economic importance and to rival the British in world markets, "the English were losing their initiative", that English firms had become dilatory in fulfilling their business contracts, and that "Englishmen would seldom leave their dinners or their sports for business" (Adams 1900: 138). Adams supported this point further by stating that Germans and Americans, because they were more diligent, succeeded economically where British businessmen had given up their enterprise as hopeless, for instance on the island of Jamaica, which American investors were able to turn into a profitable business (Adams 1900: 138).

Adams attributed to the British a lack of initiative and an unwillingness to change also in other fields: in literature, education, transportation, and industry. Neither in bellettristic nor academic literature
did the present generation of Britons produce works of excellence. Earnest scholars from abroad would flock to Vienna, Berlin, and Paris, whereas few would choose Oxford or Cambridge. "In the matter of transportation, it is notorious that the British railways stand substantially where they did twenty years ago, while the advances in America have been bewildering" (Adams 1900: 141-2). As to industry, Adams used as an example that Carnegie [ironically, of British origin] would be able to undersell every competitor in Great Britain, if he liked. "Strangest of all is the mental inertia which prevents the Englishman from comprehending the world about him. He still looks on American competition as an accident, he still regards his railways as the best, he is still pleased with the results attained at his universities, he is satisfied with the place he holds; he does not care to change." He does not realize, Adams concluded, "that beyond the boundaries of Great Britain the methods of organization and administration have altered throughout the world while within they tend to fixity" (Adams 1900: 142). Adams also diagnosed the symptoms of Britain's "decaying vitality" (Adams 1900: 157) in the lack of military stamina that the British troops displayed in the Boer War that was still going on in 1900. As to the condition of the British military and civil service, Adams summarized: "Viewed as a whole, the campaign in South Africa tends to confirm the German view, that English officers are incompetent because they are lazy and idle, and therefore ignorant; and that the English administration is antiquated, sluggish, and corrupt" (Adams 1900: 155).

Brooks Adams saw danger in Great Britain's "decaying vitality". England had acted "as the containing power or balance wheel, of the world" for nearly a century. She could no longer be relied upon to perform that function, "and until a new equilibrium can be attained each community must fight for itself in every corner of the globe" (Adams 1900: 136). The lesson that Adams intended to convey with this diagnosis was that the
United States, in accordance with its economic supremacy, should actively assume responsibility in world politics by forming an alliance with England in an Atlantic system. Such an alliance would be able to compete with the Continental system of Europe, led by Germany and Russia. To bring the combined naval power of the Anglo-Saxon countries to full and unbeatable efficiency in the competition for East Asia, Adams recommended American expansion into Central America and the construction of a canal across the Isthmus. Winning the competition would also require an adaption of domestic structures to the new challenge. In order to reduce administrative waste to a minimum, the trusts should grow and absorb the government or the government should absorb the trusts. Thus, "the Eastern and Western continents would be competing for the most perfect system of State Socialism" (Adams 1900: 106).

Adams was convinced that the contest for world dominance between Britain's most developed industrial rivals, the United States and Germany, and, in a wider framework, between the Atlantic system with its maritime transport and the Continental system with its land transport would be decided in China. Whoever of the two would acquire control of China's natural and human resources, would thus add China's "mass" to the rich supply of "energy" that existed both in the United States and Germany. He "can well hope to defy all rivals...; and on the decision of the fate of China may, perhaps, hinge the economic supremacy of the next century" (Adams 1900: 173). Adams' hope and projection was made clear. Europe would fall "into economic inferiority" due to its shortage in minerals in combination with its high cost of labor. But for geographic and other reasons, Russia, maybe in alliance with Germany, would enter into a rivalry with the United States over China (Adams 1900: 105, 174). As to the outcome, Adams noted: "Probably, within two generations, the United States will have faced about, and its great interests will cover the Pacific, which it will hold like an
inland sea." He was very close to the mark with this forecast of the future as well as with another observation: "...the march of civilization is constant, and the seat of empire has seldom tarried in one city more than a century before indications of displacement have appeared. Just three generations..." (Adams 1900: 167). This brings Thomas Mann's *Buddenbrooks* to mind. At present it looks like the center of economic vitality is indeed continuing its westward movement across the Pacific to Asia. According to Brooks Adams, there is little governments can do to stop such movement but to adjust. "Nature is omnipotent, and nations must float with the tide" (Adams 1900: 81). In *The New Empire*, published in 1902, Brooks Adams saw only one chance for counteracting decline in an environment of changing technology and knowledge: education of youth to greater flexibility and adaptability in order to emancipate society "from the fetters of its own customs", which would no longer conform to what the competitive nature of the historical process rewarded most (Anderson 1951: 92-94).

2. Charles P. Kindleberger on "World Economic Primacy"

Professor Kindleberger has published for decades on the causes and consequences of shifts in economic hegemony, dominance, or leadership from one country to another (and in political power that goes with it). His concern with U.S. economic leadership in the world economy dates as far back as 1961 (Kindleberger 1961). He was attached to the subject from then on and has studied it with an economic history perspective ever since (esp. 1973, 1974, 1978, 1980, 1981, 1989). He has recently summarized his view on these questions in a book entitled *World Economic Primacy 1350 to 1990* (1994 manuscript). At the outset he presents his central hypothesis, namely "that a country's economic vitality goes through a cycle like that of
the human individual" (Kindleberger 1994 manuscript: I-4). He uses a model of economic growth, which also allows for at least relative decline. He assumes that national economies develop along an S, a Gompertz, or a logistic curve. When a leading economy moves along the downward side of the curve, others develop faster along the upward side and become challengers to the leading country, one of them finally taking over the primary role. A major purpose of his book "is to question whether good policy can do much to stretch out growth of a national economy, as good medicine is limited in its ability to prolong human life much beyond the limits set by genetic endowments" (Kindleberger 1994 manuscript: II-4).

The different phases of a nation's economic growth along the S curve are described by Kindleberger either in terms of a craftsman's career: apprentice, journeyman, master (Kindleberger 1975), or - sometimes with an allusion to the experience of his own advanced age - in terms of stages in human life more generally: from youth and adolescence to vigorous adulthood to maturity, and finally to aging (Kindleberger 1978, 1980, 1994 manuscript). The rate of growth of real national income would increase in the earlier stages and decrease thereafter. To be sure, the final stage of a nation is not death, like in individual life, but relative quiescence. Individuals and dogs are mortal. "Aging economies have no choice but to carry on." (Kindleberger 1978: 409) And a nation's life cycle allows for much more "variance, chaos, path dependency, unanticipated outcomes of both unplanned events and policy choices" than that of an individual (Kindleberger 1994 manuscript: III-1). For Kindleberger, it is the capacity of an economy to respond to changes in economic conditions which is the crucial variable to define the stage in a nation's life cycle (Kindleberger 1978: 409).
The first stage, youth and adolescence, is characterized by a learning process. The young economy is likely to be aggressively competitive, but relies on foreign technology. It imitates and thereby does not always respect intellectual property rights. It uses trade protection to foster its infant industries. With its population living in modest circumstances, it is adaptive to changes in economic conditions.

In vigorous adulthood, a nation turns to be innovative on its own, mainly within small firms, and is still highly adaptive to economic change. This stage is marked by a steep increase of real per capita income, with some losers on the side, of course. The financial sector is primarily oriented at the promotion of trade and industry.

Then comes the stage of maturity, where big business comes to the fore, where aggressive, risky innovation is less attractive, and investment is more defensive. Finance is becoming stronger vis-à-vis industry and there is a transition from home to foreign investment, that is, capital is exported and financial claims on foreign countries are being accumulated. Yet, "interest in international finance may itself be an early sign of aging ... Venice, Genoa, Antwerp, Amsterdam, London and New York were first mercantile and then financial centers." (Kindleberger 1978: 412)

Finally, an aging or old economy shows the following symptoms. The economy is less flexible; there is rigidity and resistance to change. It is highly concentrated in monopolies, oligopolies, and cartels. It pursues defensive strategies in international competition, sometimes only following the innovations of others. Big corporations "restrict output to maintain prices, cling to obsolete standards, and resist improvements" (Kindleberger 1994 manuscript: XII-4). Financial institutions have moved to trading assets rather than taking risks in trade and industry. People are generally more preoccupied with wealth rather than output. "Merchants and industrialists
graduate from risk-takers to rentier status." (Ibid.) Rent-seeking, that is pushing vested interests at the political level, becomes an important business. Protection of dying industries is often the outcome. Consumers and taxpayers subsidize jobs in yesterday's industries, and there is less concern for the future as compared to the present. The savings rate declines. Income distribution becomes more unequal. Distributional conflict comes to the fore. Inflation results from this and from the inability of government to raise enough taxes to match expenditure. Innovative creativity and productivity growth are low. There is an increasing governmental and corporate bureaucracy. In short, the aging "country loses its capacity to innovate and to transform smoothly and effectively from one industry in which it is losing comparative advantage to another" (Kindleberger 1978: 413).

Kindleberger emphasizes that "location", i.e. the geographic advantage for trade, mattered a great deal in the formation of centers of growth and economic primacy. He observes that location even played a role in determining the form of government. "Feudalism developed on rich bottom land. The lord exchanged protection against part of the product of his serfs. In mountains there was little output to protect from roving bands or for the lord to extort" (Ibid.: II-5). Such settlements and cities in harbors on the sea that were populated by mobile merchants and seamen would tend toward republicain rather than princely governments.

Kindleberger maintains that there is tension between centralization and pluralism in economic and social organizations. He sees centralization either as an outcome of a deliberate political process in organizing powerful nations like France in the age of Louis XIV or as the outcome of market forces in a sort of Darwinian fashion. In this way, financial centers would emerge when political constraints were lifted, which would allow banks to
choose their business location. He speaks of "the power of the strong" and of "Darwinian manifestation" connected with market processes. "Money markets arrange themselves in hierarchical order", he contends. Kindleberger sees pluralism, on the hand, as yielding advantages over centralization. Instead of decisions from the top down, pluralism would bring change from the bottom up. The former allows for forceful unified action, when required in war, for instance, but poses the danger of uniformity and rigidity, the latter offers the chance of more innovative activity. "Pluralism with an overarching unity" seems to be Kindleberger's preferred model (Ibid.: III-3 to III-6; XII-10 to XII-14).

Innovative activity, in a technological as well as an organizational sense, is viewed by Kindleberger as an indispensable part of the set of necessary conditions for economic growth and of the explanation of national life-cycles "in which vitality waxes and then wanes, with one country succeeding another in economic primacy" (Ibid.: II-14). He embraces the observation of Cardwell (1972) which puzzled Mokyr (1990) "that no country has been on the cutting edge of technical innovation for more than two or three generations" (Kindleberger 1994 manuscript: II-13). The Buddenbrook analogy here again comes to mind.

For a strong economic vitality of a nation to hold out over a third generation or even more, Kindleberger postulates that "new men" or "new families" (Ibid.: II-15, II-21) must replace the old elites and start the cycle anew with fresh energies and innovative capacities. The values of a nation and of its leading families would tend to be different at the end of a period of primacy than at the start. Typically, the orientation and interest would shift from work to play, from thrift to conspicuous consumption, from entrepreneur to rentier, from bourgeois to aristocrat (Ibid.: II-20). As David
Riesman said of the United States, heroes of production were replaced by heroes of consumption.

Kindleberger maintains that war acts as an accelerator for both rise and decline from economic primacy. Depending on the responsiveness of the country, that is "upon the vitality and resilience of the society", the same would be true for economic policy (Ibid.: II-26). But with "rigidity" or "ossification" or "sclerosis" prevailing, even policy measures that once worked to spur growth would be ineffective.

Kindleberger believes that the world economy needs a center in order to be stable and prosperous. Some country has to provide the public goods not only of world peace, but of economic stability and growth as well. He does not believe that a multipolar world system with several countries or international organizations in the lead would provide that kind of stability. Rather, a single country would have to assume responsibility for preserving the stability of the system as a whole (Kindleberger 1973: 289). "It is easier to operate the world economy when one country dominates", but such domination "calls for the responsibility of adopting policies in the overall interest rather than for the glory of first place in the parade of nations." (Kindleberger 1980: 78) He states explicitly that, "in his view, benevolent despotism would be the most efficient system" (Kindleberger 1994 manuscript: XII-20). But it would be unlikely that the despot would stay benevolent. A leading country would no longer assume the responsibility of providing the public goods necessary for international stability, when his economy would show the symptoms of aging. Its economic capacity would fall short of its international commitments, a situation that Paul Kennedy (1987) has dubbed "imperial overstretch".

In this scenario, the most dangerous period for world economic stability and prosperity as well as for international peace would be the one
in which the incumbent leading country would discharge its international responsibilities without another strong economy willing to take them up. Such is Kindleberger's explanation for the worldwide economic and political troubles of the period between the two world wars and for the unsatisfactory economic performance during the last two decades.

In his book on the Great Depression Kindleberger enumerated the fields in which policy-makers of a leading country have to assume responsibility for the functioning of the world economy in order to prevent economic (and political) friction, disintegration, and conflict at the cost of everybody involved:

(1) maintaining a relatively open market for distress goods;

(2) providing countercyclical, or at least stable, long-term lending;

(3) policing a relatively stable system of exchange rates;

(4) ensuring the coordination of macroeconomic policies;

(5) acting as a lender of last resort by providing liquidity in financial crisis (Kindleberger 1973: 289).

Kindleberger's explanation for the severity of the Great Depression is the following. In the interwar period an economically weakened Great Britain was no longer able to perform these functions, as it had done during the century before the First World War, especially since 1870. But the new economic superpower, the United States, was unwilling to step in place. When it finally did so after the disaster of the Second World War, not only did a new kind of stability emerge in the world economy, but also a period of exceptionally rapid economic growth and satisfactory employment up to around 1973.
In his study of the Great Depression and in his latest book (1994 manuscript), Kindleberger is rather skeptical about the possibility that an aging economic leader of the world economy can adopt policy measures that would rejuvenate him and prolong his life in that leading role. His very choice of the concept of a life-cycle for a country's economy already predetermines this conclusion. Protecting aging industries like infant industries certainly would not do the trick (Kindleberger 1978: 408). Rather, opening markets for more competition "may not rejuvenate, but it offers the only chance." (Kindleberger 1980: 77).

But Kindleberger's studies strongly suggest that policy choices play a decisive role in putting a new leading economy into its place of responsibility for stabilizing the world economy. In other words, give and take a few years, economic decline of a leading country is inevitable. But the frictions, disintegration, and conflicts caused by this can be minimized by policy choices. A new leader must decide to fill the vacant place of responsibility as quickly as possible. The longer he hesitates to take over the above-mentioned five functions from his weakened predecessor, the more will world economic growth and stability suffer. This - it seems to me - is the central message of Kindleberger's studies on world economic primacy for policy-makers today and in the future.

3. Similarities and Differences between Brooks Adams and Charles P. Kindleberger

Let me start with similarities:
Both authors are men of an exquisite erudition. They display an immense amount of historical and literary knowledge. They are widely traveled and cosmopolitan in outlook.

They are both concerned with explaining economic power or primacy and especially with its shifting from one location to the next.

Both emphasize the importance of location for a possible leading role. A central location in trade routes is the key. But this in itself is shifting due to innovations in transport or resource availability.

They both hold the view that it serves the stability of the world economy when an economic power is firmly established as the world leader. They both believe that the period in which the leadership role moves from the former to a new center implies friction, instability, and perhaps catastrophe. When the former leader is already too weak and his successor is not yet prepared to shoulder the responsibilities of world leadership, the danger is greatest for economic competition to turn into violent clashes among nations.

Like Kindleberger, Adams requires the economically leading power to take responsibility for the functioning of the world economy (cf. Adams 1900: 20).

Both see the mentality or the value system of a society as a function of its stage of development. Both point out that leading nations in decline lose interest in saving and capital accumulation and become more interested in consumption instead. Adams noted in 1900 that "Englishmen would seldom leave their dinners or their sports for business" (Adams 1900: 138); Kindleberger sees nations in decline as shifting their interest from work to play and from bourgeois to aristocratic.
Both hold the view that the capacity of a society to generate innovations plays a prominent role in bringing about a leading economic role. They both see flexibility, responsiveness, and adaptability of a leading economy, of its members, and its institutions, to the constant change around them as prerequisites to preserve a high level of innovative activity and thus the leading economic role in the world, at least temporarily.

Both authors agree on the observation that the world economic leadership role has seldom stayed with one nation longer than three generations, roughly a century.

Adams and Kindleberger both liken nations to human individuals. They both speak of the "vitality" of a nation or an economy and of growing old (Adams 1900: 103) or aging (Kindleberger 1978).

Both authors believe that there is not much that policy in an old leading country can do to reverse the course of decline. With Adams this follows from his economic determinism borrowed from natural science: "Nature is omnipotent, and nations must float with the tide" (Adams 1900: 81). With Kindleberger this is the outcome of his skepticism based on his knowledge of historical experience. However, both authors believe that, in nations on the rise, contesting for a vacant or soon to be vacant world leadership position, policy can do much to determine the outcome.

There are, however, also important differences between the two:

Adams explains historical developments with a very limited number of variables. His explanatory framework is rigorous in its theoretical construction, but distant from historical realism. Kindleberger's explanations, in contrast, display less theoretical rigor, but more historical realism. They always comprise a much wider range of explanatory variables for a certain historical development and take into account more of the
differences in historical outcomes. Adams - evidently inspired by the
academic fashion of his time - was out to present a "law" of history and in
his economic determinism resembled the theoretical approaches of men
like Karl Marx and Charles A. Beard. Kindleberger, in contrast, is always
willing to concede, if I read him correctly, that the future is open and that
there is no pre-determined outcome of the historical process, and that there
is political room for maneuver to shape the future. He is closer to Karl R.
Popper than to Karl Marx.

For both Adams and Kindleberger, a potential leadership role in the
world economy is based on economic strength and, when the place has
become vacant and is not quickly assumed by a new country, danger looms
for world economic and political stability. But Adams was concerned that
the fragmented and therefore weak American government, especially vis-à-
vis the then tremendously growing private economic power, would not be in
a position to live up to its chance of taking responsibility as a world leader.
Kindleberger, in contrast, never demanded domestic political reforms to
centralize and institutionalize political power, like Adams did, but instead
he is concerned with the concrete content of the economic policy of a world
leader. He never questioned that the American democratic system would be
able to take responsibility for the world economy, but he is worried that
economic policy makers might not be enlightened enough to pursue the
foreign economic policy that is best for stabilizing world economic
development and thereby that of the leading country at the same time. His
historical studies aim at finding the essentials of a leading country's foreign-
economic-policy recipe for stabilizing the world and thereby its own
economy. Kindleberger's primary object of study is the well-functioning of
the world economy, which in itself is seen as a precondition for stabilizing
domestic economic developments in the leading country. Adams, in
contrast, focussed his studies on the functioning of the mechanism whereby
"economic supremacy" shifted from one country to the next. He was anxious that this role be picked up by the United States as an expression of its newly acquired economic power.

It therefore comes as no surprise that Adams supported U.S. imperialism as it developed since the War with Spain in 1898. Like Alfred T. Mahan in his *The Influence of Sea Power upon History* (1890) had equated sea power with national greatness, so did Adams view economic strength as a basis for national power. Adams certainly had some influence on U.S. imperialist policies in the early 20th century through Theodore Roosevelt, who had reviewed his *Law of Civilization and Decay* with a fair amount of understanding and a positive inclination. There is no trace of an appreciation of imperialist posture in Kindleberger's oeuvre. World economic primacy, either as dominance or leadership, is not regarded as an ultimate goal of a nation, but as an instrument to stabilize the world economy and to further every nation's welfare in it in a positive-sum game. For Kindleberger it is not important who leads, but that there is a country that provides the essentials of a leading role.

Adams, in this also a product of his time, was a strong believer in Social Darwinism. Like many of his contemporaries, including Theodore Roosevelt, he was convinced of the intellectual superiority of the white race and saw the Anglo-Saxon world in particular as especially suited for world leadership: the United States in the 20th century like Great Britain in the 19th. Although Kindleberger at times alludes to market processes, especially in money and banking, as a "Darwinian manifestation" or "Darwinian fashion" (Kindleberger 1994 manuscript, III-3, III-5), he shows no trace of being a Social Darwinist in terms of race or natural selection among human groups or individuals. For Adams "the individual counted for

Adams displayed a strong distaste for finance capitalism (cf. Parrington 1930). He published polemics against the "gold-bugs" when public debate over the alleged Cross of Gold (William Jennings Bryan) reached its climax in the mid-1890s. He believed that the monetary system, by turning to gold, was being misused to centralize private economic power. This attitude was mixed with a strong Antisemitism, which he shared with many of his contemporaries of WASP heritage. There is no trace of that in Kindleberger. He is no critic of finance capitalism as such. On the contrary, he has always taken a great interest in its smooth functioning. In line with the Keynesian view of Hymen Minsky (cf. Kindleberger/Laffargue 1982), Kindleberger is aware of the inherent instability of financial systems and of finance capitalism as such. His extensive studies of financial crises in history aim at drawing lessons for shaping stabilization policies today (Kindleberger 1985: esp. 314-319).

A final, more psychological than economic difference is Kindleberger's basic optimism versus Adam's pessimism as to the future of Western civilization. Adams was a prophet of gloom and doom, a precursor of Oswald Spengler, who in Europe prepared the seedbed for radically antidemocratic solutions to the alleged decay of the Occident. Kindleberger, on the other hand, seems to have no bad feelings about shifts in economic primacy away from Europe and North America, perhaps indeed further westward to East Asia, as already Adams foresaw. Wherever he sees and studies dangers for the smooth functioning of the world economy, it is with the intent to learn lessons from history in order to shape a better future. For my part, I am predisposed toward Kindleberger's attitude, not Adam's.
Bibliography

Adams, Brooks (1887), *The Emancipation of Massachusetts*, Boston/New York.


Idem (1994 manuscript), *World Economic Primacy 1350 to 1990*.


PUBLICATIONS

OF THE JOHN F. KENNEDY-INSTITUTE

MATERIALIEN

A complete list of titles (1ff) is available from the institute.


ERNST FRAENKEL VORTRÄGE ZUR AMERIKANISCHEN POLITIK.

WIRTSCHAFT, GESELLSCHAFT UND GESCHICHTE


4. BALDWIN, Robert E.: Recent U.S. Trade Policy at the Multilateral and Bilateral Levels.


7. NAU, Henry R.: America's Staying Power - Does Europe Need a Partner?

**BERLINER BEITRÄGE ZUR AMERIKANISTIK**


**WORKING PAPERS (Geographie/Geschichte/Politik/Soziologie/Wirtschaft)**


2. HOLTFRERICH, Carl-Ludwig: U.S. economic (policy) develop-ment and world trade during the interwar period compared to the last twenty years. Berlin, 1986. (JFKI, Abt. f. Wirtschaft)


All publications are available from

John F. Kennedy-Institut
für Nordamerikastudien
der Freien Universität Berlin
Lansstr. 5 - 9
14195 Berlin
Germany

Oktober 1995