and the restrictions in witnesses interrogated and documentation examined, it was not surprising that the Roberts commission censured the Hawaiian commanders" (pp. 37–38). Such inconsistency mars the third chapter, and Melosi's apologies for the administration seem feeble and arbitrary.

Melosi argues persuasively that the administration's tactic of blaming the local commanders backfired. If Kimmel and Short were at fault, then certain questions about their superiors inevitably followed. Furthermore, by refusing the disgraced commanders an early public trial (which might have embarrassed the administration) and postponing their courts-martial until after the war, Roosevelt, Stimson, and Knox kept the issue festering.

Melosi skillfully traces the efforts of the administration to fend off a public inquiry. The fear that inspired those efforts grew with time. An internal investigation by Admiral Thomas C. Hart on behalf of the Navy department in early 1944 revealed that that department, for one, had reason to be apprehensive. In mid-1944 congressional critics forced full-scale investigations by both the Army and Navy as a prelude to possible courts-martial. The Army Pearl Harbor Board found that the administration had failed to give adequate warning to General Short at Pearl Harbor. The Navy Court of Inquiry delivered parallel findings.

THE ROOSEVELT AND TRUMAN administrations managed to cover up the damaging reports until after the end of the war. Even after the Truman administration released the Army and Navy reports in late 1945, the public remained suspicious and more prone to blame the politicians than the military men for the defeat at the Pacific outpost.

A joint congressional investigation, from November 15, 1945, to May 31, 1946, did not completely quell the public's suspicions.

That investigation found that officials in both Hawaii and Washington had to bear some responsibility for what had happened. With this finding, the wartime debate over Pearl Harbor came to an end.

Melosi appears surprised that the partisan political setting of the U.S. Congress could yield evenhanded investigative reports on the disaster. Time and again in his narrative one finds outcroppings of the traditional liberal suspicion of partisan politics. And yet, as this study shows so well, it was such politics that forced the Roosevelt and Truman administrations to reveal as much as they did about the defeat.

The breakdown of partisan politics during the election of 1944 made easier the emergence of the national security state. The Roosevelt administration persuaded Thomas Dewey for reasons of "national security" not to reveal that for some time preceding December 1941 the U.S. government had been able to read the coded messages passed between Tokyo and Japanese outposts in Honolulu, Washington, and elsewhere. The administration did not want the Japanese to learn of this achievement for obvious military reasons; nor did they want the American voters to learn of it, because it might lead the electorate to wonder whether Roosevelt and his advisers hadn't known at some point before December 7 that war, perhaps even the attack on Pearl Harbor, was coming. By acceding to the administration's overtures, Dewey denied the American people the opportunity to pass judgment on the policies that had led to war. He helped also to pave the way for politicians cloaking their machinations with the term "national security," while evoking the memory of Pearl Harbor's twisted hulks. ❏

THE INTERNATIONAL MONETARY SYSTEM, 1945–1976: An Insider's View, by Robert Solomon. Harper & Row, 381 pp., $17.50.

THE ORIGINS OF INTERNATIONAL ECONOMIC DISORDER: A Study of United States International Monetary Policy from World War II to the Present, by Fred L. Block. University of California Press, 282 pp., $14.00.

Monetary nonsense

MURRAY N. ROTHBARD

AT THE END OF WORLD WAR II an all-powerful United States succeeded in imposing on the western world its major economic war aim: the Bretton Woods international monetary system, establishing fixed exchange rates and the dollar as the base of world currencies. That system was thought to be engraved in stone; yet by the end of the 1960s Bretton Woods lay in ruins. But this was only one part of the monetary history of this century. Since World War I the leading nations have been stumbling and bumbling in their approach to international monetary affairs. The world has been pulled in and out of fixed exchange rates, various degrees of fluctuating exchange rates, international collaboration, harsh "beggar thy neighbor" monetary and economic warfare, various forms of partial reliance on gold, and different kinds of pound, dollar, and "paper gold" standards. During this same period, the world has suffered from myriad monetary crises; runs on gold, the pound, and the dollar; and jerry-built agreements that are supposedly eternal but that collapse in a few months. (The Smithsonian Agreement of December 1971, which President Nixon hailed as "the greatest monetary agreement of all time," collapsed within a year and a half.)

One would think that being on the inside of many decades of careening one step ahead of monetary chaos might induce a sober, even cynical, spirit; that it might lead the insider to call for keeping one's metaphorical air-raid shelter well-stocked and at the ready. But such is not the case with Dr. Robert Solomon, a Harvard Ph.D., for many years a leading insider as the Federal Reserve Board's chief international economist, and now enjoying R&R at the Brookings Institution. On the contrary, Dr. Solomon's view from the top is almost incredibly benign. Not only is there no sense that any real crises ever took place, but Solomon's book is an outstanding example of what has been called the "Whig theory of history," readily summed up as the thesis that "whatever was, was right." And so, regardless of what flop of a plan was adopted by the United States or the western world, even if it lasted only a few months, it was *right for that time span.* Considering the somber record of international money in this period, "Whig theory of history" is a kindly label; "Pollyanna in the nursery" might be more appropriate.

SOLOMON'S NAIVE APPROACH IS facilitated by the fact that, although an able monetary technician, he shows no sign whatever of economic understanding, of apprehending the causes of the economic situations he and we found ourselves in. One example will suffice: After World War II, the countries of Europe and Asia discovered that they could not find dollars to buy in foreign exchange markets. Hence, establishment economists came up with the idea of a mysterious "dollar shortage," a shortage somehow embedded in the structure of world economies and destined to be quasi-permanent. A few years after the dollar shortage theory was discovered and solemnly intoned, lo and behold! the world began to experience a dollar glut; the world was increasingly awash in dollars. The turning point, in fact, can be pinpointed: 1950. Some of our more perceptive economists have since taken to ridiculing the prophets of the permanent dollar shortage. Not so Dr. Solomon, the quintessence of Establishment Man. No, for Solomon, such a view is unkind; instead, displaying no insight whatever into the causes either of the advent of the shortage or of its reversal, Solomon maintains that the theorists of the dollar shortage were correct for the 1940s and became incorrect only after the shortage disappeared. To Solomon the causes of these changes rested vaguely in production and

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postwar reconstruction—important phenomena, no doubt, but irrelevant to whether the dollar is short or in plentiful supply.

The *pons asinorum* of economics is to realize that aggregate concepts like "production," "spending," "unemployment," or "shortage" are meaningless except in reference to the question, *At what price?* The dollar was "short" before 1950 because foreign countries fixed their exchange rates too high and the dollar too low. Making the dollar artificially cheap meant that it could not be found in the foreign exchange markets. As soon as the leading European countries devalued their currencies in 1949 and made them realistically cheaper in terms of the dollar, the so-called structural and permanent "shortage" disappeared, as if by magic. None of this elementary economic lesson has penetrated Dr. Solomon's sphere of knowledge.

But, politically, after all, it didn't make much difference, for the conclusions of the Establishment were the same, whether the dollar was plagued by shortage or glut. The inference drawn from the "shortage" was that foreign countries could not possibly acquire their own dollars, so the United States *had to* supply them with countless billions of dollars in foreign aid. Later, when they had plenty of dollars, the conclusion was that the United States had to pump more dollars abroad in order to "enhance their liquidity" (read "promote inflation"). Whatever the contingency, then, Establishment economics and politics decree that the U.S. government should pump more dollars into the economy and that some dollars should go abroad to fuel a boom there. In short, the recipe is for continuing worldwide inflation.

WHILE THE TITLE OF THE Solomon book specifies 1945 as the taking-off point of his discussion, the bulk of it is devoted to the period after 1960. Admittedly, it is a lively presentation, chock-full of facts; and while the book is hopeless for economic interpretation or analysis, it is a useful compendium of what happened. Don't look, however, for *real* inside dopester material or any sort of keen critique of plans, suggestions, or personnel. *That* sort of material can be expected only of *ex*-insiders, preferably embittered ones. Solomon's personal inside material is limited to the "how prescient I was to submit that report" variety.

The author's politico-economic views are, as to be expected, *echt* Establishment. Viewing every event and proposal since 1945 as marching onward and upward into the light, Solomon is quite simply delighted with the current jumbled mess of an international monetary order: a cooperatively "managed" (others would call it a "dirty") float of exchange rates, with that annoying commodity, gold, being supposedly phased out, and with Special Drawing Rights (SDR)—a harbinger of a future world reserve bank issuing a new world paper currency. If the U.S. Establishment were ever able to bludgeon West Germany, Switzerland, France, and other "hard money" countries into it, that sort of world reserve bank is what we would have, enabling us to have continuing "controlled" worldwide inflation with no international economic conflict.

There are enough facts in Solomon's book, however, for alternative explanations and viewpoints to peep through. Thus, the "phasing out" of gold has been proclaimed by U.S. authorities (the main opponents of gold) for many years, but gold is coming back stronger than ever—witness its recent price rise to more than $160 an ounce (after its enemies, for the umpteenth time, maintained it would never go above $130), and witness the fact that after January 1978 central banks will, for the first time in decades, be able to buy gold on the market without restriction. Also, one can piece together from Solomon's work at least the outlines of the most fascinating international politico-economic struggle of the post-World War II period: the attempt of Charles de Gaulle to combat United States-dollar imperialism by stressing and returning to gold. De Gaulle's attempt was defeated early by the inflationary effects of the economic concessions to the French "revolution" of 1968. But gold, as a commodity dug out of the ground and therefore not totally subject to political control and unlimited creation (as is paper currency), is and will be the major weapon by which the West European antiinflationary countries can try to counteract the continuing inflationary thrust of American state capitalism.

The leading American official on international money matters is the undersecretary of the treasury for monetary affairs. During the post-World War II period the major holders of this post were Paul Volcker (now powerful head of the Federal Reserve Bank of New York) and his successor, Jack Bennett. It is not surprising that Solomon either doesn't know or doesn't care that both men were heavily in the Rockefeller ambit, Volcker at one time serving as personal representative of David Rockefeller on international monetary matters, and Bennett having worked almost two decades for Exxon. Both men were the major militant opponents of gold and advocates of fiat paper in this era. Perhaps this was not a coincidence.

WHILE THE SOLOMON BOOK is at least chock-full of facts, Fred Block's work has no redeeming feature. Block seems to know far less about economics than does Solomon; indeed, especially on monetary matters, Block seems to have a genius for error. He understands not at all the intimate connection between the supply of money and inflation of prices—the cornerstone of monetary economics. Block's naive faith that socialism or collectivism will cure inflation simply lacks any theoretical or empirical backing whatsoever.

One would think that a socialist would at least be alive to international economic power struggles, but the major disappointment of the Block book is that it is even less helpful than Solomon's, which at least provides some of the facts. There is not a word in Block's discussion about de Gaulle's gold policy and the gold vs. dollar struggle, not a word about Volcker, Bennett, and the Rockefeller connection. Even when Block discusses the origins of the Marshall Plan and mentions the key role of William L. Clayton as undersecretary of state, he says not a word about the critical fact that Clayton's own cotton brokerage firm of Anderson, Clayton & Co. benefited from a multi-million-dollar cotton contract under the Marshall Plan.

We are still looking for good sense and understanding on the development of the current international monetary mess. That analysis would have to combine the insights of economic theory and of power politics: a knowledge of the influence of the quantity of money on prices and on exchange rates, with a sensitivity to the use of money to advance the power and wealth of privileged interests. In short, a rare blend of the best of "right wing" and "left wing" analyses. ❏

TRUTH AND IDEOLOGY, by Hans Barth. University of California Press, 218 pp., $12.75.

The dilemma of ideology

J. N. GRAY

IT IS ONE OF THE MOST DISTINCtive paradoxes of our age that at a time when militant worldviews each claim a monopoly of final truth about man and society, the idea of truth itself is everywhere under suspicion. Thinking himself to have arrived at the age of reason, modern man has discarded faith and dogma and has embraced a range of ideologies which, in seeking to invalidate their rivals by identifying the motives and interests that support them, have succeeded only in spreading a general disbelief in the power of human reason.

In a critical history of thought from Bacon through Marx and Nietzsche to the present day, the Swiss social philosopher Hans Barth elaborates upon the implications of this paradox as he finds it in the work of several of Europe's foremost thinkers. He does this in the context of a study of the concept of ideology, discovering its origin in the writings of one of the lesser-known philosophers of the French Enlightenment, and tracing its changing uses down into our own time.

Published in 1945, just a year before he accepted a professorship in philosophy and political science at the University of Zurich, *Truth and Ideology*—now rendered into English in a good free translation—aims to be a more rigorous exposition of the ideas he expressed during the previous 16 years in the columns of the *Neue Zürcher Zeitung*. Europe's history in these years was one of economic dislocations accompanied by cultural collapse and political convulsions, and this background of crisis informs the whole book, infusing its scholarly content with a sense of passionate urgency. Like Camus' *L'Homme révolté*, with which it has much in common, *Truth and Ideology* aspires to offer a diagnosis of our deepest maladies.

Barth's account of the coining during the period of the French Revolution of the word *ideologie* in the writings of Antoine Destutt de Tracy fills in a neglected area of modern intellectual history. It shows that while de Tracy understood by ideology a science of ideas that would uncover the natural history of the human mind and provide the foundation of all the other sciences, we owe our current understanding of *ideology* to Napoleon Bonaparte. For it was Bonaparte who first used the term derogatively to denote the speculative abstractions of the philosophers of the Enlightenment, whose systems of ideas he regarded as little more than intellectual conceits with scant relation to the realities of society and history.

Although it was Bonaparte who conferred on the concept of ideology its distinctive sense, in which it serves to devalue any ideas to which it is applied, Barth shows how it was the founders of the theory of ideology themselves who inaugurated the ominous modern tradition of denigration of human reason. Like Bacon before him, but without his lingering attachment to religion or his political conservatism, de Tracy sought a method by which the intellect could be purged of its prejudices, and the growth of knowledge encouraged. He found this in the program of reducing all ideas to their constituent sensations, and in a passive conception of the human mind which supported the Enlightenment belief in the virtual omnipotence of education.

BARTH SUGGESTS THAT DEspite their strong commitment to the search for truth, the germ of modern irrationalism lies concealed in the theory of ideology as developed by such writers as de Tracy, Helvetius, and Holbach. For in propagating a view of the mind as merely a receptacle of sensations that had been manipulated from time immemorial by priests and kings, the theorists of ideology helped to destroy the belief in its autonomy. True, just as calling a banknote counterfeit presupposes the extreme of genuine currency, so the founders of the theory of ideology affirmed their conviction of the reality of truth in their very project of attacking error and the vested interests that supported it. Yet the impact of their teaching was to weaken the conception of the human mind as a faculty oriented toward the discovery of truth.

The implications of this fatal ambiguity in the theory of ideology are further explored by Barth in his critical discussion of the more developed theories of Marx and Nietzsche. In what is plainly the book's central chapter, Barth analyzes the miscellany of ideas that achieved a precarious synthesis in Marx's theory of false consciousness. From Hegel, Marx took the redemptive view of history as the unfolding of a single subject's possibilities, while from Feuerbach he derived his conception of man as a creative being alienated from the frozen and petrified products of his own free activity. Adding to these beliefs the classical economists' conviction of the value of human labor and the significance of its division in complex societies, Marx advanced his materialistic conception of history, in which changes in human thought were understood to reflect modifications in the economic basis of society.

The main thrust of the chapter, however, is not to be found in its exploration of the obscure claim that the mode of production ultimately determines the dominant ideas of a society. It is in the claim, made before Barth by the heretical Hungarian Marxist Lukacs, that Marxism itself cannot be exempt from understanding and criticism in terms of the materialist conception of history which it comprehends. It is Barth's conclusion that because of the paradoxes of self-reference into which it falls, the Marxian theory of false consciousness is self-defeating. On the one hand, it asserts the universal dependency of human thought on social conditions, while on the other hand it claims for itself a privileged stance detached from the conditionings of historical circumstance. If Marxism is supposed to be true, rather than merely a myth that is useful in promoting the interests of the proletariat, then we can know it to be true only by exercising powers of autonomous reason

> **Viewing the mind as only a receptacle of sensations, the theorists of ideology helped to destroy the belief in its autonomy.**

whose reality Marxism itself denies. So, if we can know that Marxism is true, it must be false. According to Barth, Nietzsche's nihilistic critique of knowledge founders in a similar self-contradiction. If, as Nietzsche argues, all human thought expresses a will to power, so that objective judgment is an illusion, what are we to think of Nietzsche's own philosophy? If we have any reason to think it true, then it, too, must be false.

IT IS THIS ANCIENT ARGUMENT against skepticism that gives the book a recurring theme, but its main value lies elsewhere. It is in Barth's meticulous and persuasive account of ideologies as missionary worldviews containing built-in safeguards against criticism and automatic mechanisms for undermining the claims to truth of their competitors. As Popper would say, ideologies are immunized against falsification; this is, in fact, what distinguishes them from science and philosophy. We have learned from such writers as Alastair MacIntyre and Thomas Szasz to regard psychoanalysis as a typical ideology that

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