

branches of government. That was only delayed, not avoided. The Court left no clear legal precedent on the primary constitutional question.

Edwards deals ably with the economic consequences. He makes a case that monetary easing in 1934 occurred because of the gold clause decision. But easing had always been in the Fed's power, even with the gold standard. There is no question that the United States had joined the long list of defaulting governments. Near-term recovery, which was not permanent, came at a long-run cost.

Edwards's interest in this important U.S. episode stemmed from his experience with the Argentine debt default of 2002. The facts differ, but the legal and economic issues are similar. The U.S. government of 1933 had borrowed in gold dollars and wanted to pay back in paper dollars (to simplify). The Argentine government had borrowed in dollars and wanted to pay back in pesos. Both governments argued economic necessity. The United States litigated in its own court system and won as a practical matter. Argentina litigated in international arbitration panels and lost. One could easily conclude that there are different rules for large and small countries.

Referencing Reinhart and Rogoff's *This Time Is Different*, Edwards observes that "sovereign debt restructurings constitute a never-ending story, which repeats itself with an astonishing degree of circularity." I highly recommend *American Default*. It is more than compelling history; it is a tract for our times.

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The Virtue of Nationalism

Yoram Hazony

New York: Basic Books, 2018, 304 pp.

In his eloquent and ambitious defense of the virtues of nationalism, Yoram Hazony has a clear political target: the "emerging liberal construction" that opposes the idea that nations should have their "unique laws, traditions, and policies." Hazony wants to make nationalism great again, so to speak, and he considers the global elite unduly biased against it. By his account, the self-absorbed cosmopolitan advocates of effacing national diversities and specificities are

disdainful of the habits and affections of localism, and thus lack understanding of history and peoples.

While he is right to be infuriated by the hypocrisy of contemporary elites, he distorts European history to persuade the reader of his concept of nationalism. And that concept seems to be a particular, narrowly defined one that we might call pluralism. His argument, essentially, is that a world of nations is a world where nations accept each one's right to be different. Alas, we know that this was not always the case—when the principle of nationality occupies center stage, it tends to have little tolerance for any other ideal. Nationalism tends to become an obsession for its followers and to claim the monopoly of good in the public sphere.

An Israeli, Hazony is a man of his circumstances, and sometimes proudly so. He is understandably frustrated by “the international efforts to smear Israel, to corner Israel, to delegitimize Israel and drive it from the family of nations.” His national loyalty pervades the book and, although his sense of belonging is laudable, it leads him to make arguments that are tendentious to the point of being illogical.

Hazony sees liberalism as an international approach to politics, one that plays with gimmicks such as the idea of a universal human nature to foster supra-national government. This latter can be seen as anti-democratic: democracy requires people who speak one language, a lasting legacy of nationalism. It is not by chance that universal franchise is alien to international agencies—they are at best technocracies, whose actions reflect the ideology of a tiny minority rather than the wisdom of the people at large. Hazony thus defends nationalism as the broad political worldview to which Israel, England, and the United States now adhere, in contrast to the United Nations or the European Union.

Could such an understanding of the great game of power in the contemporary world, with advocates of international bodies opposing champions of nations, be a good narrative for European history at large? *The Virtue of Nationalism* is basically predicated on such an attempt.

For Hazony, the advent of Protestantism in Europe in the 16th century allowed the creation of “national laboratories for developing and testing the institutions and freedoms we now associate with the West.” He sees institutional pluralism and the lack of a strong, leveling central power as an offspring of the Treaty of Westphalia rather

than as a feature of European history that goes back at least to the fall of the Roman Empire.

By so doing, he is blind to the extent to which Europe was pluralistic during the Middle Ages. One of the faults of Hazony's book is that he considers ideas only at their face value. It is true that the Catholic Church aimed to be universal. But it was precisely this claim to universality that made it oppose political power in the Investiture Controversy, and such struggles between popes and monarchs helped make liberty and pluralism possible. By weakening each other's hegemonic pretenses, conflicts between the Church and empires helped produce self-governing cities throughout Europe.

But in Hazony's understanding, the history of Europe becomes "the long struggle of nations such as England, the Netherlands, and France to liberate themselves from the pretensions to universal empire of the German and Spanish Habsburgs (that is, the 'Holy Roman Empire')." This is hardly a persuasive story. Let's forget for a moment that both England and the Netherlands were, for more than four centuries, large colonial empires themselves. Can European history really be seen as a struggle between England and France, on the one hand, and Germany and Austria on the other?

England was intermittently at war with France from the 13th to the 19th century. On the other hand, the current English dynasty once bore the name of "Hanover." The personal union of the Kingdom of Hanover and the United Kingdom ended only in 1837, with Queen Victoria's accession to the throne. And Victoria's husband was German, Prince Albert of Saxe-Coburg and Gotha. Britain and Austria-Hungary were allies in the first half of the 18th century and later in their resistance against France and Napoleon.

European history didn't start with World War I. Even if it did, that would hardly say much in favor of nationalism, let alone its virtues as a growing medium for tolerance and peaceful coexistence.

But Hazony has a different view. One can't but admire his intellectual acrobatics. He dissociates nationalism from "national socialism." For him, "Hitler was no advocate of nationalism," because the Führer saw the national state "as an effete contrivance of the English and French." Instead, Hitler longed for his own version of the German Holy Roman Empire. "The Nazi extermination of the Jews in Poland, Russia, and the rest of Europe and North Africa was not a national policy but a global one. . . . It could not have been conceived

or attempted outside the context of Hitler's effort to revive and perfect long-standing German aspirations for universal empire."

To see how unfortunate this reasoning is, one needs to remember nothing further than the infamous Nazi motto: "Ein Volk, ein Reich, ein Führer." The Volk was not to be bounded by the borders of post-World War I Germany but should claim its proper place on the world stage. The nation, then, was to make the state. This is nothing else but the core of nationalism, albeit with distinct racial overtones.

Logically and historically, the alternative to national states is not a national empire (or super-state) but rather a government in which power doesn't see its legitimacy as a byproduct of ruling over a single nation. This was indeed the case with the old order of multinational empires. Whatever Hitler wanted to build, it was clearly not a multinational, or supra-national, state.

The Volk molds the new political order; it commands its homogeneity. The adoption of one single point of view, that of the "nation," is what defines nationalism. The tendency toward leveling and homogenizing is thus far stronger in the case of Germany than in the case of multinational empires such as Austria-Hungary, with its 11 official languages. If only because of size, such an empire needs a certain tolerance of different ethnicities, religions, and cultures. The quest for a homogeneous community is precisely what made nationalism so appealing in democratic polities—and it is perhaps the driving force behind its revival in our multicultural societies.

Hazon's book should be contrasted with Elie Kedourie's superb work on the same subject (*Nationalism*, 1960). Hazon offers a classic definition of a nation, "a number of tribes with a common language or religion, and a past history of acting as a body for the common defense and other large-scale enterprises." Kedourie pointed out that "in nationalist doctrine, language, race, culture, and sometimes even religion, constitute different aspects of the same primordial entity, the nation."

The national idea is never content with ancillary status once it gets into politics. It drives a movement for political independence as the ultimate political end. It becomes the *terminus ad quem* of public policy and, for many, the end which justifies all means. "National welfare," how many have died in your name?

For a great stretch of human history, different ethnicities lived together in supra-national political bodies. They didn't necessarily

live happily together, but neither did they think the secret of political serenity lay in sharing a homogeneous “nation.”

For Hazony, liberalism is *ipso facto* internationalism. But is it? For “modern” liberals, of the John Rawls kind, the national state is a necessary evil, as no other entity has proved so efficient in redistributing wealth. For “classical” liberals, of the Milton Friedman kind, the confidence in international trade often goes together with a preference for smaller, local government. Some, like the German Ordoliberals, try to “encase” national government in supra-national, constitutional projects such as the European Union (or at least a version of it). But liberals are hardly a homogeneous bloc, including on this issue.

Indeed, many liberals thought that a national state with a certain degree of homogeneity was the proper seat for free, democratic institutions. Indeed, liberals hoped national states might eventually be more peaceful than big empires—as republics, they would be freed from the dynastic links that often led to European wars. Ludwig von Mises said something similar in sketching the contours of a “liberal or pacific nationalism” in his *Nation, State and the Economy* (1919). “The princely state has no natural boundaries. . . . To keep on acquiring new possessions until one encounters an equally strong or stronger adversary—that is the striving of kings.”

It is then particularly ironic that, as a champion of the dangers liberalism may produce “when detached from its biblical and Protestant origins,” Hazony thinks that Mises advocated world government in his 1927 manifesto *Liberalism*. Mises and Hayek, Hazony maintains, “argued that a consistent application of the liberal point of view leads to an international federal state without significant boundaries between nations.”

Mises is typically so stubbornly clear that it should be impossible to misunderstand him. Yet Hazony carefully searches for a quotation that allows him to make the libertarian economist a champion of an allegedly aggressive neoliberal order. He picks a section in *Liberalism* where Mises talks of “nothing less than unqualified, unconditional acceptance of liberalism” pervading the world and thus breeding the conditions of world peace. The great Austrian was actually criticizing the international body of the time (the League of Nations), expressing hope for “a frame of mind” that looks to see individual rights protected, not just within one’s country but also abroad. While he used the word “superstate,” what he was actually discussing is a liberal sensibility that may traverse national boundaries.

This comes from a Misesian attempt to sketch out “a liberal foreign policy.” That section of *Liberalism* is a remarkable collection of caveats against allegedly peace-fostering policies that could backfire (from “standardized” education to the creation of “economic areas”). Indeed, Mises thinks that “a world order must be established in which nations and national groups are so satisfied with living conditions that they will not feel impelled to resort to the desperate expedient of war.” Such a humanitarian attitude, which is indeed part of the classical liberal legacy, was all the more cogent after the disastrous experience of World War I.

“The unqualified, unconditional acceptance of liberalism” was, for Mises, a “frame of mind” to be accomplished through development and cultural persuasion, not a strategy to be accomplished at gunpoint. Global fraternity was not to result from coercively leveling cultures, nor by forcing national governments into legal straitjackets, but by the prosperity bred by people trading with each other—so thought Cobden, Bright, and Spencer, none of whom was a fan of the British Empire. They all were wary, before Mises, of emergent nationalism, colonialism, and imperialism.

Hazony considers this idea of global fraternity “dogmatic and utopian” as “it assumes that the final truths concerning mankind’s fate have long since been discovered, and that all that remains is to find a way to impose them.” Such a statement has some vague resonance with Mises’s point, but only if we consider the idea that being richer and living longer is the “final truth concerning mankind” and “imposing” as a synonym for allowing people to find their own way out of misery.

One can agree with Hazony that it is naive to assume that “political life is governed largely or exclusively on the basis of the calculations of consenting individuals.” But to assume that governments are just bigger families is the oldest trick of the apologists for interventionism. “Paternalism” never goes with limited government.

Hazony’s entire profession of faith in nationalism is predicated upon the idea that “mutual loyalty of individuals to one another is the most powerful force operative in the political realm.” But does mutual loyalty have to reverberate in loyalty to a national state? Isn’t it the case that some people indeed feel loyal to their church, their family, their town, their football club far more than, or at least as much as, to an abstract notion called “the nation”?

In his sympathy for England and the United States, Hazony's nationalism has stronger liberal nuances than he himself would admit. It is hard not to sympathize with his criticism of the hypocrisy of the global elite. But even though he concedes that there is such a thing as a "neo-nationalism" that follows Rousseau and the French revolutionaries and "is known for its tendency toward absolutism," his rosy portrait of nationalism is not convincing. He envisions an "international order of national states" based on national independence and what he calls "the biblical moral minimum for legitimate government." In the Bible, "the king or ruler, in order to rule by right" needs to "devote himself to the protection of his people in their life, family, and property, to justice in the courts, to the maintenance of the Sabbath, and to the public recognition of the one God." In modern jargon, the ruler needs to assure "the minimum requirements for a life of personal freedom and dignity for all."

Alas, this "all" is limited by the boundaries of what the nation is: a bigger tribe, which is very often ruthless toward those who do not belong to it.

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Redesigning Democracy: More Ideas for Better Rules

Hans Gersbach

Cham, Switzerland: Springer International Publishing, 2017, 248 pp.

In his speech in the House of Commons on November 11, 1947, Winston Churchill famously said, "Democracy is the worst form of government, except for all those other forms that have been tried from time to time."

Churchill was and is still right. Even the best democracies have fundamental problems. The Hobbesian problem remains: a monopoly of government power, even if necessary to maintain the rule of law, can lead to the deterioration of democratic systems and the inadequate provision of public goods. Such a development can be currently seen in countries like Venezuela and Turkey.

But even if no fundamental threats to the rule of law occur as they have in Venezuela and Turkey, there are other hidden influences that can slowly erode individual liberty and extend the power of