

Richard Pomfret, *The Age of Equality: The Twentieth Century in Economic Perspective* (Belknap Press, 2011)

Reviewed by Tim Hatton¹

It is quite a challenge to survey the economic history of the twentieth century in a little over 200 pages. Richard Pomfret deftly charts a course through the full set of experiences of boom and bust, growth and stagnation, war and revolution, at different times in different parts of the world. Throughout the book there is an emphasis on ideological shifts and, using a framework derived from modern growth theory, of their consequences. Pomfret takes as his organising theme the slogan of the French Revolution: *Liberté, Egalité, Fraternité*. The nineteenth century he sees as the Age of Liberty; liberty in the sense of freedom to choose or exploit the available alternatives, however limited those might be. With capitalism unleashed by the industrial revolution, the abolition of slavery and the final demise of feudalism, that seems an appropriate epithet. But the focus of the book is the twentieth century which, as indicated in the title, is labelled the Age of Equality. As he puts it (p.101): ‘By adding some “freedoms from” to the “freedoms to” that had been established before 1914, the Age of Equality built upon the Age of Liberty’. But the book is not an epistle about the changing income distribution; indeed such statistics rarely rate a mention. Pomfret sees the twentieth century, not as an inexorable trend towards greater economic equality but, rather, as a battle between different ideologies about how to create economic growth and a struggle between interest groups over how its fruits should be distributed.

After a brief introduction, the first chapter glides over the nineteenth century, alighting on some of the key institutions set in train by the Glorious Revolution, which underpinned the growth of the market system inspired by Adam Smith’s invisible hand. Translated into the international setting, this system gave rise after mid-century to the first era of globalisation. Its key elements are succinctly described: the policies and treaties that fuelled the trade boom; the migration that provided labour to exploit distant resources; and the capital flows that were underpinned by the spread of the gold standard. It ends with a summary of the tensions created by growth and globalisation, both within the economic core and between core and periphery — strains that led ultimately to the guns of August 1914.

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Chapter 2 focuses on the two world wars and the economic traumas and policy failures in between. The First World War is viewed here as the fundamental divide between the Age of Liberty and the Age of Equality. It created economic divergence and reversed half a century of globalisation, something that was intensified by the Great Depression. Even more important, it overthrew the pre-existing patterns of power and privilege, leading in some countries to fascism and in others to instability and retrenchment. These events are elegantly described. What is not brought out sufficiently strongly is how they led to redistributive states. Some analysis of why, where and when the franchise was extended down the scale of class and income might have helped the reader gain a firmer grasp of the distributional tensions that led to the emergence of welfare-state capitalism after the Second World War. The next chapter moves on to the Soviet economic model. As with fascism, it is seen as rooted in the belief that wartime planning had worked effectively while free-market capitalism had failed. The account of how communism deepened and transmuted into authoritarianism is well documented; both efficiency and equity were compromised, although there was considerable growth in basic living standards and health. This model proved attractive to some emerging countries, and was forced upon others, as the Soviet Union projected its power during the Cold War.

Chapter 4 charts two key features of the post-war settlement in western democracies: the establishment of welfare states and the growth of multilateralism. Pomfret sees the period from 1914 to 1945 as delaying the onward march of the welfare states that flourished after 1945. But one could just as easily argue that wars and depression forged, rather than simply postponed, both the welfare state and the new multilateralism in international trade and payments. The latter was one key element in the golden age of economic growth, particularly in Europe, between 1945 and 1973, the causes and passing of which are neatly summarised. This era also saw two of the most important post-war developments, the dawn of the Cold War and the sunset of empires. These are the subject of chapter 5, which casts in sharp relief the aspirations for modernisation in the developing world and the competing economic paradigms that newly independent governments faced. For some countries, this might be seen as an age of liberty rather than as an age of equality; for most of their populations it was neither.

The narrative continues with more recent events that are yet to be absorbed into conventional economic histories: the conservative backlash in the West and the collapse of communism. On the former, Margaret Thatcher and Ronald Reagan are seen as the beacons of reform and as the leaders of a partial revival of liberty and a retreat from equity. Perhaps their influence is a little overstated but Pomfret makes a compelling case that the deregulation of banking and finance in this era sowed the seeds for subsequent financial crises. On the latter, chapter 7 explains why in the Soviet Union and Eastern Europe incremental reform

did not work and major reform was politically impossible — that is, until the summer of 1989. It goes on to describe the main features of transition and it explains how and why the pace of economic progress differed across the newly liberated nations. An interesting contrast is drawn between this experience and those of China and Vietnam, where incremental reforms engineered a transition towards a market economy without the same degree of political upheaval.

The final part of the book includes an all-too-brief chapter on the diversity of experience since the 1960s of what was once the Third World but now includes the most dynamic parts of the world economy. These divergences are described either in terms of freeing markets, opening up to trade and moving up the value chain, or successfully exploiting natural resources, or being subject to authoritarian rule and doing neither. In summarising this experience, Pomfret once more emphasises the importance of governance and the consequences for many countries of the demise of communism. In the last chapter, he returns to the guiding theme, stressing the variety of ways that nations responded to the challenge of fostering economic growth, of containing inequality, and of providing a welfare safety net. He then asks whether the world economy will evolve into an age of *Fraternité*. By that he means deeper international cooperation and better global governance. So far there are some encouraging trends, but we shall have to wait another century to see how it turns out.

As with all good books, the strengths of Pomfret's account far outweigh its weaknesses. In my view it fails to live up to its name, *The Age of Equality*, in one important respect. This is that the overarching theme set out at the beginning is not followed through in the narrative in a way that would give the book the distinctive flavour that the author evidently sought. The burgeoning literature on long-run trends in inequality within and between countries is not brought into play. And although the narrative is firmly based in growth theory and market economics there is no underlying political economy framework with which to organise the reader's thinking about the interplay between political regimes, living standards and growth, and the distribution of income. Apart from that, there are a just a few minor niggles. One that sticks in the craw is the use of 'the 1800s' or 'the 1900s' to refer to the whole of a century, rather than just its first decade. [I do wish people wouldn't do that.]

But none of this should detract from the fact that this is an outstandingly clear, cogent and engaging introduction to the economic history of the twentieth century. It is a well-integrated and well-balanced story, told with wisdom and verve, and it deserves the attention of a readership far wider than undergraduates of history or economics. Pomfret's arguments are well-judged and are well-informed both by contemporary analysis and by the historical literature. And all these insights are packed into a text running to little more

than 200 pages. As Winston Churchill might have said had he been writing this review: 'never before in the field of economic history has so much been summarised so elegantly, in so few pages'.