

## 8 Geopolitics and international capitalism

### Theoretical perspectives

This chapter is an attempt to explain the overall relations between geopolitics and capitalism through the “long nineteenth century.” Yet it also weaves a third term into the equation: European (becoming Western) civilization. Europe had long been a multi-power-actor civilization embodying an inherent contradiction: geopolitically highly competitive unto war, yet regulated by common norms. Eighteenth-century war became more destructive and costly, yet also more profitable for the Great Powers and also partly regulated by transnational institutions and by multistate diplomacy. Society had two levels, of the state and of Europe. The enormous surge in collective power generated by capitalism and industrialism burst into this half-regulated, two-level world, carrying contradictory transnational, national, and nationalist implications.

1. Revolutions in ideological and economic power relations boosted a partly transnational civil society (as Chapter 2 notes). Networks of discursive, moralizing literacy penetrated state boundaries; private-property rights were institutionalized throughout Europe, largely autonomous of states. Thus capitalist expansion might blow away state rivalries. Europe might industrialize transnationally to become the core of a global economy and society, as most nineteenth-century writers expected.

We can separate “strong” and “weak” versions. The strong version would predict the virtual demise of states. Transnational classes would be pacific. Universal peace might ensue, hoped liberals from Kant to John Stuart Mill. State infrastructures might remain to aid capitalist development, but the old military states would be swept away. Laissez-faire conceptions of interest would displace mercantilist and imperialist ones – now and then perhaps invoking a little selective protectionism. Under “weak” transnationalism states might continue their private foreign policies, even make war, but without major implications for economy or society. Power structure would be dual: a transnational capitalist economy and limited rivalries between states.

2. But capitalist industrialization, when entwined with state modernization, also strengthened national organization. Nineteenth-century state infrastructural expansion unintentionally “naturalized” economic

actors (I explain this in Chapter 14). Capitalism also threw up extensive classes, politicized by state finances, demanding citizenship. Old regimes countered by incorporating them into the more mobilized segmental organizations of authoritarian monarchy. Both class demands and regime responses led Europe toward nation-states in the three ways distinguished in Chapter 7. In countries like Britain and France an existing state controlled by a homogeneous cultural and linguistic “ruling class nation” was broadened into a state-reinforcing nation. Second, in countries like Germany and Italy an ideological community united by culture and language but divided into many states became politically united, forming a state-creating nation. Third, large confederal states like the Austrian and Ottoman empires were broken apart by regional nationalisms, state-subverting nations, later forming their own nation-states. Nation-states dominated virtually the entire West by 1918. Classes had become more nationally confined, forcing states away from their traditional autonomy and society away from transnationalism.

3. Capitalism and industrialism also entailed nationalist organization. Capitalism developed entwined with aggressive geopolitics. Its mobilizing powers might enhance territorial conceptions of interest and struggles between nations. Mercantilism might now really become, as Colbert put it, “*un combat perpetuel*.” Europe was steadily consolidating through war into fewer, larger states, and profitable colonialism enhanced militarism. As world systems theorists (Wallerstein 1974; Chase-Dunn 1989: 201–55) have demonstrated, the “capitalist world system” became dual – free markets, free labor in its Western core, unequal exchange, coerced labor in its periphery. This might impact back upon the West, enhancing its aggressive nationalist organization.

Thus capitalism and industrialism were three-dimensional. Market competition was inherently transnational, offering diffuse profit opportunities to property owners wherever commodities could be produced and exchanged, regardless of political boundaries. Second, politicized social classes organized at the level of the authoritative, territorial state. The more they agitated there, the more territorialized and “naturalized” they became. Third, as capitalism became caged by state boundaries, it picked up colonial and European territorial rivalries. Capitalism and industrialism were always and simultaneously transnational, national, and nationalist, generating complex, variable power relations.

Yet “strong” versions of theories 1 and 3 have mostly ruled social theory, as rivals and with occasional compromises emerging between them. Theorists from Vico through the Enlightenment to Saint-Simon, Comte, Spencer, and Marx expected the triumph of strong trans-

society becomes naturalized state less authoritarian

nationalism. At the beginning of the twentieth century this liberal-Marxian view seemed dramatically wrong, so nationalists proclaimed and liberals and Marxians bemoaned the coming triumph of nationalism (often also of racialism), that is, "superstratification" by one nation-state over another. Fascism and Nazism took this to extremes. With the triumph of the liberal-Marxian allies in World War II, explicit nationalism became unfashionable, but its influence lingers on. Much history is written as the history of rival national states. Realism also theorizes diplomatic history as the power of the sovereign state set amid international anarchy. Giddens (1985) has also offered a compatible theory of the state: Nation-states, the "great power containers," the "discipliners," and the "surveillers" of social life have ever strengthened their domestic and geopolitical grip on society. But liberal-Marxian transnationalism has also made a comeback in the post-1945 world, in the form of interdependence and world systems theories. And a liberal-Marxian-realist compromise has emerged: Global interdependence depends on the presence of a single, benign hegemonic Power.

Because of Marxian-liberal dominance, most recent theories of geopolitics have been ostensibly economic, reducing "power" to economic power. Marshaling military and economic statistics, Kennedy concludes:

All of the major shifts in the world's military-power balances have followed alterations in the productive balances; and . . . the rising and falling of the various empires and states . . . has been confirmed by the outcomes of the major Great Power wars, where victory has always gone to the side with the greatest material resources. [1988: 439]

Wars merely "confirm" changes in productive powers, which determine geopolitics. Actually, however, Kennedy's theory is ultimately dual. Because he treats Great Power rivalry and war as constants in social development, economic power merely provides the means to prosecute ends defined by them. Kennedy does not try to theorize relations between the two, nor does he discuss how order and peace rather than disorder and war sometimes characterize international relations.

This last issue has been addressed by realism and Marxism, explaining nineteenth- and twentieth-century alternations of war and peace in terms of hegemony or hegemonic stability. Hegemonic states, or hegemons, are powerful ones that can set norms and exercise government functions in the overall international arena. Kindleberger (1973) originated the theory by explaining the crisis of the 1930s as the failure of the United States to step into Britain's discarded hegemonic

shoes. The United States could now have set international norms but refused, accepting its hegemonic role only after 1945. "The British couldn't, the United States wouldn't." International capitalism needed a hegemon to avoid competitive devaluations, tariff wars, and even real wars.

Realists have developed this argument in what has become an enormous literature (twenty articles in the journal *International Organization* alone). Most writers identify two hegemons setting global free trade norms and avoiding economic instability and major wars: Great Britain through most of the nineteenth century and the United States since 1945. The case of Britain indicates that the hegemon must be not the biggest but, rather, the most advanced economy, able to set new economic norms and institutions. Britain established sterling as the world's reserve currency, the City of London as its financial center and shipping as its primary carrier. Conversely, when multi-Power rivalry prevailed, capitalist development was unstable and wars resulted – in the eighteenth century, in Anglo-German rivalry leading up to World War I, and between the two world wars (Calleo and Rowland 1973; Gilpin 1975: 80–5, 1989; Krasner 1976; Keohane 1980). Yet many writers have come to be skeptical (e.g., Keohane 1980; Rosecrance 1986: 55–9, 99–101; Nye 1990: 49–68; Walter 1991) – and I borrow from their skepticism.

Marxian world system theorists take hegemony a step farther, seeking to end its theoretical dualism. They explain Great Power rivalry in terms of the "single logic of the capitalist world-economy" (Wallerstein 1974, 1984, 1989; Chase-Dunn 1989: 131–42, 154, 166–98; Arrighi 1990 retains more dualism). They add another hegemon, the late seventeenth-century Dutch republic, whose currency, financial institutions, and shipping ruled contemporary capitalism. For the Dutch, British, and American hegemons, naval power is the main link between economic and military hegemony (Modelski 1978, 1987; Modelski and Thompson 1988). The most advanced capitalist national economy confers power, especially naval power, on its state, which then provides geopolitical order in the international economy. Wallerstein concludes, in terms identical with Kennedy's:

It is not the state that leaps ahead politically and militarily that wins the race, but the one that plods along improving inch by inch its long-term competitiveness. . . . Wars may be left to others, until the climactic world war when the hegemonic power must at last invest its resources to clinch victory. [1984: 45–6; cf. Goldstein 1988 and Modelski 1987]

These are great-man, Hobbesian, theories of history transferred to states. They are nationally self-serving – almost all the theorists are

American, pleased to celebrate the world-historical significance and benign rule of the United States. The British join in, pleased that their history is regarded as so great and benign. But the theory is ultimately pessimistic. Realists assume that Powers will continue slugging it out until the end of time unless one becomes so hegemonic as to institute world government. They are dualists: Anarchic Great Power rivalry is a near-eternal determining feature of human power relations; the outcomes of rivalry and bursts of order are determined by economic power relations. World systems theorists, as befits Marxians, see an eventual utopian, economistic outcome when the capitalist economy finally and equally penetrates the entire globe, permitting world revolution and world government.

Such economistic and dual theories are wrong, at least about the past discussed here. Geopolitics and international political economy were more varied, complex and intermittently hopeful, dynamically determined by all sources of social power. Capitalism, states, military power, and ideologies contained contradictory, entwined principles of social organization. Let us see how they jointly determined geopolitical power.

### The determinants of power

I identify five major determinants of geopolitical "power": my four sources plus a distinctive combination of two of them, in military and diplomatic leadership. (This section draws freely upon Knorr 1956 and Morgenthau 1978: 117-70.)

1. *Economic power.* Considerable power is indeed conferred by varying combinations of the size and modernity of a state's economy. Genuinely poor or backward Powers almost never become Great Powers – and only if all other power sources are so favorable as to compensate. But in geopolitics, geo-economics – how an economy is inserted into regional and global geography – also affects economic size and modernity, perhaps increasing their relevance to geopolitics. Britain "waited" centuries until the navigational revolution and the "discovery" of the New World meant wealth and power might be conferred by its offshore geo-economy. Economic power translates into power only if geopolitically relevant, as we will see with all the sources.

2. *Ideological power.* Actors engaged in power ventures may be boosted by ideological resources relevant to geopolitics: a strong sense of collective identity – immanent morale – and morally transcendent beliefs legitimating aggression. If a wealthy capitalist class does not have a national identity, its resources are less mobilizable for a Great

Power project; if a large, well-equipped army does not have good morale, it will be brittle.

3. *Military power.* Amid aggressive geopolitics rich countries without effective armed forces will be defeated and absorbed into more militarily effective states. Some militaries are especially effective for the immediate power Project, as was eighteenth-century Britain or Prussia-Germany then and later. Some are ineffective, like late nineteenth-century Russia. Military power has its own logic: Its organization "coercively concentrates" resources. Economic power, however great, must be mobilized as manpower, armaments, and supplies, coercively disciplined, and then concentrated as effective coercion against the enemy. This requires not just gross national product but also a military able to concentrate it on training and on the battlefield. In 1760, Prussian economic resources were less than Austrian, but as they were better applied to precise military projects, Prussia became the greater Power, acquiring territories over which substantial economic development later occurred. When the two Powers fought their final battle in 1866, the Prussian economy only just led the Austrian one. But Prussian military (and political) mobilization of that economy was decisively superior. Military power resources must also be relevant to the geopolitical task in hand – one needs gunboats, not massed artillery batteries (or nuclear weapons), for gunboat diplomacy.

4. *Political power.* Modern states convert economic and ideological resources, gross national product and morale, into military power – a task at which they may be more or less effective. Organski and Kugler (1980: 64-103) show that in wars fought since 1945, economic resources did not predict outcomes. What they call superior political organization (although it is actually a mix of ideological, military, and political power) was decisive, as in the victories of Israel over Arab states and of North Vietnam over South Vietnam and the United States. Regime and state administration must effectively supply resources relevant to the geopolitical task at hand. That generally advantaged the more cohesive political regimes, those whose crystallizations and whose faction fighting were more institutionalized.

This was especially relevant to state diplomacy. Economistic theorists seem to forget that all major modern wars have been fought between alliances. Kennedy – rather oddly, as he is a diplomatic historian – takes for granted the fact that France under Napoleon took on all other major Powers; that Austria, without allies, took on both Prussia and Italy in 1866; that Austria and Germany took on Britain, France, and Russia (and, later, Italy and the United States as well) in World War I. By adding up their combined economic resources he accurately predicts who will win. But the alliances won. They require, but do not

get, an explanation. Only after such an explanation, which they do not offer, could hegemonic theorists describe France or Germany as a "failed hegemonic challenger" rather than as an actual hegemon. Had the losers negotiated themselves more powerful allies, they could have been winners, plausible candidates for hegemony.

As we shall see, they failed in diplomacy for two reasons, one political and one ideological. First, their states were incoherent, different political crystallizations pulling them in contrary diplomatic directions, without sovereign institutions to settle the faction fighting. Second, distinctive nationalist ideologies made them inward-looking, neglectful of the usefulness of "foreigners" in alliances. Diplomacy also helps determine peace. Nineteenth-century peace may have resulted more from diplomacy among the Great Powers than from any British hegemony; it may have faltered when that diplomacy shifted rather than when Britain declined.

5. *Leadership.* Complex causality introduces the short term and the contingent. Diplomatic and military decisions in crises become critical. Then the international arena resembles the normless "anarchy" favored by realism. Diplomats then take decisions according to their conceptions of the interests of their state, independently of one another. They cannot easily predict outcomes, for each decision has unintended consequences for the others. (Chapter 21 discusses this further, in the case of the slide toward World War I.) Campaigning uncertainty is even greater. In *War and Peace*, Tolstoy left memorable accounts of the battles of Austerlitz and Borodino, culled from personal experience as an artillery officer in Russia's Turkish wars. Once the cannons fire, the battlefield is covered with dense smoke. Commanders cannot even see what is happening, let alone make appropriate tactical decisions. Sometimes they get it right, more often (according to armchair military historians, who can see the whole field) they get it wrong.

Amid contingent small-group and individual decision making, some outcomes appear as chance and accidents – not strictly random but emanating from the concatenation of many weakly related causal chains (the decisions of several commanders on both sides, the morale of their troops, the quality of their guns, the changing weather, varied terrain, and the like). This requires unusual diplomatic and military abilities. In the absence of objective, comprehensive knowledge, some make decisions that appear disastrous and incompetent. The defeats of a sorry succession of Austrian generals (from Tolstoy's "*le malheureux Mack*" at Austerlitz onward and the Archduke Charles excepted) are often attributed to their blunders. Other statesmen and generals develop a kind of vision of diplomacy or war, a kind of sensing of what will work, what will inspire troops, which they do not fully articulate,

but which does actually work. Tolstoy credited General Kutuzov with a remarkable combination of lethargy, old age, and shrewdness that brought down the great Bonaparte.

We conventionally ascribe such "genius" to idiosyncratic personality characteristics (Rosenau 1966), although it flowers in socially prescribed leadership roles. Vision and genius may occur in any power organization, inventors and successful entrepreneurs may possess it. But in economic power networks, competition, imitation, and adaptation are more patterned, repetitive, and slower paced. Vision can be checked and restrained by market forces. What generals and diplomats decide in a few hours (even minutes) may change the world – as did the flawed military genius of Bonaparte and the diplomatic genius of Bismarck.

Thus the rise and fall of Great Powers was codetermined by five entwined power processes. Because economic power has been crucial to theories of hegemony, and because it can be measured statistically, I start there. Then I move to a narrative combining all five.

#### Economic power and hegemony, 1760–1914

I assess the economic strength of the Powers with the aid of Paul Bairoch's heroic compilations of economic statistics. Given the imperfections of the data, figures can only be crude indicators and some are controversial. (French figures are a battleground for scholars, and Third World figures are largely guesswork.) Because gross national product figures are unreliable when comparing countries at far different levels of development, I focus on sectoral statistics. Economic power helps determine power. In this period that means large manufacturing industries and an efficient agriculture. Which Powers had these?

The most striking finding in Tables 8.1–8.4 is the global expansion of Western economic power. Table 8.2 shows that total Western industrial production was lower than China's until after 1800. Then Europe and North America overtook and rapidly outdistanced the rest of the world. By 1860, they contributed two-thirds of global industrial production, by 1913, more than nine-tenths. These figures may exaggerate the change because they probably underestimate the production of subsistence economies (which consume most of the surplus before it is marketed or before we can measure it). But the overtaking is indisputable. The figures may also indicate geopolitical power better than they do economic power, because states and armed forces depend on marketable, measurable surpluses. Bairoch argues that Western capitalism deindustrialized the Third World, as Table 8.4 indicates.

Table 8.1. *National share of powers in total European gross national product, 1830, 1913*

	1830		1913	
	% GNP	Rank	% GNP	Rank
Russia	18.1	1	20.4	1
France	14.8	2	10.7	4
United Kingdom	14.2	3	17.2	3
Germany	12.5	4	19.4	2
Austria-Hungary	12.4	5	10.1	5
Italy	9.6	6	6.1	6
Spain	6.2	7	2.9	7

Source: Bairoch 1976a: 282.

Table 8.2. *Gross volume of national industrial production, 1750–1913, (U.K. in 1900 = 100)*

	1750	1800	1830	1860	1880	1900	1913
All developed countries	34	47	73	143	223	481	863
Austria-Hungary	4	5	6	10	14	26	41
France	5	6	10	18	25	37	57
Germany	4	5	7	11	27	71	138
Russia	6	8	10	16	25	48	77
United Kingdom	2	6	18	45	73	100	127
United States		1	5	16	47	128	298
Japan	5	5	5	6	8	13	25
Third World	93	99	112	83	67	60	70
China	42	49	55	44	40	34	33
World	127	147	184	226	320	541	933

Source: Bairoch 1982: table 8.

China and India were flooded with cheap Western goods and were reduced to exporting raw materials. This unprecedented shift in geo-economic power made the nineteenth-century West decisive for the globe, the leading edge of power, a hegemonic civilization.

Within Europe, Russia predominated in overall resources throughout the period, owing to population size and a not totally backward economy. Table 8.1 indicates that the Russian gross national product was easily the highest in 1830 and still barely led in 1913. Table 8.2 shows that the gross volume of Russian industry slipped behind that of

Table 8.3. *Per capita level of development of national agriculture, 1840–1910 (100 = net annual production of 10 million calories per male agricultural worker)*

	1840	1860	1880	1900	1910
Austria-Hungary	75	85	100	110	—
France	115	145	140	155	170
Germany	75	105	145	220	250
Russia	70	75	70	90	110
United Kingdom	175	200	235	225	235
United States	215	225	290	310	420
Japan	—	—	16	20	26

Source: Bairoch 1965: table 1. Austrian figures from Bairoch 1973: table 2.

Table 8.4. *Per capita industrialization, 1750–1913 (U.K. in 1900 = 100)*

	1750	1800	1830	1860	1880	1900	1913
All developed countries	8	8	11	16	24	35	55
Austria-Hungary	7	7	8	11	15	23	32
France	9	9	12	20	28	39	59
Germany	8	8	9	15	25	52	85
Russia	6	6	7	8	10	15	20
United Kingdom	10	16	25	64	87	100	115
United States	4	9	14	21	38	69	126
Japan	7	7	7	7	9	12	20
Third World	7	6	6	4	3	2	2
China	8	6	6	4	4	3	3
World	7	6	7	7	9	14	21

Source: Bairoch 1982: table 9.

Britain, then behind that of the United States and Germany, yet it remained that of a great power. By contrast, Tables 8.3 and 8.4 show Russian per capita levels in agriculture and industry falling far below those of other powers. In a century where modernization greatly expanded organizational capacity, this proved costly. Russian military mobilization remained large, but its efficiency lagged.

Around 1760, Russia was followed in total economic resources by two near equals, Britain and France. But nineteenth-century France slipped out of the leading group, outdistanced by Britain, Germany,

and the United States. Britain became the first Power to attain clear economic leadership, with a significant industrial advantage from 1830 to 1880 and (along with the United States) the most efficient agriculture until 1900. (See Table 8.3.) The United States was an ocean away, not much involved in European geopolitics after 1815. But the tables reveal the phenomenal growth in its economic power. By 1913, its industrial economy was twice the size of any other – a giant Power, though still slumbering. The third success story was Germany, rising from parity with its Central European rival, Austria, to lead Europe in gross industrial and agricultural output by 1913 (though still behind Britain in per capita industry). Austria remained the fourth ranked European economic Power throughout the period, its industry even gaining on France's. But as Table 8.3 shows, Austrian agriculture remained backward. This plus political weakness (discussed in Chapter 10) severely weakened Austria.

The undisputed hegemon revealed in these tables is not a single state or Power in the usual sense but Western civilization as a whole, able to "pacify" the globe under its own terms. From the point of view of Indians or Africans it might matter little whether their trader-employer-colonial administrator was British, French, or indeed Danish. Domination was Western, Christian, and white, presenting essentially similar power institutions. From a global perspective the struggles among France, Britain, and Germany might seem epiphenomenal. Whoever won, Europeans (or their colonial cousins) ruled the world, in rather similar ways. Much of the hegemony of this multi-power-actor civilization did not derive from the individual state.

Yet the tables also reveal a potential second-level hegemon within the West. Though Great Britain never attained in the West the overwhelming economic predominance that the West attained globally, it was the clear nineteenth-century economic leader. Did this amount to hegemony? It depends on how we define "hegemony." I first adopt a somewhat arbitrary measure. From 1817 to the 1890s, British governments required the Royal Navy to meet Castlereagh's "two-power standard," possessing more capital ships than the next two navies combined (it usually had more than the next three or four). That was indisputably naval hegemony – and nobody did dispute it until after 1900. Did Britain's economy meet that standard? Was its economy bigger or more advanced than the next two Powers combined?

Britain's overall gross national product did not meet the two-power standard. It was never even the largest of the Western economies (that distinction passed from Russia to the United States). But Britain's economic modernity did meet the standard. Table 8.2 shows that the volume of British industrial production between 1860 and 1880 was

greater than that of the next two Powers combined. But by 1900, Britain's industry did not even rank first; and by 1913, this industrial two-power standard had passed to the United States, which kept it for fifty years. Britain's per capita industrial two-power standard, a better measure of economic modernity, lasted longer, from the 1830s to the 1880s. Britain still retained first rank in 1900, falling just behind the United States by 1913. (See Table 8.4.) In the most modern industries British dominance around 1860 was even more striking, producing half the world's iron, coal, and lignite and manufacturing half the world's supply of raw cotton. Thus Britain's statistical qualifications for hegemony would be something of a compromise between economic size and modernity.

This indicates a borderline, short-lived British overall economic hegemony, which I call near hegemony. Yet it must have far exceeded the economic dominance possessed by the seventeenth-century Dutch republic, suggested by world systems theory as the preceding hegemon. Though the Dutch had the most modern commercial capitalist economy of the period, their overall economic power and their military power on land did not outstrip Spain's. The Dutch economy could not have met my two-power standard, although its navy did. Even earlier, the Portuguese had dwarfed all other navies while remaining a minor economic and land Power. Whatever the later American achievement, no Western Power since the Roman Empire had yet achieved overall economic and military hegemony. As we shall see again in this chapter, Europeans had long experience of preventing overall hegemony.

Yet specialized British hegemonies were present. First, hegemony was regionally specialized, in diplomatic agreement with other Powers, as in the recent tacit agreements between the United States and the Soviet Union to leave each other to dominate their own spheres of the globe. In this period Britain entered diplomatic arrangements whereby Britain ceded Continental in return for naval global dominance. Second, hegemony was sectorally specialized, as hegemonic theorists themselves recognize. In manufacturing, Britain acquired a massive but short-lived historic lead; others imitated and caught up. But other British specialisms were longer-lived, some surviving beyond 1914. Most concerned the circulation of commodities, what Ingham (1984) calls "commercial capitalism": financial instruments, shipping and distribution, and sterling as a reserve currency. These were distinctively transnational instruments of capitalism. Hence the paradox: transnational capitalism was also distinctively British.

So, in economic terms, this was only "specialized near hegemony" by Britain. It presupposed a specialized but absolute military hegemony – the two-power naval standard. This guaranteed British shipping and

international commercial transactions, while sterling's reserve role derived much from the conquest of India, giving a favorable balance of trade and substantial gold reserves. It also had political preconditions: City power was entrenched in the treasury and Bank of England (Ingham 1984). It was also accepted abroad. Others have noted that hegemony seems to need little coercion – the norms of the hegemon appear in everyone's interest, benign, even “natural” (Keohane 1984; Gilpin 1987: 72–3; Arrighi 1990). But, I have argued, this was a little less than “hegemony”; Britain was only the leading Power, fixing transnational rules in *negotiation* with other Powers. Britain was not as powerful as hegemonic theorists assert. The West was hegemonic in the world, but it was still a multi-power-actor civilization. Its diplomacy, its transnational norms, helped structure capitalism. How did it work in the preceding period of intense rivalry?

### Anglo-French rivalry

#### *The eighteenth century*

Around 1760, three Powers – Britain, France, and Russia – stood above the rest. In the east, vast land and population made Russia defensively invulnerable and able to expand south and east as Ottoman Turks and central Asian states declined. Russia stood somewhat geoeconomically and geopolitically apart, half in Asia, leaving the west to Anglo-French rivalry. After these three came Austria and Prussia, whose struggle for Central Europe I discuss in Chapters 9 and 10. The struggles and alliances of these five formed the Western geopolitical core. Next came the peripheral United States, with only an intermittent geopolitical role outside its own continent, and then Powers, with only walk-on parts in this volume – Spain, the Netherlands, Sweden, and a host of smaller states.

For almost the entire eighteenth century, Britain and France contested Western European and colonial leadership, generally leading coalitions of other Powers engaged in European land warfare. According to Holsti's (1991: 89) count of wars between 1715 and 1814, territorial aggrandizement was a significant motive in 67 percent of wars, followed by commercial or navigational issues at 36 percent. Then came dynastic-succession issues at 22 percent, followed by more minor issues. With territory leading commerce, but both important, conceptions of profit were significantly infused by territorial options. Rivalries mixed elements drawn from five of the six international political economies identified in Chapter 3. Territorial dominance within Europe was intermittently attempted by France and other Powers, across the rest of the globe by Britain and France, driven by economic

and geopolitical imperialism (regimes did not yet attempt to mobilize popular social imperialism). “The kingdom's commerce has been made to flourish through war,” Burke bluntly observed. From relatively cheap military and commercial staging posts, European navies coerced the terms of trade with non-Europeans. There were two especially profitable colonies, in India and North America. French and British trading companies encroached on India as its Moghul Empire decayed. As states monopolized military power, the French and British states took over. Indian wealth and trade proved immensely profitable. The flow of European settlers to North America, some exploiting slave labor, also led to profitable trade there. The economic lure of modern imperialism rested substantially on these two profitable bases.

But the Powers were not always at war. In peacetime, they embraced the more moderate form of mercantilism arising in the eighteenth century: The state, while no longer actually encouraging piracy against its rivals, should actively use “power” to secure “plenty” by encouraging exports and discouraging imports with tariffs, quotas, and trade and shipping embargoes – all backed by diplomatic posturing and occasional boarding of foreign ships. Mercantilism did not make self-evident sense, as, without this policy, the actual economy would have consisted of multiple local-regional and transnational markets in which state boundaries would have had little significance. Yet states were still puny. They could but little restrain private-property rights and they had few infrastructural powers of enforcement. Smuggling probably always exceeded registered trade; and transnational ideologies evaded censorship. States developed two more market-oriented political economies – moderate national protectionism and laissez-faire. Toward the end of the century, a number of bilateral treaties reduced some tariffs, though more often from geopolitical than economic motivations.

Thus eighteenth-century international political economy oscillated considerably, but colonial expansion was easy: Islamic and Spanish decline provided power vacuums; the bigger still mopped up the smaller states. Three Powers (Britain, France, and Spain) generated most colonial wars; the rest specialized in European land war. Although war was still “limited” and “gentlemanly” in its methods, as Holsti comments, land war was not limited in its goals, as Powers now sought to dismember each other totally. The lure of aggression strengthened and wars intensified. Only alliance deterrence, the cost of war, and perhaps also a diffuse civilizational sentiment that peace was intrinsically preferable to war held Powers back from more continuous war (Holsti 1991: 87–95, 105–8).

Who would win? France was at first the greatest, more populous and richer in overall resources. The French state mobilized these resources

into an effective military, becoming the leading Power of the late seventeenth and early eighteenth centuries, containable only by grand alliances assembled by Holland and Britain. Then Britain began to threaten. Its agriculture became more efficient, and its seaborne commerce facilitated naval predominance. (Skilled seamen could be trained in peacetime in the merchant marine.) Its manufactures crept ahead after midcentury, though agriculture and services still outweighed industry everywhere. British economic advance was necessary but insufficient to sustain a challenge to France.

Second, the British state became more cohesive than the French (as Chapter 4 argues). The territory of France faced two ways, into Europe and across the Atlantic. Both these "two Frances" crystallized factions within the French state and their pressure made France into both a European land Power and a naval colonial Power. With Britain's rise, France became stretched between its two ambitions. It lacked sovereign political institutions to settle conflicting policies authoritatively. Britain was less stretched and had a sovereign "king in Parliament." Aside from retaining Hanover (its dynasty's home), it had abandoned European territorial aspirations in favor of naval-commercial expansion across the Atlantic, plus acquiring naval stations around the European fringes where other Powers were declining. This strategy was labeled at the time as "bluewater policy" (Brewer 1989). The army was small, the regime concentrating more on its navy to defend the channel so that no enemy could land on British soil. The prestige, resources, and efficiency of the Royal Navy grew. The "ruling class-nation" disputed but resolved its disputes in parliamentary majorities. There formed a geopolitical purpose and a military instrument.

Third, this was also helped by the structure of British capitalism. With more commerce, Britain developed financial institutions that harnessed agrarian and commercial wealth to naval power by way of the Bank of England, City, and treasury (as we saw in Chapter 4). In what Cain and Hopkins (1986, 1987) call the "landed interest" phase of "gentlemanly capitalism," old regime, military, and capitalist state crystallizations fused. They agreed that taxes and loans should finance naval expansion. Rocketing war costs meant that states with greater access to liquid wealth (commerce) could extract more military resources than a state whose wealth was tied up in land. This gave an advantage to Britain over France, just as it had to Holland over Spain. Although no war financed itself, successful naval war over the globe brought more commercial returns than did fighting over European land. Eighteenth-century wars stretched all Powers, but they stretched Britain less per sum expended than any other Power.

Through the mid-eighteenth century astute leadership combined

these three advantages to bring decisive victories. British governments used their liquid merchant capital to subsidize Continental allies (first acquired to defend Hanover), tying down French resources in Europe while the Royal Navy struck at the French Empire and blockaded French ports, thus reducing France's liquid merchant wealth to pay its own allies. Pitt correctly remarked, "Canada will be won in Silesia," where his Prussian allies were fighting. Indian wealth seized after the Battle of Plassey enabled Britain to buy back its national debt from the Dutch (Davis 1979: 55; Wallerstein 1989: 85, 139-40, 181). Moreover, Prussia, faced with defeat, unexpectedly fought its way to victory. Britain and Prussia rose as allies through war, while France and its allies fell. The British responded with the traditional vote of thanks, naming London pubs "The King of Prussia" and "The Princess of Prussia."

During the eighteenth century, Britain won all three wars in which old regime France was trapped into a two-front army and navy war; it lost the only war in which France turned the tables by financing American and Irish rebels. Britain stretched its army between America and Ireland and its navy over the globe. A French fleet slipped unopposed to land its army to which General Cornwallis surrendered at Yorktown. But the Seven Years' War, 1756-63, had secured British dominance over North America, the West Indies, and India, damaged the economies of French ports, and devastated French state finances. The loss of the American colonies proved not to be disastrous, because trade continued to flow between America and Britain. Britain controlled the two most profitable eighteenth-century pickings: India and trade with North America.

This abbreviated summary of British ascendancy includes all five determinants of power. The British economy grew and modernized, geo-economically linked to naval-commercial expansion. This increased the ideological cohesion of state elites and dominant class, and it increased state efficiency in converting wealth and ideology into naval power. Its diplomats grew skilled at redirecting liquid commercial assets to a militarily effective ally on the second front. As Kennedy emphasizes, geopolitical power is relative to other powers. British power had the edge relative to the specifics of its rivalry with France.

By the 1780s, the French still led in continental Europe, but Britain and its navy dominated the sea-lanes and expanding empires. We should not overstate the power of either. British cotton, iron, and mining industries were beginning their revolution. But much of their power was expressed transnationally rather than through state power; and the French government was still confident enough (perhaps wrongly) to sign the Anglo-French Commercial Treaty of 1786, which reduced



mercantilism and tariffs between the two countries. Neither economy or power was hegemonic. Both Powers depended on allies to secure further gains, but the allies would not assist either to be hegemonic. The French had learned the diplomatic lesson and focused on the British threat, maintaining a low profile on the Continent. (They were also short of money.)

Neither Power could inflict damage on the other's territory, as the British army could not defeat the French army and the French army could not cross the channel. As Kennedy describes a similar standoff around 1800: "Like the whale and the elephant, each was by far the largest creature in its own domain" (1988: 124). The Royal Navy whale might look imposing, but it had a lot of ocean to cover. The logistic difficulties were immense. Warships were tiny, under three thousand tons, and fleets comprised fewer than thirty ships. They communicated by flag signals within telescope range. Navies could rarely even find each other in the vast oceans, let alone fight decisive engagements. The French avoided them; the British sought but rarely achieved them. Britain had risen to being France's equal.

The old regime diplomats of Europe had good normative understandings: Preserve the balance of power against a possible hegemon. Geopolitics might rest there for some time, the rising costs of war and the lesser global spoils now available deterring further militarism.

This raises counterfactual speculations. What if the French Revolution had not intervened? If there had been no further wars, would the Industrial Revolution, transnational instruments of capitalism, and global empires have been quite so British? Would there have been any question of British hegemony? We cannot be sure. Wallerstein (1989), in a volte-face from the economism of his earlier writings, argues that British hegemony resulted from two geopolitical triumphs, which, he says, cannot be explained economically. The first triumph I have just described; the second, involving Napoleon, I come to in a moment. I incline to a less optimistic view of French manufacturing than Wallerstein and I separate manufacturing from commercial-naval leads. The Industrial Revolution was aided in Britain and harmed in France by geopolitics, but the British manufacturing lead would have occurred anyway because it resulted from their different domestic economies and the more sympathetic attitude of the British state. But without colonial-commercial war gains, the British could not have so dominated nineteenth-century shipping, international trade, and international credit, and British norms would have been less significant in the international economy. There might have been more disorder (as realists argue) or (more probably) more regulation by transnationalism and by negotiation between Powers sharing social identities and norms.

### *Bonaparte's failed hegemony*

The French Revolution unexpectedly intervened. As we saw in Chapter 6, its diversion into war and conquest had sources quite other than traditional diplomacy or realist power strategies. It introduced for the first time since the Wars of Religion major value- rather than profit-oriented wars. It also introduced into the modern era the final regime of political economy: social imperialism. Its class, secular, and national threats to old regimes led to a ferocious class confrontation and to a French revolutionary army seeking to overthrow old regimes and their diplomacies. War was now less limited, less professional, and less separated from the markets and the classes of rising capitalism. At first, confrontation ranged revolutionary France and its "patriot" allies against an alliance between old regime Austria and Prussia and smaller princely and ecclesiastical states. But when the Revolution faltered, its officer-savior was revealed as a would-be hegemon. The other European regimes responded as customary, but with realism reinforced by class interests.

Napoleon Bonaparte exemplifies my fifth determinant of power – leadership genius. He ruled uniquely, without monarchical legitimacy but absolute, an extraordinary general only defeated by heavy odds, a politician able to institutionalize revolution while personally dominating all rivals. Napoleon's qualities probably had greater significance for world history than anyone else's in the period covered by this volume. We must examine his motives, his successes, his mistakes.

Bonaparte seems to have actually intended global hegemony as early as 1799; the British part schemed, part drifted into theirs. He pursued geopolitical imperialism. Though aware that "power" would bring "plenty" for France, he thought little about this and did not choose precise targets of economic profit. He was clear: "My power depends on my glory and my glory on the victories I have won. My power will fail if I do not feed it on new glories and new victories. Conquest has made me what I am and only conquest can enable me to hold my position." He would then institutionalize hegemony with French civil law, a French common market (the Continental System), and state institutions modeled on French ones. Integration at the top was dynastic – his generals and family were appointed rulers of his client states – though lower down he mobilized disconcerting class and national identities.

Bonaparte's economic power was only that available to the Bourbons before the Revolution. France was wealthy, a necessary condition for his success, but French resources were only equal to Britain's, far less than those of Britain, Prussia, and Austria combined and allied, even without his other intermittent enemy, Russia. Bonaparte's Continental

hegemony was based mainly on his extraordinary ability to mobilize resources as concentrated coercion, as *military* power. He expanded the excellence and ideological élan of the revolutionary armies in three ways, each impacting on the problem of order:

1. He exploited the revolutionary national ideals of citizen-officers in France and in client "sister republics," giving them careers, autonomy, and initiative. After about 1807, his ordinary soldiers were conscripts and mercenaries not dissimilar to soldiers in other armies – though still with a distinct morale based on apparent veneration of "their" emperor. But the officer corps, professionals committed to modern values and guaranteed meritocratic careers, remained more politically committed than officers in most other armies, especially in Central Europe where many were doubting whether their unreformed regimes were sufficiently "modern" to survive. Bonaparte harnessed ideological to military power, enhancing the "immanent morale" of citizen soldiers, especially among lower officers and noncommissioned officers. This further alienated his old regime enemies. Not merely an external realist enemy, he also appeared to incite class and national subversion in their realms. This war brought ideologies and the specter of a new social order.

2. He mobilized militarily the economic power conferred by Europe's agricultural revolution, linking it to officer morale. In Volume I, Figure 12.2 (page 401) reveals that population in northwestern and Eastern Europe rose by almost 50 percent during the eighteenth century, mostly owing to a similar increase in the yield ratios of crops shown in Table 12.1 of that volume (page 400). As population density and food surpluses increased, they eased the major logistic constraint on historic warfare – the difficulties of moving food supplies over more than fifty miles. Large armies could still move freely only in a campaigning season from late spring to mid-autumn. But during that period supplies for men and horses could be found locally throughout Europe. Bonaparte's divisional tactics exploited this. Eighteenth-century armies had been moving toward a looser divisional structure, but he took it much farther. He relied on a war of *movement* to preserve the tactical initiative. He dispersed self-contained armies with only general orders and then divided into corps and divisions with similar autonomy across a wide front and many communications routes. Officers were to use their initiative to live off the countryside, ignoring fortresses (to sit still exhausted local food supplies). He reckoned a corps of 25,000–30,000 men could be left on its own indefinitely if it avoided battle and for most of a day if attacked by a superior force. All this vastly increased the size of mobilized armies and economies. This war brought more economic disorder, though it could potentially

reorder the economy more than eighteenth-century wars had brought.

3. He then linked officer morale, agrarian surpluses, and divisional tactics and mobility into a distinctive campaign strategy. Several army corps would be sent separately across a wide front to envelop the enemy and force an engagement by threatening his capital and court (capitals were now too big to be defended as fortresses). When the enemy was preparing to give battle, Napoleon rapidly concentrated his army against one part of the enemy's line to outnumber him there, break the line, and induce a general flight. After victory, the French were supplied by the defeated enemy. In Western and Central Europe it worked, especially against allied, loosely coordinated armies. The French attacked before the allies could join forces. Wherever an opponent retreated, the French found supplies for advancing upon him. When the ruler lost his capital or ran out of territories, he sued for terms. (On logistics, see van Creveld 1977: 34–35, 40–74; on tactics, see Chandler 1967: 133–201; and Strachan 1973: 25–37.) This happened to lesser Powers and to the two great Central European Powers, Austria and Prussia. Even the immense Russian army was worsted, forcing the tsar to sue for terms. Bonaparte had defeated greater economic power and larger military forces by superior concentration and mobility of military power. His mobilization of all sources of social power meant that states could be more easily invaded, defeated, and then imperially integrated and restructured than in eighteenth-century wars.

On land, Napoleon imposed his imperial order. But his pretensions foundered at sea. After 1789, the French navy stagnated because it could not defend the Revolution. Though Napoleon rebuilt the navy, he had no naval experience or vision. His Middle Eastern and Baltic pretensions were sunk by Nelson's ships at the battles of the Nile and Copenhagen. He then decided (as Hitler did later) that the easiest way to acquire the British Empire was to invade Britain. Across the channel the British would be no match for the *Grande Armée* (Glover 1973). But the Royal Navy commanded the channel and had to be attacked or lured away from home waters. The allied French, Dutch, and Spanish fleets outnumbered the British but did not match British seamanship and battle experience – the pusillanimity of his admirals indicated they also believed this. Bullied by Napoleon, the main French and Spanish battle fleets finally sallied out near Cape Trafalgar.

Like all battles, Trafalgar had chance elements and might have gone differently, but its outcome seemed likely to the combatants, as it does to us. It was not long in doubt once superior British maneuverability had exploited Nelson's bold tactic of sailing straight through the French and Spanish line of battle. After six hours more than half the French

and Spanish ships were destroyed or taken, with heavy loss of life. (See Keegan 1988 for a graphic account.) By 6 P.M. on October 21, 1805, Nelson was dead, but there would be no French hegemony, no European empire of domination. Sea air still made one free – within the lesser cage of a multi-power-actor civilization.

British naval power had triumphed. The British economic blockade could now be enforced by command of the seas and the Continental System undermined by smuggling. Russia abandoned it in 1810, indicating how the tsar sensed the wind blowing. French international trade was destroyed (a process begun in 1793 when the British took Santa Domingo, the major French port in the Americas). The British blockaded Amsterdam, the main financial rival to the City of London. British exports doubled before 1815. Some French industry prospered amid protectionism, but techniques fell behind British and access to global markets and credits diminished. Most French possessions in the Caribbean, the Indian Ocean, and the Pacific were mopped up. Britain's naval-commercial hegemony was ensured and its manufacturing lead furthered, by force. Britain's victories were sealing the connection between manufacturing lead and commercial dominance, ensuring overall near hegemony.

With the Mediterranean, Baltic, and Atlantic blocked, Napoleon either could try again at sea or attempt hegemony within continental Europe. (Again like Hitler) he chose the latter. After 1807, only Spain and Russia held out, the two largest and most backward countries. Spain was a special problem because British naval power could supply and land troops to support revolts there. Bonaparte had conquered Spain and enthroned his brother Joseph. But Joseph struggled to cope with a popular revolt aided by British troops under Wellington, supplied by sea. While guerrillas and Wellington's evasive tactics were tying down 270,000 French troops, Bonaparte invaded Russia.

This was the decisive mistake, the first of three strikingly similar mistakes made by would-be Central European empires of domination over the next 130 years. Bonaparte's decision to fight simultaneously in the East and the West resembled that of the German high command in 1914 and Hitler's in 1941. Relying on confidence engendered by a string of rapid successes, their common strategy was to inflict swift, decisive victory on an enemy they underrated and then turn on the more persistent foe. But the swift victory did not materialize. In a war of attrition the big battalions would be likely to triumph (as Kennedy argues). In 1914, the German high command underestimated its Western enemies (misjudging the strength of the French army and of British diplomatic commitment). In 1812 and 1941, the failure was to misunderstand a Russian regime significantly different from all others

encountered. Russia was backward. The Russian autocracy and noble officer corps were undivided by modernization politics and in full control of their peasants.

In June 1812, Napoleon crossed the Russian frontier with 450,000 men (half French, half allies), leaving another 150,000 to cover his flanks and rear – the biggest army then known to Western history, perhaps to world history. (I am skeptical that Chinese armies of "millions" could mobilize this number in one campaign.) They carried enough provisions (though not enough animal fodder) for twenty-four days – wagons and barges carrying twenty days, the men four days, supplemented by living off the country. The Russian generals divided over tactics, but the (perhaps unintended) effect was to copy Wellington's Spanish tactics and avoid battle. Extended lines of communication, logistic difficulties, and Russian harassment whittled down Napoleon's actual field army. He had 130,000 available on the eightieth day, as he arrived before Moscow. Under pressure from the court, Kutuzov reluctantly drew up his forces on the field of Borodino. As usual, Russian officers and soldiers did not flee but stood and died, inflicting heavy losses on the French. Kutuzov, appalled by horrendous casualties, finally withdrew. The French army occupied yet another capital.

But the Russian regime, unexpectedly to Bonaparte, did not surrender; Kutuzov dispersed his forces and moved eastward at the beginning of winter. Russia's economic, geo-economic, and political advantages – its size, its winter, and its economic and political backwardness – now became more relevant. As in 1941, the Russian regime was autocratic, less embedded in civil society than any European regime. It could abandon territory, burn its subjects' houses and cities, and destroy its peasants' crops more easily than Bonaparte's other enemies could theirs. The tsar and his court, unlike their cousins in Berlin and Vienna, did not seriously contemplate negotiation.

For the first time, Napoleon could not follow his enemy. Nor could he stay the winter in a Moscow the Russian Army had fired. In October he ordered his field army, now 100,000 strong, to withdraw. As it gathered momentum, the retreat drew in the rest of the *Grande Armée*. It had few supplies and little prospect of living off the country. The Russian "General Winter" has two tactics. At the beginning and end, rain and thaw produce mud that immobilizes guns, transports, and supplies and starves an army of equipment and food. In the middle, snow and ice freeze it to death. Both devastated the French. "General Winter" was aided by dispersed Russian troop detachments avoiding battle and laying waste the countryside (and the peasantry) around the line of march. As Napoleon and his staff abandoned their

men, as the men abandoned their cumbersome artillery and transports, as the fit abandoned the weak, as the cavalry ate their horses, the *Grande Armée* disintegrated into a formless straggling rabble.

Marshal Ney wrote to his wife with anguish of the rear guard he commanded, "It is a mob without purpose, famished, feverish. . . . General Famine and General Winter have conquered *la Grande Armée*" (Markham 1963: 184–5). It was literally decimated: Fewer than 40,000 limped back into Germany, the most complete loss of a major army since A.D. 9, when the legions of Varus disappeared into German forests.

Once the Russian campaign was lost, so was the hegemonic opportunity. The monarchs, fearing their own patriots as well as Napoleon, wanted old regime "balance" back, even with Bonaparte. They offered terms, but Napoleon would not accept the loss of his empire. He raised new armies, but his enemies were now copying him. As we saw in Chapter 7, they were forced toward patriotic mobilization. Napoleon's unique advantages were disappearing. Austria and Prussia had their confidence stiffened by the victories of Russian and British armies (and British subsidies) converging on France from east and south. All four plus Sweden ganged up on Napoleon. Between 1812 and 1815, an alliance of Powers restored the European multi-power-actor civilization. The allies joined on battlefields from Leipzig (the "Battle of the Nations") to Waterloo (where Wellington's troops withstood the French until the Prussians arrived). The old regime allies then institutionalized the balance in the diplomatic halls of Versailles.

Let me again speculate counterfactually. With hindsight we see that Bonaparte's leadership abilities had failed him. He had chosen the wrong diplomacy. He should have taken things more slowly, concentrating first either on the Spanish-Portuguese or the Russian front while conciliating the other enemy. Then he could turn on the other. His main army could have forced Wellington's withdrawal; a rebuilt navy could protect his coastline. Perhaps he could not have conquered Britain or Russia anyway, but his ability to win land battles and occupy European Russia would have made Britain wary and the tsar his client. This might have inaugurated a period of French Continental hegemony against British overseas hegemony – a two-Superpower confrontation comparable to that of recent years. Britain and France might have accepted a cold-war *modus vivendi*. If not, the blockades would continue; France would have to build a massive fleet or Britain increase its Continental commitments. Client states would be sought; expeditionary forces, despatched; and blockades, escalated against the Continental System. Transnationalism would have been weakened by domestic and geopolitical intervention by the two states. Industrial development

would have been retracked from its predominantly transnational destiny.

Probably French Continental hegemony would not have lasted. The major humbled states – Austria, Prussia, and Russia – would have risen up, with British support, just as the first two actually did with British and Russian support. We cannot be sure about hypothetical outcomes. Only one thing is clear: The diplomatic and military strategy of those who attempt hegemony in an essentially multistate system must be near faultless. Bonaparte's was not. In the Middle Ages, the papacy had excommunicated overmighty rulers, this being the diplomatic signal for other Powers to pounce. Now British and Russian secular diplomacy signaled the same pounce in 1812 when Bonaparte made his fatal mistake. Geopolitical power involves diplomacy as well as the mobilization of economic resources as military power. As Pareto noted, the qualities of the fox and the lion are rarely combined in the same person – or Great Power. Napoleon rose through leonine militarism; he despised diplomatic foxes. Hegemony was the strategy of the French lion, but he was overthrown by Anglo-Russian foxes. Diplomatic cunning was fundamental to Western power relations.

Napoleon's defeat did not derive from economic power. As they were for the Germans in the twentieth century, the economic odds were only stacked against him *after* he had created so many allied enemies. In a war of attrition the economy of any single Power, no matter how militarily effective its armed forces, would be overstretched by a contest with several Powers. But unfortunately Bonaparte, like the kaiser and Hitler, had himself converted blitzkrieg into a war of attrition. He had pursued a hegemonic quest similar to that of three Germans: the medieval Emperor Henry IV, Kaiser Wilhelm, and Hitler. Perhaps, as Wellington famously remarked of his own victories, each was "a damned close-run thing," but the geographic similarity of failure is striking.

A Power centrally located in Europe, its principal rivals on both flanks, mobilized considerable economic resources into unusually effective military power; but this provoked a diplomatic alliance among rivals able to wage war on two fronts. Two-front allies cannot easily coordinate tactics; given early nineteenth-century logistics, they could not even transport troops and supplies to each other's front in time to counter danger (as could be done by the time of World War I). But they can throw in resources frontally to wear down their enemy and prevent him (with the advantage of interior lines of communication) from transferring troops. If they are greatly superior in overall economic and military resources, this war of attrition will normally bring victory. All the extraordinary abilities of a Bonaparte or a Hitler, all the fighting powers of French and German armies, labored against

this crucial diplomatic, converted into military, disadvantage. All but Henry compounded this inferiority by striking east and west simultaneously. Henry alone was a fox, capitulating, merely falling on his knees before the pope. The others fought like lions, and lost everything.

This near miss at hegemony was determined by ideological, economic, military, political, and diplomatic power relations, compounded by leadership in crises – in this case, by a flawed genius. His crucial mistake gave the prize of near hegemony to his enemy. As the Prussian General Gneisenau commented sardonically:

Great Britain has no greater obligation than to this ruffian. For through the events which he has brought about, England's greatness, prosperity and wealth have risen high. She is mistress of the sea and neither in this dominion nor in world trade has she now a single rival to fear. [Kennedy 1988: 139]

### The concert and balance of power, 1815–1880

The period 1815–1914 was not quite a “century of peace.” Holsti (1991: 142) shows that war was only 13 percent less likely across the international system between 1815 and 1914 than in the preceding one hundred years. Yet peace predominated in Europe's core (though not its periphery). The Great Powers had learned caution in relation to each other. Though the core saw wars between 1848 and 1871, they were short, sharp, and decisive. International tension then rose, culminating in the conflagration of 1914. The variations make the nineteenth an interesting century in which to explore the causes of international peace and order. Many writers attribute peace and order in the core after 1815 to the development of transnational industrial capitalism under British hegemony and attribute the increase of tension after 1880 to Britain's loss of hegemony. But this is too economic and too concerned with British power. The nineteenth-century world order actually depended on three entwined power networks: a diplomatically negotiated Concert of Powers (underpinned by the normative solidarity of restored old regimes), the specialized near hegemony of the British Empire, and a diffused capitalist transnationalism. Post-1880 tensions were caused by the entwined decline of all three.

To most liberals, the period of relative peace heralded a new world order – hence the transnational pacifism of nineteenth-century social theory discussed in Chapter 2. Hindsight about 1914 and 1939 makes such carefree optimism seem misplaced. But how reasonable was it in its own time? In the mid-Victorian period, did transnational pacifism nearly conquer the West?

As we shall see in Chapter 12, the statesmen of this period were

drawn overwhelmingly from the old regime class. Their common social identity reinforced balance of power realism. They constructed an elaborate alliance system to prevent any repetition of the alarming conjunction of devastating war and revolutionary class and national mobilization. France had transformed statesmen's attitudes toward war, international political economy, and class relations. The three had been subversively connected, as they had not been in the eighteenth century. War had brought social disaster. They determined to stabilize European and even (to some extent) colonial territories and to police class relations repressively, but then to let markets rule the economy (with a dose of pragmatic protectionism). Russia confined its expansion outside of Europe, in what was largely its own sphere of influence. Prussia and Austria pursued more covert expansion against small rather than Great Powers. The normative solidarity of the European Powers strengthened, rooted in shared class and geopolitical interests. Their balance of power was thus both geopolitical – among Powers – and class-bound – among old regimes, bourgeoisies, and petite bourgeoisies.

Their labors were strikingly successful.<sup>1</sup> In the core the Concert and balance of Powers among Britain, Russia, Austria, and Prussia inaugurated thirty years of peace and domestic stability. Constitutionalism crept in, but the crowned heads remained attached to their bodies and to most of their powers, and churches remained attached to souls. Unusually conscious, concerted regime strategies gave Europe class stability, despite capitalist and industrial disruption, and international peace, despite the rise and decline of Powers. France was ringed by states whose sovereignty was guaranteed by the Great Powers – enlarged kingdoms of the Netherlands and Sardinia-Piedmont, a restored Bourbon Spain, and a Rhineland given to Prussia. Revolution from below and outside was replaced by repression mixed with mild reform from above. By midcentury abortive revolutions had been repressed and a house-trained France admitted to the concert.

It is not obvious how to rank the concert Powers, but none approached geopolitical hegemony. There could be no doubting where power resided in the events of 1815: 200,000 Russian troops marched with their tsar through Paris (there were another 600,000 mobilized

<sup>1</sup> This judgment is not shared by many international relations specialists who have greater ambitions for the international order, expecting more ideals from diplomacy than it can surely deliver. Morgenthau (1978: 448–57) was especially disappointed by the concert, but he focused on Britain and Russia, which were not much constrained by it, rather than on southern or Central European liberals, who were. Holsti (1991: 114–37) devotes more space to the dashing of Tsar Alexander's youthful Kantian ideals than to his own data: The Powers did not go to war with one another, and they jointly regulated those regions whose instabilities threatened war.

elsewhere) while Wellington's army remained nearby and British warships ringed the French coasts. But the Russian army marched back home, Tsar Alexander became enveloped by his dreams, and Russian military power declined through midcentury. The two dominant figures at Versailles were the representatives of the two Powers that most favored the status quo – the Austrian minister, Prince Metternich, and the British foreign secretary, Castlereagh. Metternich's dominance on the Continent continued for two decades. Austria was sapped by internal disturbances, and the settlement of Central Europe turned out to favor Prussia more than Austria. Yet, as late as 1850, Prussia backed down and demobilized its army rather than risk war with Austria in the incident known as the "humiliation of Olmutz." The Continental Powers were rough equals. The United States, though steadily growing in power, contributed only occasionally to the concert, as befitted its distant interests.

The vacant leadership position was not filled by Britain, which withdrew from most Continental affairs. Foreign Secretary Canning (Castlereagh's successor) left the concert because he believed it would be dominated by Russia. Britain was never hegemonic over Europe in the sense that Bonaparte had aimed at and the United States later achieved. It is wrong to assert, as does Arrighi (1990), that the concert "from the start, was primarily an instrument of British overrule in Continental Europe." Britain was still counting the costs of its interventions on the Continent and was content with its cheaper naval presence in the Mediterranean and naval dominance elsewhere. True, the Continental Powers were in worse economic straits, indebted to British bondholders. Canning considered using British financial power to blackmail the Powers. But he backed away from this, fearing, significantly, that it would destabilize the balance of power.

British power felt few constraints elsewhere. No colonial or naval rivals remained. The French, Spanish, Portuguese, and Dutch empires had been much reduced. The British Empire now grew massively (Shaw 1970: 2). At its outer limits, in the eastern Mediterranean, the Far East, and the Indian North-West Frontier, the main rival seemed Russia – a sign of how global Britain's reach had become. Britain had attained a specialized naval-commercial, intercontinental, and colonial hegemony. It had cause to thank "that ruffian" Bonaparte. Yet Britain *jointly* ruled the geopolitical order by a negotiated division of powers with a concert of equal European dynasties.

The concert endured, not merely as a general undertaking to preserve the status quo, but as a series of detailed treaties and joint operations. The 1815 Congress of Vienna was followed by one in Aix-la-Chapelle in 1817. In the Holy Alliance, Orthodox Russia, Catholic Austria, and

Protestant Prussia announced their right to intervene against liberal, secular, or nationalist movements at home or abroad "in accordance with Holy Writ." The dynasts implemented not the alliance's lofty ideals (these were proclaimed only to appease the tsar) but its reactionary motives. Metternich's Karlsbad Decrees of 1819, banning liberal movements, were forced on all German states. Congresses authorized Austrian forces to crush revolt in Naples in 1821 and Piedmont in 1823 and joint Franco-Spanish Bourbon forces to crush revolt in Spain in 1823. In 1823, Britain demonstrated the European limits of the concert by announcing that its navy would intercept any French-Spanish expedition to repress revolt in Spain's New World colonies. The Atlantic was British.

The Powers coped with three main regional, becoming "national," instabilities. They often disagreed, but they were aware that such disagreements might lead them into war, which they wished to avoid. Low Country governments lacked legitimacy, small states survived right across Germany and Italy amid greater, predatory ones, and in the Balkans Ottoman decline continued. Throughout the 1820s and 1830s, the Powers jointly deterred French ambitions in the Low Countries. Prussia and Austria lay low in Central Europe. Britain, France, and Russia supported Greek independence against Turkey, secured in 1829 with Prussian mediation. But splits now appeared. The concert weakened into a substantially realist balance of power. Austrian and Russian interests diverged in the Balkans and liberal Britain and France (after the overthrow of Bourbon rule in 1830) often disagreed with the three reactionary monarchs. But they still managed to regulate the formation of a Belgian state, guaranteeing its "eternal neutrality" in 1830 (as they had in 1815 with Switzerland), and they finally settled Low Country boundaries in 1839. The three monarchs were often at odds but continued joint actions. In 1846, they jointly suppressed Polish revolts and agreed that Austria annex the free city of Kraków. Austria called Russian troops into Hungary to help crush the 1848 Revolution – the last attempt at revolution in nineteenth-century Europe (apart from the Paris Commune). Even in 1878 the other Powers by mere diplomatic declaration forced Russia to disgorge Ottoman territories it had just conquered. Some were declared independent states, and others were given to Austria in order to preserve the Balkan balance of power.

All these agreements had two objectives: to prevent any single Power becoming hegemonic in any region of Europe and to preserve order. "Order" meant regulating both international and domestic strife – for the reactionary monarchs it meant repressing reform, for the liberal Powers it meant avoiding revolution by allowing bourgeois

and "national" self-determination. Diplomacy was consciously geared to the very opposite of hegemonic stability theory: Preserve peace and order, including reactionary class and market order, by *avoiding* hegemony. In fact, the diplomats had to work overtime throughout the nineteenth century. They had to cope with a new issue with potentially devastating impact: the rise of the nation at odds with the existence of many existing states. Holsti (1991: 143–5) calculates that more than half the wars between 1815 and 1914 – compared to only 8 percent of wars in the preceding hundred years – involved problems of new state creation. Such issues had far outstripped the territorial aggrandizement and commercial motives dominating eighteenth-century wars. In the Low Countries, the Balkans, and Italy, the fitting together of state and nation caused near-continuous armed conflict. That it did not yet lead to serious wars among the Great Powers can be counted their principal, negotiated achievement. Indeed, the concerted diplomacy only faltered as one Power, Russia, eventually saw opportunities in exploiting Eastern nationalisms, while a second, Prussia, turned its ambitions into "national" ones in Central Europe – and these two ambitions destabilized a third, multinational Austria. Order and a regional and "national" hegemony were inversely related in geopolitics throughout the nineteenth century.

States also shifted their international political economies toward more market, pacific options. As had recently been demonstrated, war among the Great Powers was just too dangerous for old regimes. Third World natives could be terrorized and colonized, but the Powers trod warily and accepted conciliation by a third Power if they crossed each other's colonial paths. Territorial conceptions of interest did not end but were stabilized in joint negotiations. There was a burst of commercial treaty making between 1814 and 1827: Britain negotiated commercial treaties with Argentina, Denmark, France (two), the Netherlands, Norway (two), Spain (two), Sweden (two), the United States (three), and Venezuela. This burst set the terms of Britain's international trade, as (with the exception of Venezuela and China) there were no further commercial treaties until after 1850 (Foreign Office 1931). No negotiations were purely commercial; on both sides geopolitical alliance interests were entwined with commercial ones.

#### Transnational capitalism, 1815–1880

The concert and the balance also received more diffuse transnational help from industrial capitalism. The Napoleonic Wars had decreased international trade and until about 1830 European production levels rose faster than international trade. In this phase, the first phase of

Table 8.5. *Foreign commodity trade as a percentage of gross domestic product, 1825–1910, in Britain, France, Germany, and the United States*

	Great Britain	France	Germany	United States
1825	23 (27)	10	n.a.	n.a.
1850	27 (33)	13	n.a.	12 (13)
1880	41 (49)	30	35	13 (14)
1910	43 (51)	33	36	11 (12)

- Notes: 1. Kuznets does not give figures for the same years for all countries. My figures are either for the year indicated or adjacent years or an inclusive period, adjusted where necessary for the underlying trend. Therefore they are approximations (as are all national account statistics).  
 2. British figures in parentheses add services; U.S. figures in parentheses add most services.  
 3. French accounts calculated on net national product. Therefore, I have adjusted slightly downward the percentage given in the source (by 5 percent).  
 Source: Kuznets 1967: appendix tables 1.1, 1.2, 1.3, 1.10, current price volumes.

the Industrial Revolution, the naturalization of economies actually increased. Then, in Britain and France, as Table 8.5 reveals, international trade as a percentage of national product rose, especially after midcentury. It leveled off in the 1880s.

British international trade had risen from a quarter to a half of gross national product. Imports rose faster and longer than exports, peaking in the 1880s, the balance coming from reexports and returns from investment abroad. Though we lack good data from other countries, overall international trade probably grew much faster than world production up to about 1880, when it stabilized. Kuznets estimates that foreign trade rose from only 3 percent of world production in 1880 to 33 percent by 1913, most of the increase contributed by the European states. The United States was exceptional, with no proportionate increase in foreign trade, still penetrating its own continent. As trade expanded, it became less bilateral, needing fewer treaties and generating more transnational interdependencies. Trade between two Powers deviated more from balance, so currencies and credit became more important as means of settlement. Currencies became fully convertible with the general adoption of the gold standard, begun by Britain in 1821, continued by Germany in 1873, and ended by Russia in 1897. With sterling as a reserve currency, monetary stability lasted until World War I. All countries with significant foreign trade integrated their banking and credit practices after 1850.

The expansion of trade coincided with British economic near hegemony and is usually attributed to it – certainly a cause, but along with

others. From 1815, Western industrialization was inherently transnational. Such massive expansion of interregional commodity exchange could not be controlled by the feeble infrastructures of contemporary states. Not states but private-property owners initiated economic growth, most of which emerged interstitially to state rule through fairly free markets. Of course, colonies were different, acquired and maintained by military force. But British exports and need for imports then diffused as opportunities less to states than to private-property owners, inventors, and skilled workers operating throughout European and American markets.

Industrialization spread mainly in response to three characteristics of transnational markets. First, the existing level of a region's agriculture and industry mattered. To trade profitably with Britain required advanced social organization. To compete with British products needed capitalist institutions only slightly behind Britain's. Second, industrialization depended on access to coal, later also to iron, on which steam power depended. Third, ease of communications with Britain, and then with other industrializing areas, reduced transaction costs. Thus industrialization diffused first to relatively advanced areas that possessed coal and were close to the original capitalist core.

Diffusion was regional rather than national; it passed through frontiers. It spread through the Low Countries – parts of the Dutch and Austrian Netherlands (the latter becoming Belgium in 1830) and northern France – not the territory of a single state; and then to the Rhineland, the Saar, and parts of Switzerland, also cross-frontier regions not the core territories of major states. Industrialization in Silesia, Saxony, and Czechoslovakia crossed the frontiers of Prussia, Austria, and minor states; northern Italy was contested territory; Catalonia was a frontier area, not fully integrated into the kingdom of Spain. Early industrialization mostly occurred outside the core areas of state infrastructural penetration. As Pollard (1981) emphasizes, in this period economic mechanisms were less national and international than regional and interregional. Capitalism diffused both interstitially and transnationally.

More market terms were set in Britain than anywhere else because industrial commodities and commercial capital disproportionately originated in, or passed through, Britain. In that sense most norms were "British." But this is only a convenient form of expression for norms that had no single place of origin and depended on the institutionalization of absolute private property and, in almost all the West, on formally free labor. What became transnational instruments of commercial capitalism had developed their fullest form in Britain but were not exclusively British. McKeown (1983) has shown that Britain

had no major impact on the tariff and import quota policies of other countries – a crucial demolition of the notion that Britain enforced hegemonic stability. As Palmerston acknowledged, "The English government has neither the power nor the might to prevent independent states from entering into such arrangements with respect to their mutual commerce as may appear to them best calculated to promote their respective interests" (O'Brien and Pigman 1991: 95).

Yet Britain did not use "might." "Its" economy was widely regarded as beneficial for the world (as Arrighi 1990 observes). It was open and liberal. British foreign policy did not aggress against other Western Powers' territories. Britain's empire and Mediterranean influence were in place; they merely required defense. Scattered strategic ports and staging posts (later coaling stations for iron ships) like Aden, Singapore, and Hong Kong, not large new territories, were now sought by British governments (though white settlers sometimes dragged them further into continents). Gallagher and Robinson (1953) claimed that though Britain preferred "informal Empire," it moved to formal political control when necessary. But it almost never was necessary against other Western Powers. British naval power ensured free and equal trade, not discrimination in favor of British goods or intervention in Third World countries that could control their own territories and guarantee free trade (Platt 1968a, 1968b; Semmel 1970; Cain and Hopkins 1980: 479–81).

To other Powers, "British" terms of trade appeared merely technical. The Royal Navy pacified trade routes and stamped on recalcitrant non-Western states. Britain provided a model of the industrial capitalist future to be imitated – sometimes to be avoided. International transactions could be conveniently denominated in sterling backed by the promise of gold convertibility and credited through the world's major clearinghouse, the City of London. British techniques, skilled workers, managers, and capital were attracted and imitated by other states.

Why would most foreign countries wish it otherwise? Established foreign industries – for example, textiles in most advanced countries or the French iron industry – could compete with Britain's (often helped by mild protection from their state), local expertise and lower transport costs in their regions aiding them. Prosperity and demand for specialized consumer goods created boom conditions for the artisan and handicrafts industries of Western cities. Most countries could use British capital to develop their own infrastructures and manufacturing. Scandinavia, the Baltic Coast, Portugal, and America had long supplied primary goods for British manufacturers and consumers. Industrialization diffused across Belgium, the Netherlands, Switzerland, and lesser-state territories along the Rhine and the Saar. An economic belt



stretched around northwestern Europe, in which the products of early comers such as Belgium and Switzerland could compete with British goods and primary producers in Denmark and Sweden could prosper. They accepted the transnational economy without considering overmuch whether this was "British."

Why would foreign *states* wish it otherwise? The small states accepted leadership by Great Powers that claimed to guarantee their territorial integrity. All states' interest in trade was primarily fiscal. They milked it for revenue, benefiting from surging national and international trade (Hobson 1991). They were happy to exchange complicated monopoly licenses for general customs and excise taxes levied on the gross flow of trade. As trade increased, states' interest in keeping tariffs high declined. In periods of depression and therefore of declining trade and customs revenues, governments increased tariffs (McKeown 1983). As we shall see in Chapter 11, fiscal pressure on states at mid-nineteenth century was the lowest in centuries.

Thus geopolitical, economic, and fiscal motivations coincided across midcentury to move Western political economy away from protectionism toward *laissez-faire*. Between 1842 and 1846, Britain abolished the Corn Laws and proclaimed free trade in everything. States reduced tariffs in a series of bilateral trade treaties in the 1850s and 1860s in which geopolitical alliance motivations were secondary to commercial-fiscal ones. Negotiations also covered trademarks and recognition of one another's joint stock companies and laws regarding international rivers, straits, and people engaged in international trade – a second burst of commercial treaty making that lasted from the 1850s to the 1880s (Foreign Office 1931). Economic transnationalism was also negotiated among the Powers.

So optimism concerning the pacific and transnational implications of the economy was well grounded. Britain favored transnationalism, as did the major dynastic monarchies as well as most minor Powers, and it was the predominant tendency of capitalism itself. Strong transnationalism – the decline of the state amid a transnational society – was unlikely. But why not weak transnationalism, relatively private states engaging in diplomacy and even intermittent but limited wars, but without much salience for civil society? Wars were few, and military expenditures remained static or declined in absolute terms amid massive economic growth. (See Chapter 11.) Indeed, the first of these wars seemed to embody "weak transnationalism" perfectly, for governments distinguished clearly between military and civil spheres. While British and French troops were fighting Russians in the Crimea, the British allowed the Russian government to raise a loan on the London stock market, and the French invited the Russian government to par-

ticipate in an international exhibition of industry and the arts. "The ordinary way of business" should not be interfered with, declared the British Foreign Secretary (Imlah 1958: 10; Pearton 1984: 28). Limited warfare was back, popular nationalist mobilization seemed in decline. *Laissez-faire* political economy, called by Germans "*Manchestertum*," seemed to modernizers everywhere to embody natural economic laws, and to most regimes it did not look subversive.

But Manchester's laws rested, as all economic laws do, on social power: on the expropriating power of the capitalist class diffused transnationally and on geopolitical norms. Transnationalism was not "natural," a result of the interplay of private property, the commodity, the market, and the division of labor. Industrial capitalism presupposed coercive and normative regulation provided over international terrain by two main diplomatic mechanisms. The Concert of Powers and the balance of power regulated international relations of all types; and global trade routes, money, and credit were regulated by the specialized near hegemony of Great Britain. When both faltered, so did transnational capitalism.

#### Geopolitical and capitalist faltering, 1880–1914

Political economy had never been fully *laissez-faire*: Mercantilism had moderated into selective national protectionism; tariffs and import quotas were never absent; foreign economists advocated defending home produce against British goods; industrialists sought selective protection. But in the 1840s, the transnational economy changed gear. Railways boosted demand for more heavy capital goods than local industry could supply. British industry exported and took handicrafts and food in return. The potential threat to foreign manufacturers became actual when the mid-Victorian boom ended around 1873. Agriculture was hit by steamships and railways carrying North American and Russian grains. Competition was greatest in agriculture (Bairoch 1976b), yet agrarians were more than 60 percent of European consumers, so demand for manufactured goods declined. Greater efficiency enabled the British to lower prices, and Continental manufacturers joined agrarians to demand protection. State elites had their own interest in protection: Higher tariffs would keep up revenues threatened by economic depression.

Diplomacy also shifted as the balance of power faltered. This had little to do with British overseas and commercial hegemony, and much more to do with the balance on the Continent. The decline of Ottoman power, Austrian internal difficulties, and Prussian growth destabilized diplomacy and created fears of two regional hegemonies, Russia in

the east and southeast and Prussia in Central Europe. Neither expansion was aimed against Britain and neither was seriously connected to the question of capitalist leadership. Prussia was mopping up smaller states and menacing Austria and France. Russia was taking advantage of the decline of a precapitalist Power. The latter did affect British geopolitical interests. In 1852–54, Britain and France fought as allies in the Crimea to prevent Russia reaching the Mediterranean. Naval power enabled their success. But in continental Europe, Britain – at the height of its supposed economic and naval “hegemony” but with only a small army – could only passively watch as first France, then Prussia used Italian revolts to defeat Austria in 1859 and 1866; as Prussia and Austria confiscated Danish territory in 1865 (Palmerston did try meddling here, to no great avail); and as Prussia defeated France in 1870 (the British secured only a Prussian promise to respect Belgian neutrality).

Throughout this burst of calculated geopolitical imperialism, Bismarck set limited goals, so as not to shatter the decaying balance. But Prussian-German power was coming to dominate the Continent. Russia was also careful to expand through the Carpathians and across Asia, making British seapower irrelevant. Railways ended the logistic weakness of land powers. In the Crimea, Britain and France had more easily supplied their armies across a thousand miles of sea than Russia could in its own provinces. But those days were ending, as geopoliticians like Mackinder recognized. Britannia still ruled the waves, but no one ruled the Eurasian landmass, as hegemon or in collective concert or balance. Neither balance nor concert spelled trouble, since the rising Powers had done well with aggression. Germany was institutionalizing in its state two of the three main conditions of its success: Forgetting Bismarckian diplomatic care, it retained militarism and a segmental divide-and-rule strategy. The tendency of Great Powers to institutionalize what made them great in the first place was bad news for peace and for realism alike. (See Chapters 9 and 21.)

The decay of the concert spurred the Powers to enter into defensive alliances and increase military expenditures. Railways, artillery, and iron ships led to the industrialization of war. Costs rose after 1880 and so did civil expenditures (see Chapter 11). States needed more revenue – and tariffs would do nicely. Fiscal and economic motives jointly shifted political economy toward more territorialism, though only at first to protectionism. (I investigate this in the case of Germany in Chapter 9.) Tariffs were raised by almost all countries between 1877 and 1892. By 1900, levels were substantial, though not prohibitive. Only Britain, Belgium, the Netherlands, and Switzerland stuck to laissez-faire. As Table 8.5. shows, international trade now leveled off

as a proportion of world production. The first fifty-year transnational surge of industrial capitalism was over.

This is the conventional account given by many economic historians and political scientists to explain how Europe got onto the slippery slope to 1914. However, it doesn't actually explain this. The move away from laissez-faire stopped well short of mercantilism – and a long way short of economic imperialism. Moreover, foreign trade was still growing, faster during the protectionist phase after 1879 than during the earlier free trade period (Bairoch 1976b). Continental European growth was now buoyant, and international institutions established around midcentury were still expanding. Tariffs were selective, pragmatic, cautious. They did not cage each national economy, nor did they seriously generate economic nationalism. The economy divided less into national economies than into spheres of interest of the Great Powers. These embodied differing degrees of territoriality.

The largest, most market-oriented economy was the Anglo-American. The British and American economies had always been closely integrated, despite high American tariffs. The countries shared a language and much of a culture. Across midcentury they agreed to divide geopolitical labors. Britain deferred to the United States in the Americas, the two negotiated amicably in the Pacific, and the United States deferred elsewhere. Table 8.6 shows that Britain and the United States remained each other's largest trading partner into the twentieth century. Their foreign investments interpenetrated in the two countries, in Latin America, and in Canada. Britain also tied itself more to its empire, less to Europe.

Between 1860 and 1913, the proportion of British exports going to the empire rose from 27 percent to 39 percent (Woodruff 1966: 314–17). Jenks (1963: 413) estimated that in 1854 55 percent of British overseas investment was in Europe, 25 percent in the United States, and 20 percent in Latin America and the empire. By 1913, investment in Europe had fallen dramatically, to 6 percent, the U.S. level had held steady, and investment in the empire had risen to 47 percent. (Different authors give slightly different figures: See (Woodruff 1966: 154; Simon 1968; Thomas 1968: 13; Born 1983: 115–19; Davis and Huttenback 1986.) Most direct investment by British companies in foreign subsidiaries also went into the empire (Barratt-Brown 1989). Because British and American investment institutions were independent of government, laissez-faire transnationalism ruled within the Anglo-American realm, moderated by its two internal fault lines, U.S. selective protectionism and the British Empire (Feis 1964: 83–117).

With Britain leading, global tentacles spread out from the Anglo-American sphere, especially to the Third World and smaller, free-

Table 8.6. *Percentage of a state's total trade carried out with other major states, 1910*

State	Trading with these states								Total %
	Austria-Hungary	Belgium	France	Germany	Russia	U.K.	U.S.	All other	
Austria-Hungary	—	-3	-3	42	5	14	6	33	100
Belgium	-3	—	18	19	6	14	5	38	100
France	-3	11	—	12	-3	16	8	53	100
Germany	10	4	6	—	12	11	11	46	100
Russia	3	-3	6	33	—	15	-3	43	100
United Kingdom	-3	-3	6	8	5	—	12	69	100
United States	-3	-3	7	12	-3	23	—	58	100

Source: Mitchell 1975, 1983: tables F1, F2.

trading European countries. In 1914, Britain alone contributed 44 percent of world foreign investment (around its nineteenth-century norm), France 20 percent, Germany 13 percent, Belgium-Netherlands-Switzerland combined 12 percent, and the United States 8 percent (Woodruff 1966: 155; Bairoch 1976b: 101-4). British and American trade were the most globally oriented, as the "all other" country column of Table 8.6 reveals. Their transnationalism diffused across the globe.

The second-largest sphere was the French. It was initially fairly market-oriented. French industry was less nationally organized than British or German. As Trebilcock puts it, "The international industrial revolution passed through France, leaving strong domestic pockets of manufacturing, but mobilizing men and money for a wider, trans-continental task" (1981: 198). French outward trade orientation in Table 8.6 ranks third, after that of Britain and the United States, but it was greater in investment. In 1911, 77 percent of stocks sold in France were for foreign enterprise, compared to only 11 percent in Germany (Calleo 1978: 64). French foreign investments were diplomatically supervised. As French military power declined, the French Foreign Ministry began to see capital as its secret weapon against Prussian divisions and British squadrons. It had to approve any foreign loan being floated on the Paris stock exchange. Arrangements for French investment figured largely in the Franco-Russian Dual Alliance of 1894. By 1902, French overseas investment reflected its diplomatic alliances. Substantial investment went to allies and clients - 28 percent

to Russia, 9 percent to Turkey, 6 percent to Italy, and 6 percent to Egypt. Following the 1904 entente with Britain, trade with the Anglo-American sphere increased, 30 percent going to South America (Trebilcock 1981: 178-84; see also Feis 1964: 33-59, 118-59; Born 1983: 119-23). Geopolitics was bringing the French and Anglo-American spheres closer together.

The third sphere was German. It was the most territorially demarcated. German foreign investment was low and was supervised by the Reichsbank headed by the chancellor. Investment was steered by German diplomacy. By 1913, most went into adjacent client and buffer states - Austria-Hungary and the Balkans - although it was also expanding into Russia and Latin America (Feis 1964: 60-80, 160-88; Born 1983: 123-34). Germany was the only Great Power whose foreign trade and investment were both declining as proportions of gross national product as the twentieth century began. Table 8.6 shows that German trade spread out more than did its foreign investment, being equally divided between the Anglo-Saxon countries and Eastern Europe. But Eastern Europe (in Table 8.6, Austria-Hungary and Russia) depended on Germany. Germany's export trade involved subsidized dumping of manufactured products from about 1904. One of the three biggest economies was organizing against what it saw as the "sham" transnationalism of foreign Powers. Germany's political economy became more territorial than its two main Western rivals, as I explore further in Chapter 9.

But these Great Power contrasts are of degree only. Trade and investment patterns were only feebly segregated; and private capitalists everywhere traded and invested freely with one another and common third countries. Table 8.6 shows that British, American, French, and German trade diffused over the globe. This presupposed financial institutions. So as British near hegemony ended, its rivals sought to preserve "British" fiscal transnationalism. Sterling had never actually been as secure or as firmly based on gold as the American dollar was after 1945. It depended more on international "confidence." The gold standard required help from other governments, especially those with more controls over financial institutions than laissez-faire Britain possessed (Walter 1991). In the financial crises of 1890 and 1907, the Bank of England possessed insufficient reserves to secure international confidence. So the Bank of France and the Russian government loaned it gold and purchased sterling bills on the market. In 1907, the Bank of France specifically intervened to defend the British gold standard. Eichengreen (1990) comments: "The stability of the gold standard . . . depended on effective international collaboration by a core of industrial countries." What might seem transnational or hegemonic presupposed

multilateral diplomacy. Such arrangements might have dominated the nineteenth century had not "that ruffian" Bonaparte so elevated "British transnationalism."

Financial capital was the most transnationally organized. The Rothschilds, Warburgs, Barings, and Lazards were almost stateless, deliberately placing family members in each major country. Financiers were a transnational peace lobby (Polanyi 1957: 5–19). They argued that war would massively harm every national economy. Indeed, threats of war invariably produced stock market panic, and stock markets and business cycles in each country were closely linked, more so than after World War I (Morgenstern 1959: 40–53, 545–51). Transnationalism was alive and dealing.

Yet the period ended with the catastrophic failure of transnationalism. Without entering here into the causes of World War I (discussed in Chapter 21), suffice it to say that transnational finance contributed two weaknesses. First, most overseas investment was "passive" – put into a portfolio of stocks, government bonds, or a single foreign company (usually a railway company). Only rarely would investors control companies abroad. Direct foreign investment by a company was uncommon, though growing just before the war (Barratt-Brown 1989). In this international rentier economy few capitalists controlled resources in other Western states – as do multinational corporations today. French and German governments controlled some investment abroad more directly. But this was overwhelmed quantitatively by the passive transnationalism of the British. Britain became more the passive rentier of international capitalism than the restructuring power it had earlier been. Second, capital depended on general geopolitical protection. Most flowed to the territory of friendly states, protected by the local or mother state. British capital moved toward its empire and to the United States and client Third World states; French and German capital moved to allied and client states within their spheres.

Thus the capitalist economy was becoming slightly less transnational as the economic significance of state boundaries grew. The Western economy had reached an ambiguous stage of complex coexistence between national and transnational networks. By 1910, Europe had not reached a level of territorial, nationalist economic rivalry sufficient to explain World War I. War probably did not result essentially from international capitalism (Chapter 21 confirms this suspicion). Yet we must differentiate by geopolitics. A world economy dominated by Britain and the United States would be more transnational than one dominated by France, which in turn would be more transnational than one dominated by Germany. As Germany was rising to challenge, the reasons for its rise and for its relatively territorial political economy

and nationalist politics become crucial. I turn to this next. There is much more still to discuss before I can explain the collapse of the economic and geopolitical order whose rise this chapter has charted.

### Conclusion

Although my narrative ends on a note of uncertainty, its theme is clear: The history of geopolitics marched to more complex rhythms than those suggested by economic, dualistic, and hegemonic theories. The growing intensity of eighteenth-century wars resulted more from their unusual profitability, in both colonies and Europe, than from the absence of a hegemon. Yet they did not indicate international normlessness. War was regulated and coexisted with other sources of order. Napoleon's bid for hegemony was accompanied by the unexpected emergence of mobilizing class-national ideologies in revolution and value-oriented war. This threatened old regime order but failed because the Powers united to preserve that order, because they had well-established alliance norms to hand, and because of Bonaparte's diplomatic errors. I identified the ensuing period as seeing only "specialized near hegemony" by Great Britain. This provided order and peace only because of reinforcement by norms flowing from the concerted diplomacy of old regimes and from capitalist transnationalism. Peace and order faltered at the end of the century when all three of these preconditions also faltered, each for specific reasons needing further analysis.

The world was not dual. Neither capitalism nor the sovereign state emerges as powerful as diverse theoretical schools have suggested. Both were entwined with, and partly shaped by, all four sources of social power. In particular, I have rejected the self-serving imperial ideologies of nineteenth-century Britain and twentieth-century America. Peace and order have not depended on their benign hegemony; nor was "order" more complexly produced necessarily benign. Just as history has disconfirmed Hobbes's belief that domestic peace and order required a single powerful sovereign, so it disconfirms the notion that international peace and benign order need an imperial hegemon. Rather, it needs shared norms and careful multistate diplomacy.

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## 9 Struggle over Germany: I. Prussia and authoritarian national capitalism

### Three rivals, three theoretical issues

Just before 1900, the Second Industrial Revolution brought economic concentration, corporations, and cartels just when state infrastructures were “naturalizing” civil societies (see Chapter 14). Even Britain, the home of transnationalism, became more centralized and territorialized. But Germany, becoming the greatest European Power, went farther. By 1914, the German Reich was the leading exponent of “authoritarian national capitalism” – welding together semiauthoritarian monarchy, organized capitalism, and nation-state. The leading edge of power had shifted into Central Europe. Why? What was the nature of this power configuration, and what were its consequences?<sup>1</sup>

If we start around 1800, we have much explaining to do. The state that acquired the German Reich was the kingdom of Prussia, a second-rank Power, controlling only two-thirds of North Germany, mostly rather backward. Its territory, population, and economic resources were smaller than its pretensions to power. It was far from achieving German hegemony. Two rivals also blocked the way, Austria and confederal Germany. In 1815, Germany was a loose confederation comprising Austria (its president), Prussia, and thirty-seven smaller states. Most were puny; yet they were protected by neighboring Great Powers and by the belief of many Germans that confederation protected freedom of religion (Lutheran Prussia<sup>2</sup> and Catholic Austria had state churches); minor princes, cities, and merchant communities; and general civil liberties. With so many state boundaries, for example, censorship was ineffective; discursive literacy flowed right across Germany. In 1800, Austria was a Great Power, ruling more than double Prussia’s territories and population. Yet Austria’s economy was more backward and its provinces enjoyed considerable autonomy, so

<sup>1</sup> General sources used for nineteenth-century Germany were Hamerow (1958), Taylor (1961a), Henderson (1975), Berchardt (1976), Geiss (1976), Milward and Saul (1977: chapter 1), Böhme (1978), Kitchen (1978), and Snyder (1978: esp. chapter 3).

<sup>2</sup> Actually, Prussian and German Protestantism had comprised two main churches, Lutheran and Calvinist. In 1817, they merged in Prussia (and later in other German states) into a single Evangelical church. I shall refer to this church as Lutheran, as this indicates its main character and is a more familiar term.