

REVIEWS

Matthew Klein and Michael Pettis, *Trade Wars Are Class Wars: How Rising Inequality Distorts the Global Economy and Threatens International Peace*
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WORLD ASYMMETRIES

The question of class power has made a surprise return in crisis-era mainstream economics. There has been intensive debate over whether capital's rising share of income is due to the growing 'monopsony' power of firms—that is, fewer companies offering jobs—or the declining bargaining power of workers. The interest in class reflects a turn away from representative-agent models to examine the conflicts unfolding in the actual world. Rising inequality was held to be an automatic process in Thomas Piketty's *Capital in the Twenty-First Century*, the inexorable result of 'returns greater than growth', $r > g$. In *Trade Wars Are Class Wars*, Michael Pettis and Matthew Klein envisage lopsided class conflict in a more agentive way. They argue that, beneath the headline-grabbing trade tensions between Beijing and Washington, a more consequential class conflict is unfolding. In trade-surplus countries like China, capitalists are suppressing the incomes of workers and retirees; the workers in trade-deficit countries such as the United States are suffering collateral damage as a result. Today's trade wars are in fact a 'conflict between economic classes'.

Trade Wars Are Class Wars benefits from hands-on experience. Pettis cut his teeth in Wall Street's trading and capital markets in the 1980s before moving to China, where he combines teaching at Peking University with an influential blog, *China Financial Markets*; he published *The Great Rebalancing* in 2013. His young co-author is a financial journalist, a former columnist at *FT Alphaville* and now at *Barron's*, the Dow Jones investors'

weekly. Yet the book is also distinguished by a broad historical canvas and ambitious theoretical reach. Surprisingly, perhaps, its theoretical engine is supplied by J. A. Hobson's passionately anti-financier polemic, *Imperialism* (1902). In Hobson's view, late-nineteenth-century British imperialism was driven by class dynamics internal to the British economy. Capitalists had taken advantage of a weak working class to suppress wage growth, the money going instead to the pockets of London's coupon clippers. As a result, workers were unable to buy much of what they produced, leading to overproduction, crises and rising calls for socialism. Refusing to fix the problem at its root, capitalists responded to growing discontent with 'violent conquest', exporting excess capital abroad rather than distributing it as wages to workers at home. For a time, Hobson argued, foreigners were able to use cheap British loans to buy the products British workers could not afford. However, influxes of British credit far exceeded foreign countries' ability to pay back their loans, with destabilizing consequences.

Pettis and Klein argue that Hobson's insight applies just as well to modern Germany and China: once again, countries with underpaid working populations are exporting capital that scours the globe, blows up credit bubbles and explodes in crisis. (As they acknowledge, this neo-Hobsonite view had been advanced by Kenneth Austin in a 2011 paper, 'Communist China's Capitalism'.) They advance their argument through a critique of neoclassical trade theory, first targeting financial flows and second, global trade. Ricardo's canonical theory of comparative advantage assumed that capital would not leave its origin-country in search of higher returns in other lands. Pettis and Klein demonstrate that it is not a demand for capital from abroad, but rather successive episodes of home-country credit creation—'investment booms and collapses in the major banking economies'—that have driven global credit cycles. In the nineteenth century, interest-rate shifts, banking deregulation or receipt of war reparations at the Bank of England drove international investment surges in the 1820s, 1830s, 1860s and 1890s, all ending in crisis; recalibrations at the Federal Reserve unleashed floods of money in the 1920s, 1970s and 1990s, producing the Crash of 1929, the 1982 Third World debt crisis and the Asian Financial Crisis of 1997. While they acknowledge that such lending can be constructive—pointing to Dutch credit exported to England in the seventeenth century, and English to the US in the nineteenth—they argue that such flows typically originate in creditor countries' search for yields, rather than debtor countries' thirst for credit. In the aftermath of financial crises, capital-exporting countries predictably blame goods-importing countries for profligate spending; but this is just a way to avoid reckoning with their own underconsumption.

The discussion of global trade flows posits the opening of a new era in the last decades of the twentieth century, with the onset of 'the great global glut'

in manufactured goods. Pettis and Klein exceed most of their contemporaries in identifying this; the great glut has been so damaging, they explain, 'in part because standard economics has such difficulty describing it.' Drawing on Keynes, they argue that the glut signals the end of capital scarcity and the arrival of an era of abundance, at least in developed countries. Opportunities for investment have dwindled, as manufacturing has become cheaper than ever before; companies have begun to spend less than they generate in cash flow. Workers' bargaining power has weakened, due to a persistently low demand for their labour. Their argument puts a lot of weight on the internationalization of production, following the containerization revolution: the threat of relocation abroad helps hold down wages at home. As they note, more than half of today's global trade involves the movement of unfinished goods circulating within three cross-border production networks, centred on the US, Germany and China (Japan dropped out of the picture after 2008 in their account). The internationalization of production not only violates the tenants of neoclassical trade theory; it also upends 'trade and investment data', making global statistics increasingly difficult to decipher. Pettis and Klein provide some fascinating detail on American multinationals' use of tax havens and the trillion-dollar profits booked in low-tax jurisdictions such as the Cayman Islands, Ireland and Singapore.

How do these global patterns of capital and trade flows map on to national economies? Three countries—Germany and China, with their giant trade surpluses, and the trade-deficit US—get chapter-length studies. The discussion of the German economy ranges from post-reunification problems through the 2002 Hartz IV reforms to the role of German lending in the 2008 financial crisis. *Trade Wars Are Class Wars* targets the complacency of German policymakers who see trade surpluses as a natural reward for superior production techniques—'total nonsense', they aver. The reward for strong exports should be more imports—a growing capacity to consume the world's products. Instead of raising consumption at home, German surpluses have been recycled into capital exports abroad, a major factor in the bubbles that inflated in Spain, Italy, Portugal, Ireland and Greece and then burst in 2008. Contrary to Schäuble's protestations, these were not driven by the profligacy of borrowers but rather by German banks' desperate efforts: 'massive lending abroad was the only way the banks could reconcile weak German demand for credit and heightened German saving.' The 2008 crisis offered Germany's leaders the chance to rebalance the economy by raising workers' wages and importing more goods from their neighbours. Instead, Berlin used EU structures to impose austerity on the crisis countries, forcing them to rectify trade and government deficits; unsurprisingly, they too experienced rising inequality and a decline in purchasing power for ordinary citizens. The effect was to transform the Eurozone from an internally

trade-balanced regional economy into a titanic trade-surplus problem itself, generating even larger pools of capital hunting the world for yields.

Turning to China, Pettis and Klein note that the watershed of the 1997 Asian financial crisis ‘changed everything’. Beijing watched as the indebted countries of the region were obliged to submit to humiliating IMF interventions, while in Indonesia, Suharto’s seemingly rock-stable regime collapsed as foreign capital withdrew. China’s leaders were determined that would never happen to the CCP. Beijing’s response was to accumulate trillions of dollars, invested in US and European financial assets which provided the means for rising debt in the rest of the world, while maintaining strict capital controls at home. Ordinary Chinese citizens have had few options for their savings other than deposits in regional state banks, where interest rates are very low. Local governments then invest these savings without having to worry about returns or solvency. After the financial crisis, as American and European loan-appetites declined, the central government pushed local authorities for a massive increase in public investment—‘building elaborate subway stations in desolate marshlands’—to achieve growth targets despite the deceleration of private economic activity.

While poverty still plagues much of the country, viable infrastructural investment vehicles have become harder to find. Pettis and Klein argue that some regional authorities now systematically overstate their capital investment; if so, Chinese GDP has grown more slowly than official statistics suggest—and debt levels are correspondingly higher. Faced first with the external limits of foreign demand for credit, and then the internal limits of state-led investment, China launched the Belt and Road Initiative in 2013. For Pettis and Klein, the BRI is not primarily a strategy for gaining territory or military bases, but just another way to manage late-stage Chinese imbalances (for Hobson, of course, it could be both). In their account, China’s exploits in Asia after 2013 mirror Germany’s adventures in Europe after 2008. The regional hegemon exports the downsides of its domestic development model abroad, in a way that does little to resolve its underlying structural issues. In the case of the BRI, the process involves gigantic infrastructural investments in foreign countries, often leading to bad debts incurred by recipient governments as well as much environmental damage. Yet the overall appetite for debt in BRI-loan-recipient countries remains dwarfed by the scale of China’s reserves. This is a huge problem for China. Slower export growth since 2009, due both to weakening global demand and a strengthening yuan, has done nothing to lessen these trade imbalances for, thanks to the ‘Made in China 2025’ campaign, imports have fallen too: the country is now producing more of the intermediate components it once bought in. As a result, ‘the glut of excess Chinese production has only gotten worse and the burden imposed on China’s trade partners to absorb this glut

has only gotten bigger.’ Its giant trade surplus, and thus the country’s growing hunger for assets, has made China a major destabilizing force in the international economy, alongside a Germanicized Europe.

In many ways, the US has much in common with Germany: a rising capital share of income, suppressed wage growth, welfare translated into workfare. Yet the US is the world’s leading debtor country, not a trade-surplus economy, as Pettis and Klein’s theory requires. How is this discrepancy to be explained? The authors point to the unique position of the US dollar, the world’s premier reserve currency, and the qualities of the American financial system, whose ‘flexibility, size and concern for the rights of foreign investors’ make it so attractive to those with large quantities of money to manage; US sovereign debt is plentiful, easy to trade and free of default risk; dollars are universally accepted as payment. Given the world’s appetite for dollar-denominated debt, the US can run large fiscal and trade deficits without suffering the usual negative consequences. This exceptional position was famously dubbed an ‘exorbitant privilege’ by Giscard d’Estaing. Pettis and Klein reverse the term: the dollar’s international status has imposed an ‘exorbitant burden’ on the US. The vast inflows of funds since the 1990s, accelerating after the 1997 Asian crisis, kept US credit cheap and the dollar strong, while domestic manufacturing was undermined by foreign competition, leading to job losses, wage stagnation and rising debt. In becoming the main destination for the world’s capital exports, the US also necessarily became its importer of last resort, intensifying the deindustrialization of the American economy while creating destabilizing financial bubbles.

If, in Hobson’s terms, China and Germany are the new capital-exporting ‘imperialists’, then the US is their hapless victim, a ‘sink for foreign gluts’. The country’s open capital and consumer markets worked in the post-war era, Pettis and Klein argue, when the US economy constituted 50 per cent of the capitalist world. Today it makes up less than a quarter of world GDP and lacks the capacity to absorb all the saving imbalances of the other three-quarters. Yet—this twist appears only in the closing pages—American political elites refuse to countenance any real reform, for they are fighting their own class war. American financiers have profited from producing investment assets to accommodate the world’s savings. The US Treasury approach is driven by ‘what makes sense’ for the major commercial and investment banks and the owners of financial capital; other Americans are assured that they will benefit from the trickle-down. US financiers’ interests are thus complementary to those of Chinese and German industrialists—and opposed to those of American workers and retirees. Any reform will need to be pushed through in the teeth of this financial class: ‘The deficit countries’—i.e., the US—‘must find a way to *force* the elites in the surplus

countries to internalize the costs of their behaviour, and they must do so in the face of substantial opposition from their own elites.'

How is this to be done? The policy conclusions of *Trade Wars Are Class Wars* follow from its under-consumptionist theory: to reduce both destabilizing international capital flows and global industrial overcapacity, surpluses must be redistributed from the richest asset-owners to workers and retirees, raising mass living standards and opening new fields for safe investment, outside the US system. China should eliminate *hukou* restrictions, expand the social safety net, enable workers' organizations to fight for higher wages, distribute dividends from SOEs to the populace, invest in environmental protection, tax the rich, support a strong yuan. The Eurozone should follow the same model, federalizing fiscal policy as much as possible with an EU Treasury to issue debt, levy taxes and take charge of unemployment insurance and retirement security; Germany should aim to create a 4 per cent budget deficit by lowering taxes and investing in green infrastructure. The US should, first, aim to shift the burden of absorbing unwanted flows from the private sector to the federal government—generating budget deficits through infrastructure and social safety-net investment, rather than encouraging households to take out debt they can't afford. Government demand should support the domestic manufacturing sector. But if the surplus countries refuse to reform, the US will need to move towards the gradual closure of its capital and consumer markets, withdrawing from world trade in order to focus on resolving its extreme inequalities and renewing its degraded infrastructure.

Trade Wars Are Class Wars should be warmly welcomed as an ambitious and radical work. In the examples of Germany and China, the authors find ample evidence for the role that capital exports have played in destabilizing the world economy. How should its overall analysis be assessed? A first point to note is their misconception of the dynamics driving the 'late-comer' export economies, by contrast to the 'early developers'. In the cases of postwar Germany, Japan and China, low wages—plus adoption of existing advanced technology—were a condition of genuine export-led *growth*, making for the export not of surpluses but of goods, which dominated world markets because of their competitiveness and provided high profits which were re-invested. As Pettis and Klein note themselves in the case of Japan, it is undeniable that there has to a certain extent been a virtuous circle for workers in these countries, as export-competitiveness led to rising investment, rising employment and rising wages—before they ran into the problem of the 'great glut', amplified by their own impressive productivity. The problem for the early developers, the UK and US, was different. Both the early-twentieth-century UK and the late-twentieth-century US had relatively

high wages by global standards and were therefore squeezed by low-wage competitors. This meant they did export capital abroad: though Pettis and Klein don't explore this, US multinationals' FDI is indeed fairly profitable. But in neither case does the dynamic start from wage-suppressing elites.

Pettis and Klein's causal argument runs from asymmetrical domestic class conflict to rising inequality, which leads in turn to gluts of manufacturing goods, job loss and rising indebtedness. By depressing wages domestically, firms end up depending on global sources of demand for their expansion while also reducing total spending in the global economy. Unfortunately, the book gets its causal mechanism exactly backwards. In Pettis and Klein's account, global competitive pressures are a 'fetish'—a mere 'euphemism for pushing wages down', either directly or through currency depreciation and weaker social-safety nets—that capitalists deploy in their wars on workers. In fact, the global glut is real and causally primary; the pressures it has induced to cut wage costs and depreciate currencies, to gain competitive advantages, are stark. This glut did not arrive with the explosion of containerization in the 1980s, as Klein and Pettis argue, but earlier, with the successful penetration of German and Japanese exports into the previously impervious US domestic market in the mid-1960s. As Robert Brenner argued in *The Economics of Global Turbulence*, heightened international competition at that time was already beginning to put downward pressure on the prices of manufactured goods, forcing US firms to control costs, first, by repressing the growth of wages relative to that of productivity, and second, by building out the supply chains that gave US firms access to lower-waged labour overseas. Reducing trade surpluses today would not resolve the tendency towards global overcapacity, which has issued in endemic under-investment and worsening economic stagnation worldwide. It would merely redistribute its consequences differently across nations—which is precisely what has happened in the past, with the US as the primary agent shaping the redistribution.

Far from being a victim, the US was in fact the first country to commit to a combined class/trade war in the post-Bretton Woods era. Although Pettis and Klein discuss the origins and dissolution of Bretton Woods, they do not consider the consequence of its end. Unable to protect the home market from rising foreign imports directly, while fighting a losing war in Vietnam, the US did so indirectly, by effecting a dramatic decline in the value of the dollar: from 360 yen in 1971 to a low of 85 yen in 1995, and from 3.6 DM to a low of 1.4 DM over the same period. Washington achieved this stunning devaluation in two bouts, first between 1971 and 1979, and second—following the course correction that began with the Volcker shock and ended with the Plaza Accord—between 1985 and 1995. Over this entire

period, the US capitalist class made war on its workers, holding wage growth down to an incredible extent. A side effect of this strategy was, of course, that US producers were forced to rely on the growth of global demand for their own expansion. As US firms' competitiveness improved, that issued in a reversal of the US trade deficit and the onset of the 1990s tech boom, led by manufactured exports. If the US economy looks eerily like that of Germany and China, this is not the result of a growing American trade deficit in the 2000s. It is a consequence of the US's earlier competitiveness strategy, from 1971 to 1995.

This move did not create the global 'glut of manufactured goods'. On the contrary, it was a direct response to it. However, it did force other countries to bear the consequences of that glut to a greater extent. Due to the strengthening of their currencies after 1971, German and Japanese firms faced worsening competitive positions. They were forced to try to hold down wage growth relative to productivity growth to survive. The Bonn and Tokyo governments did their best to defend their currencies against appreciation, but with little success. In discussing Germany's economic weaknesses in the 1990s, the authors fail to take account of the radical strengthening Deutsche Mark. Nor do they mention the chorus of Anglo-American economists at the OECD who had pushed for Germany and other countries to enact structural-adjustment policies from the 1980s. While they discuss IMF interventions in the aftermath of the 1997 Asian financial crisis, they barely touch on the earlier history of IMF interventions, which rammed through structural-adjustment policies across the globe. From the 1982 Third World debt crisis onwards, 'Washington Consensus' officials have used the opportunity of debt and currency crises to enforce labour, trade and financial-market deregulation and to push countries to reduce their debt levels by exporting overseas. Insofar as they have oriented towards production for world markets—holding down wages to preserve competitiveness, while accumulating reserves to protect their currencies from attack—these countries were doing what they had to do, faced both with a more competitive economic environment and with US-led political and financial pressure.

Pettis and Klein are right to say that IFI policy-makers pushing for structural adjustment could neither conceive nor predict the resulting intensification of global glut. As firms depressed wages locally and tried to elbow their way into international supply chains, the effect was to lower global aggregate demand while forcing market participants to depend on it all the more. This was a classic 'fallacy of composition'. Given a slowdown in world growth rates, countries that grew quickly in this environment, like China, could do so only at the expense of countries like Brazil, South Africa and the Philippines, which began to deindustrialize in the 1980s—or failed to industrialize at all.

As global stagnation worsened, the US did come to assume a new position in international markets. Its main partner in this reversal is, however, largely absent from their account. Japan was the first country to accumulate massive dollar reserves, forging the path that China would later follow. But unlike China, there is little evidence that Japan did so as an outcome of its internal 'class war'. At a time when inequality in the US was rising sharply, income differentials in Japan remained low. Despite lacking what should be, according to *Trade Wars Are Class Wars*, the engine of capital exports, Japanese financial institutions bought huge quantities of dollar-denominated debt, starting in 1982, and continued to accumulate large holdings in the years that followed, partly because the Bank of Japan kept its interest rate so low relative to the Fed's, in a desperate but failed attempt to slow the pace of the yen's appreciation after 1985. At the same time, the Japanese government opened the floodgates of credit, seeking to encourage productivity-enhancing investments in new fixed capital to preserve international competitiveness. When the country's asset bubble burst in 1991, the Japanese economy crashed. By 1995, it threatened to collapse completely, which—given Japan's large dollar-denominated assets—would have destabilized the American economy, too. It was in this environment that Washington agreed to engineer a re-strengthening of the dollar. Evidently, by the mid-90s, the world economy had borne about as much of a falling dollar as it could take. One side effect of the dollar's strengthening after 1995 was to destabilize those Asian and Latin American economies that had pegged their currency to the greenback—redounding to the benefit of China and Mexico, who had already devalued their currencies relative to the dollar rather than rising with it, as did the won and the baht. The major effect of this global currency reversal was to weaken American manufacturers' international positions: they could no longer count on a falling dollar to boost their competitiveness. The early-90s manufacturing boom summarily gave way to the late-90s tech bubble.

The end of the long era of dollar weakening transformed the class dynamics of the US economy. On the one hand, given their growing reliance on global supply chains, retail giants like Walmart benefited from a strong dollar, even if domestic manufacturing suffered. On the other, as Pettis and Klein rightly underline, by the late-90s financialization had created a newly enlarged and buoyant financial elite, which was sustained and even advanced by periodic state-rescue operations in the aftermath of financial crises. The alliance among American retailers, American financiers and foreign manufacturers did come at the expense of the American working class. But the US elite had been fighting to disconnect its fortunes from those of the working class for decades, while at the same time placating and profiting from key sectors of it through loans and rising real-estate values,

as a substitute for rising wages. Indeed, the American elite was more successful in this venture than those of other advanced-capitalist countries. It is true that America's willingness to act as a buyer of last resort kept the world economy ticking over through a period of worsening stagnation, at the cost of inflating asset bubbles and furthering America's deindustrialization. But that was no skin off the backs of the country's staggeringly wealthy elite.

The deflation of those asset bubbles—followed now by an even steeper pandemic recession—has revealed the limits of US debt-fuelled global stimulus, once again laying bare the underlying tendency towards global stagnation, driven by a lack of viable investment opportunities worldwide. But, as noted, reducing trade surpluses today would not solve this causally primary dynamic, which has been the main source of persistent under-investment. On the contrary, as *Trade Wars Are Class Wars* admits, rebalancing would impose 'significant costs' on the rest of the world and, eventually, the US. In fact, it would likely cause a global great depression. Had it not been for the US relenting in 1995, that would have been the result a quarter-century ago.

To understand why, it may be useful to examine some of the tensions at play in the theoretical edifice of *Trade Wars Are Class Wars*. Pettis and Klein attempt to marry a Hobsonian theory of the sources of global economic troubles to a Keynesian account of their solutions. They revere Keynes's 1944 plan for the postwar monetary order, which would have forced not only trade-deficit but also trade-surplus countries to adjust in response to global imbalances. This was rejected by the US—'foolishly', they say, since the latter went on to become the world's largest debtor nation. It is true that Keynes's proposal would have produced a more balanced global order, and a better one for Britain, but it also would have been less trade dependent. Rather than allowing a regime to emerge granting countries a greater degree of independence, the US pressured its postwar allies to commit themselves to an American-dominated, free-trade and Cold War order. The US achieved these goals, first, by pushing for radical devaluations of European and Japanese currencies in 1949, thereby transforming those countries into export-machines, and, second, by refusing to ratify the charter of the International Trade Organization that same year, which would have made domestic full employment equal in importance to global free trade in international law. These moves may have been foolish for the world but not for America's security state.

Ultimately, the marriage of Hobson and Keynes that the authors propose must be an unhappy one. For although Keynes saw Hobson's theory as a forerunner to his own, his two major criticisms of Hobson could apply equally to *Trade Wars Are Class Wars*. First, Keynes contested Hobson's account of the mechanism by which working-class under-consumption tended

to generate economic crises. For Hobson, high levels of elite over-saving automatically translated into domestic over-investment, encouraging elite savings to go abroad in search of foreigners willing to purchase otherwise unsalable domestic products. For Keynes, the issue was not over-investment but under-investment. As the marginal efficiency of capital (Keynes's proxy for the rate of profit) fell towards the rate of interest, productive investment failed to take place. Savings that would have otherwise been generated failed to be created at all. Whereas for Hobson, the issue is one of a frenetic mis-allocation of resources—the wrong sort of growth—Keynes's account is about worsening stagnation. Insofar as he saw this originating in a *longue durée* structural development—the declining scarcity of capital—Keynes's account points towards a deeper theory of capitalism's long-term tendencies not unlike Marx's own.

For that reason, although Keynes suggested that Hobson's solution to under-consumption was technically viable, he elected not to endorse Hobson's views. Here was Keynes's second criticism of Hobson, which again applies to *Trade Wars Are Class Wars*. If incomes were transferred from the rich to the poor, the savings rate would fall. Less investment would be needed to stabilize the economy at a high level of employment. The result, however, would be continued stagnation. Pettis and Klein frequently describe their argument as favouring a more balanced economy, both nationally and internationally, when in fact they are calling for a global commitment to persistently lower rates of growth. In discussing China, they do note that 'growth rates will slow significantly' as the economy rebalanced, falling under their proposals from the current 6 per cent target to 3 or 4 per cent. Decelerating growth may be part of the solution to the climate crisis, but without a corresponding rebalancing of global income levels, poorer countries will be locked at current development levels. If the Chinese growth rate were to halve, the horizon for catching up with the West in *per capita* income would recede.

Keynes argued for a different set of policies. Instead of accepting slower, more consumption-driven growth, as advocated by his American associate Alvin Hansen, he urged postwar governments to step on the accelerator, ramping up investment levels to achieve full employment. If the private sector was unwilling to invest due to low rates of profitability, then the public sector could act in its stead. Pettis and Klein end up offering their own version of a Keynesian solution: the US and EU governments should issue large quantities of bonds to meet the world's demand for American and European assets, using the cash thereby obtained to invest in a better social-safety net, public transit and a green-energy transition. But, Keynes would respond, hurtling forward in this way requires that one be hurtling somewhere.

Keynes was quite clear about where he thought we should be heading. Upon reaching the state of capital abundance, he suggested that the way to rebalance the economy was by substantially reducing work hours. This was the solution he famously offered to his grandchildren. Today, his metaphorical great-great-grandchildren need this solution even more so: not just an increase in labour demand, but also a major reduction in the labour supply, attained via a shortened work week. Given current technologies, it would be easy to meet everyone's needs, while also working less, if the incomes of high earners were radically reduced, and if profitability considerations no longer guided investment. Why are contemporary Keynesians so unwilling to take on board Keynes's post-scarcity economy?

Part of the reason is certainly that the end of scarcity would ultimately mean the end of an elite-dominated order (to say so is to mark, of course, a tension in Keynes's own worldview). *Trade Wars Are Class Wars* offers no shortage of criticisms of elites—a natural outgrowth of the book's attention, not only to rising inequality, but also to the one-sided class war from which inequality arises. But like other members of today's Keynesian revival, they want to convince the elites to submit voluntarily to rational state direction, altruistically surrendering their accumulated wealth and power. This position can only end in confusion. As their own account amply demonstrates, no country—whether Germany, China, Japan or the imperial United Kingdom—has voluntarily made adjustments that cut deeply against the interests of elites, whether because the state is composed of members of the elite class or because it cannot act against elite interests without inviting the economic catastrophe it is trying to prevent. As they admit in their conclusion, America's position within the global order entails major benefits for its elite—but this is to concede that there is little chance for change from the top. The alternative—which promises at least coherence, if not a substantially more optimistic outlook—would be to accept that hope lies not in the emergence of an enlightened elite, but rather, in an evening-up of class struggle—that is, from the side of the working class. To think class politics, you need not only Hobson and Keynes but also Marx and Engels.