

More significant than any of these overseas ventures was Napoleon's foolhardy decision to encourage the overthrow of the post-1815 settlement in Europe. His support of the kingdom of Piedmont in its attempt to put an end to Austrian rule in northern Italy led to war in 1859 and to the subsequent unification of the whole peninsula under a Piedmontese dynasty. The sudden establishment of a new power in the south altered the balance of power not just in the Mediterranean but potentially throughout Europe as well. Austria, the ultimate conservator of the old order, was weakened, and in the wake of Piedmont's example, Prussia was emboldened to seek the unification of Germany under its own royal house. The stunning successes of the Prussian armies against Austria in 1866 and against France in 1870 led to the installation of William I as the first kaiser of a German empire that stretched from Metz (now in France) to Tilsit (now in Russia), and that became, overnight, the largest state in Europe apart from Russia. This was to have even more far-reaching effects than the unification of Italy—not least the collapse of Napoleon's rule and the terminal weakening of France's position in Europe.

The rise of new powers within the European heartland was complemented by developments beyond its borders. Russian ambitions in the Black Sea were dealt only a temporary blow by the Crimean War, and Russia's eastward expansion was unaffected. By 1860, it had reached the Pacific. Moreover, Alexander II's reforms, designed to modernize the nation in the wake of its Crimean defeat, helped inaugurate a period of industrialization and railway building that culminated with the completion of the Trans-Siberian Railway at the beginning of the twentieth century. A similar process was taking place in the United States, where the end of the Civil War in 1865 allowed the country to refocus its energies on completing the domestication of the West. The first transcontinental railroad was completed in 1869, to be followed by four other routes in the 1880s. By 1890, the West was almost entirely colonized. As in the case of Russia, it was likely that the energies that had hitherto concentrated on creating these enormous continental giants would be felt with increasing intensity beyond their borders.

The arrival of new powers on the international stage might have meant less if Britain had retained its industrial supremacy. But after 1870, Britain's lead over

other countries shrank to the point where it was threatened or surpassed. Nowhere was the change more apparent than in iron and steelmaking, the industry that more than any other defined economic and, ultimately, military potential. In 1870, Britain still had around 48 percent of the world's iron- and steelmaking capacity, four times more than either America or Germany. By 1913, however, Britain's share had shrunk to under 12 percent, while Germany's had advanced to 24 percent and America's to over 40 percent.<sup>10</sup> If Britain could not impose its will on its rivals even during its heyday, it was increasingly unlikely that it would be able to do so in this far more competitive world.

With Pax Britannica ever less credible, peace among the Great Powers depended on the residual hope that cooperation would avert conflict. In reality, the Concert of Europe had died by 1871. The unification of Italy and Germany had been brought about by wars that broke out without any international attempt to stop them. Yet the hope that the Great Powers might cooperate to keep the peace lingered. Conferences were called in Berlin in 1878 and in London in 1912–1913 to settle the recurring problem of the Balkans. But after the wars of 1854–1871, it was clear that the Great Powers would cooperate only as and when they chose. In July 1914, Britain attempted to convene a conference to settle the crisis in Bosnia, but Germany and Austria-Hungary refused to take part.

The arrival of a multipolar world might not have mattered if the Great Powers had agreed with Cobden's vision of peaceful free trade without empires. However, such a vision looked increasingly remote after the 1870s. The movement toward free trade was reversed and protectionism regained ground. There were a number of interwoven causes in this reversal. First was the challenge to the doctrine of free trade posed by an alternative philosophy that argued for protection as a way to foster industrial development. The most powerful voice of this idea was Friedrich List, whose seminal work, *The National System of Political Economy* (1841), took issue with Adam Smith. Nations did not rise to preeminence through free trade, as Smith claimed, but rather by protecting and fostering their commerce and industry. This was particularly true of England, which in the Middle Ages had been a simple supplier of wool for the textile industry of Europe. "Had the English left everything to itself—'Laissé faire

et laissé aller,' as the popular economical school recommends—the [north German] merchants ... would be still carrying on their trade in London, the Belgians would be still manufacturing cloth for the English, England would have still continued to be the sheep-farm of the Hansards.”<sup>11</sup>

As for Smith’s theory of competitive advantage, this would merely condemn non-industrialized countries to remain as suppliers of raw materials and prevent them from rising to the wealth and power that only manufacturing provided. As a result of generations of protective policies, England had risen to a position of commercial preeminence that allowed it to pursue free trade from a position of advantage. Its economic relations with Europe were reversed from their medieval pattern, and it was happy to keep them this way: “It is therefore no exaggeration if we maintain that the tendency of the English proposals aims at nothing less than the overthrow of the entire German protective system, in order to reduce Germany to the position of an English agricultural colony.”<sup>12</sup>

List was before his time. He died in 1846, just as the tide of free trade was in full swell, but he raised issues that still resonate today. As other forces turned countries toward protection in the 1870s and ’80s, his views came more sharply into focus. Germany was among the first to return to a set of policies that had more than a passing resemblance to the supposedly discredited mercantilism of the seventeenth and eighteenth centuries. Industries were protected by a rising barrier of tariffs and by the creation of monopolistic cartels to protect them from the whims of free-market competition. Right-minded opinion in Britain was outraged, *The Times* declaring in 1877 that “the growth of a strong protectionist party in Germany has been one of the most unsatisfactory signs of the limited political training of that country.”<sup>13</sup> Only Britain and the Netherlands retained their commitment to free trade in the period before the war. Elsewhere in Europe, tariffs were on the increase. By 1913, typical duties on manufactured goods had risen to 13 percent in Germany, 18 percent in Italy and Austria, and 20 percent in France.

Across the Atlantic, the United States witnessed its own battle between the opposing forces of commercial freedom and protectionism. The agrarian areas of the South and the West, with their highly competitive production of cotton and food-

stuffs, had always favored free trade. Other voices, starting with Alexander Hamilton in the 1790s, favored protecting American industry to ensure the country's transformation into a manufacturing power. Henry Clay, the senator from Kentucky, anticipated many of Friedrich List's points in the 1820s and '30s, arguing that nations that cultivate the "manufacturing arts ... will excel in strength, and maintain a superiority."<sup>14</sup> Confronted with Andrew Jackson's reversal of the protectionist tariffs of the 1820s, he declared that the Democrats misunderstood the implications of free trade: "It is not free trade that they are recommending to our acceptance. It is, in effect, the British colonial system that we are being invited to adopt; and if their policy prevails, it will lead substantially to the recolonization of these states, under the commercial dominion of Great Britain."<sup>15</sup> Until the Civil War, the battle between the two forces was relatively evenly waged. But in the wake of the defeat of the South in 1865, the tide turned sharply toward protectionism. In 1868, duties on imported European manufactures were raised to around 50 percent, far higher than any tariffs within Europe, and they remained in that region until 1913, in spite of the attempts of Grover Cleveland, the only Democratic president between 1860 and 1912, to lower them.

The urge to foster industrialization was not the only reason for the resurgence of protectionism. The financial crash of 1873 ushered in an economic depression in Europe that discredited the principle of free trade. Even when recovery got under way, the European economies found their traditional agricultural production undermined by the opening up of the vast potential of the Great Plains of the American West, which by the late 1870s had begun to flood European markets with cheap grain. In January 1879, a leading businessman complained to Bismarck's personal assistant about the sixfold increase in American exports of grain, flour, and meat: "For German agriculture, there must be a grain, flour and meat tariff as an unconditional necessity if we are not to expose it to the same fluctuations as industry."<sup>16</sup> As with Britain's Corn Laws, import duties were justified not just as a way of protecting agriculture from competition but also as a way of ensuring adequate domestic food supplies in wartime.

This turn toward protectionism should logically have damaged the growth of international trade, but curiously, this was not the case. In the forty years before the First World War, the volume of world trade trebled. There are several reasons for this outcome, which would appear to contradict the expectations of the liberals. First, Great Britain, the world's largest importer and exporter, did not join the general trend toward protection. Second, the rise in tariffs was offset by the fall in transport costs. Finally, outside tariffs, trade was hampered by few restrictions, and within the operations of the gold standard there was no such thing as currency manipulation or competitive devaluation.

The resurgence of protectionism was therefore, perhaps, less important in itself than as a sign of changing attitudes. It was accompanied by a dramatic return to the process of European empire building. With the exception of the French conquest of Algeria in the 1830s, the continent of Africa had remained largely immune to European expansion, apart from some scattered trading posts along the coastline and the Boer settlements in the south. Excitement at the possibilities of wider settlement was generated by travelers into the interior in the 1850s and '60s who brought back reports of vast unexploited mineral wealth. The trigger for what later became known as the "scramble for Africa" occurred in 1881–1882, when the French annexation of Tunis was followed by the British takeover of Egypt. At the same time, the first step toward colonizing the African interior was being taken by the explorer Arthur Stanley in the Congo at the behest of King Leopold of Belgium. In 1884, a conference was held in Berlin to set down some rules for what was likely to become a race. When huge gold deposits were discovered in Witwatersrand in South Africa in 1886, the stories of Africa's untold mineral wealth seemed to be confirmed. The scramble was now well and truly under way, and by 1913 the continent had been almost entirely divided among the European powers, with only Abyssinia (Ethiopia) and Liberia still under native rule. The lion's shares fell to Britain and France, the two Great Powers that already had a head start in this process, with smaller prizes going to Belgium, Germany, and Italy. The outcome was particularly galling to Germany, which felt that its late arrival on the imperial scene had left it with colonial assets that were not

proportional to its industrial power, which had already outstripped France and was rapidly overtaking Britain.

After Africa, the most important remaining portion of the globe that appeared to be ready for colonization was East Asia. As the wave of imperial expansion got under way in the 1880s, Britain asserted control over Burma and the Malay Peninsula, while France expanded its presence on the Vietnamese coast to create a formal colony of French Indochina. The greatest prize of the East, however, was China, which had been attracting interest since the First Opium War in 1841. The calculations of how best to take advantage of this potential market of hundreds of millions were complicated not just by the size of the prize but also by the number of contestants. The scramble for Africa had involved two or three major players. The scramble for Asia drew in not only Britain and France but also Germany, Russia, the United States, and a surprising new entrant into the race: Japan.

Japan had maintained almost total isolation since the early seventeenth century, when it had reacted to the first inroads of European expansion by retreating from all contact with the outside world. Its opening up under the pressure of an American naval contingent in the 1850s should have been no different from the opening of the Chinese and Siamese markets through similar shows of force. However, a significant part of the Japanese ruling class was of the opinion that the only way to beat the foreign barbarians was at their own game. Within a year of Japan's first reluctant acceptance of a commercial treaty with the United States in 1854, it had acquired a modern propeller-driven warship from the Dutch—not in itself an adequate barrier against Western advances but a sign of things to come. After the Meiji Restoration of 1868 demolished feudal tradition, Japan followed a rigorous policy of modernization. A new constitution was adopted, together with a new military system, and a new legal code, a new educational system, and a new calendar—all based on Western models—and the government encouraged industrialization with single-minded determination.

By contrast, China floundered. The Second Opium War of 1856–1860 brought further concessions to foreign powers, with Britain, France, Russia, and the United States obtaining trading and diplomatic rights in a series of unequal treaties. There-

after, China attempted to modernize under the “Self-Strengthening Movement,” but the forces of tradition and corruption were too great an impediment. In 1895, the contrasting trajectories of China and Japan were laid bare by the Sino-Japanese War, which resulted in the shocking defeat of China by a neighbor historically considered very much its inferior. Japan now became an imperial power in its own right, gaining a colony in Formosa (Taiwan) and trading rights on the Chinese mainland comparable to those of the Western powers.

The second major disruption in the status quo in the Far East in the 1890s was the collapse of the remnants of the Spanish Empire, which was replaced by two new imperial contenders: the United States and Germany. The United States had started looking across the Pacific almost as soon as it had acquired California in 1848. William Seward, the future secretary of state under Lincoln, was the first to set out a vision of US involvement with the western Pacific. The United States “must command the empire of the seas, which alone is real empire,” he told the Senate in 1850. The contest for empire was “not on the American lakes, nor on the Atlantic coast, nor on the Caribbean sea, nor on the Mediterranean, nor on the Baltic, nor on the Atlantic ocean, but on the Pacific ocean, and its islands and continents.”<sup>17</sup> It was in pursuit of this vision that Commodore Perry sailed his ships into Yokohama harbor in 1854 to open Japan to the benefits of international commerce, and that the United States sided with Britain in the Second Opium War to do the same for China. However, American influence in the area remained relatively limited until 1898, when it leveraged its military intervention against Spain in support of Cuban independence to take over the Philippines. At the same time, Germany used Spain’s discomfiture to acquire its smaller Pacific island chains: the Marianas and the Carolinas. The flock of new entrants into the race for Asian colonies and spheres of influence was such that by the time China attempted to throw the “foreign devils” off its soil in the Boxer uprising of 1900, it found itself opposed by an alliance of eight imperial powers that now included not just Britain and France but also America, Russia, Germany, Japan, Austria-Hungary, and Italy.

## THE DYNAMICS OF IMPERIALISM

What drove this wave of imperial expansion? The colonial powers often liked to justify their empires by asserting that they were bringing the light of civilization to their backward subjects. At other times they scarcely appeared to know, acknowledging that the drive for colonies seemed to feed on itself. “*L'appétit vient en mangeant*” (Appetite comes with eating), as the British prime minister Lord Salisbury explained to the French ambassador as they discussed the reasons for the carve-up of Africa. The French advocate of imperial expansion, Jules Ferry, stated simply that “an irresistible movement is bearing the great nations of Europe towards the conquest of fresh territories. It is like a huge steeplechase into the unknown ... whole continents are being annexed ... especially that huge black continent so full of fierce mysteries and vague hopes.”<sup>18</sup>

Behind such complacent attitudes lay a more complex set of views about the nature of power and prosperity that were simultaneously reassuring and unsettling. The Industrial Revolution had divided the world into manufacturing and raw-material-producing nations. It was clear that true wealth and power were to be found among the former, not the latter. Friedrich List put the case clearly in his outline of European economic history: “If we carefully consider the commercial policy of Venice, we see at a glance that that of modern commercial and manufacturing nations is but a copy of that of Venice, only on an enlarged (i.e. a national) scale ... The maxim thus early held good that it was sound policy to import raw materials from other states and to export to them manufactured goods.”<sup>19</sup> William Seward, the apostle of American overseas expansion, saw the world in similar terms: “The nation that draws the most materials and provisions from the earth, fabricates the most, and sells the most of productions and fabrics to foreign nations, must be, and will be, the great power of the earth.”<sup>20</sup>

However, the rush to industrialize produced its own complications. As Britain had already discovered, the more developed an economy, the less it was self-sufficient and the more it depended on less-developed economies to complement and sustain its growth. It was inevitable that, in a world of empire, there would be a temptation

to ensure that these less-developed areas were under the control of the industrial heartland. These colonies would fulfill three functions: as producers of raw materials, consumers of manufactured goods, and destinations for emigration from an increasingly densely populated mother country. As the French economist Paul Leroy-Beaulieu put it, “the most useful function which colonies perform ... is to supply the mother country’s trade with a ready-made market to get its industry going and maintain it, and to supply the inhabitants of the mother country—whether as industrialists, workers or consumers—with increased profits, wages or commodities.”<sup>21</sup>

Leroy-Beaulieu was a liberal writing in the early 1870s. Although he advocated colonial expansion as a useful support for the domestic economy, he still favored an open-door policy whereby countries could trade freely with each other’s empires, arguing that “the whole world will benefit from this, for there is no question of going back to the restrictions dating from the days of exclusive trading.”<sup>22</sup> As time passed, however, the return of protectionism increased the sense that colonies were there to provide a competitive advantage for the mother country. In 1887, the Bordeaux Chamber of Commerce, once a bastion of free trade, argued that France needed colonies to find secure markets for its manufactures: “The revival of differential tariffs would seem justified at this stage by the need to strengthen the links, now too weak, which link France with her colonies. Experience has proved that France, whose overseas exports are held back by ever-increasing competition, must find in colonies inhabited by her own nationals guaranteed markets for her primary and industrial products.”<sup>23</sup>

Other writers went further and argued that empires were a necessity for national survival. The German nationalist writer Friedrich von Bernhardi worried that industrial development without an empire put Germany in a dangerous position:

There is, however, a reverse side to this picture of splendid development. We are absolutely dependent on foreign countries for the import of raw materials, and to a considerable extent also for the sale of our own manufactures. We even obtain a part of our necessities of life from abroad ... The livelihood of our working classes directly depends on the maintenance and expansion of our export trade.

It is a question of life and death for us to keep open our overseas commerce ... If the unfortunate course of our history has hitherto prevented us from building a colonial Empire, it is our duty to make up for lost time.<sup>24</sup>

Industrialization and empire building were increasingly seen as part of a zero-sum race for success, for it was not clear that there was room for more than a certain number of successful industrialized countries at the same time. The British writer Benjamin Kidd sought to explain the rush for colonies by the need to gain competitive advantage in a world where there were suddenly multiple industrial centers:

As the forces of industrial rivalry have ... developed themselves ... as transport and communication have become cheaper and more rapid, and technical knowledge has been more widely distributed and more easily conveyed, rival industries may be seen flourishing in different countries ... Competing nations in most cases possess but little advantage one over the other.<sup>25</sup>

In such circumstances, the possession of a colonial empire that provided resources and markets could make the difference between success and failure. The drive for empire was boosted by the perception that, now that the great uncharted expanses of America, Asia, and Africa had been mapped, the planet was finite. It was inevitable that a few powerful industrial nations with global reach would come to dominate the world. Benjamin Kidd wrote of the “the vast world-shaping rivalry ... the struggle of the Western races for the larger inheritance of the future.”<sup>26</sup> Paul Leroy-Beaulieu put France’s choice in dramatic terms: “Colonization is for France a question of life and death,—either *France must become a great African Power*, or she will be in a century or two but a secondary European Power.”<sup>27</sup> In Germany, the nationalist historian Heinrich von Treitschke spoke in similar terms: “Every virile people has established colonial power ... All great nations in the fullness of their strength have desired to set their mark upon barbarian lands and those who fail to participate in the great rivalry will play a pitiable role in time to come.”<sup>28</sup>

Even in Britain, with its vast possessions, there was anxiety about the future. The geopolitical thinker Halford Mackinder worried that the days of maritime empires like Britain's were threatened by the advent of railways that allowed the uniting of great continental "heartland" empires like Russia. "Is not the pivot region of the world's politics that vast area of Euro-Asia which is inaccessible to ships, but in antiquity lay open to the horse-riding nomads, and is today about to be covered with a network of railways?"<sup>29</sup> In response, Britain should not only prevent Russia from gaining access to the sea but also consolidate the empire behind a tariff wall to reinforce its economic and political coherence.

If empires were needed to ensure national success, so too were navies. In 1890, the American naval officer Alfred Mahan published the first of a series of highly influential books that argued that the race for commercial dominance had been won on the high seas. With the ever-growing importance of international trade, navies were not a luxury: They were essential for any country that aspired to power. Without a navy, a country's trade, its overseas possessions, and even its very survival were at the mercy of its rivals.

If navies, as all agree, exist for the protection of commerce, it inevitably follows that in war they must aim at depriving their enemy of that great resource; nor is it easy to conceive what broad military use they can subserve that at all compares with the protection and destruction of trade ... Great Britain's navy, in the French wars, not only protected her own commerce, but also annihilated that of the enemy; and both conditions—not one alone—were essential to her triumph.<sup>30</sup>

Mahan's work was taken to heart not just in his own country but in the capitals of all the Great Powers. The rush for empire was paralleled by a naval arms race, motivated, as with the drive for colonies, by a combination of ambition and insecurity. In 1880, the total tonnage of the warships of the Royal Navy was 650,000, a figure as great as the next three navies combined. Ten years later, after a decade of complacency, Britain became so alarmed by the erosion of its naval lead that the "two-power

standard” was enshrined as a formal national policy. In Germany, 1897 was a wake-up call. Talk of intervention in support of the independent Boer republics in southern Africa against British aggression led to a stern warning to the country’s ambassador in London. Britain would if necessary go to war to protect its interests, and “a blockade of Hamburg and Bremen and the annihilation of German commerce on the high seas would be child’s play for the English fleet.”<sup>31</sup> The following year, Admiral Tirpitz introduced a bill in the Reichstag authorizing the rapid buildup of the German navy, arguing that “a state which has actively taken up trade, and has thereby become a considerable competitor in world markets, cannot exist without a certain measure of naval power or else it must go under.”<sup>32</sup> Asked whether Hamburg could be held in the event of war, he replied that it was irrelevant since “war with Britain meant the extinction of colonies and trade ... We could do nothing except make peace as quickly as possible.”<sup>33</sup>

By 1914, Germany’s navy had undergone an extraordinary transformation, growing from only 88,000 tons in 1880 to 1,305,000 tons and becoming the second-largest in the world. Hans Delbrück, the well-known historian of warfare, was arguing that its original defensive role was no longer sufficient: “It was true in the past that our fleet was created to protect our commerce. But today we can set ourselves a higher goal. The purpose of our fleet is not only to protect our overseas trade but also to bring us our fair share of that world domination which is allotted to civilized nations by the very nature of mankind and its higher destiny.”<sup>34</sup>

Impressive though Germany’s navy may have been, its growth had been nearly matched by a number of others. By 1914, France, Russia, the United States, and Japan all had navies larger than Britain’s in 1880. The American fleet had grown from 169,000 tons in 1880 to 985,000 tons in 1914. The Japanese fleet grew from a tiny 15,000 tons to 700,000 tons.<sup>35</sup>

This international surge of naval building was viewed with considerable alarm in London. Since Britain had abolished the Corn Laws in 1846, it had depended more and more on food imports. Unlike Germany, Britain had not responded to the arrival of cheap American grain by raising tariff barriers to protect domestic agriculture. Its only insurance against wartime vulnerability was the Royal Navy. In 1902, the

Liberal politician Richard Haldane made exactly this point in Parliament, arguing that “the commerce of this country was something approaching £1,000,000,000 and the [naval] Estimates only amounted to some 3 per cent on that. That was not an extravagant premium of insurance.”<sup>36</sup> Given this dependence on control of the seas, the rapid growth of the foreign navies, especially Germany’s, was seen as a major threat to British security.

In 1904, a royal commission was set up to examine the issue of wartime vulnerability. It considered the extent and flexibility of overseas supplies, the transport resources available, and the risks of losses in the light of modern naval technology. It concluded that there would undoubtedly be some “captures of British ships engaged in the carrying trade ... But *with a strong fleet* we find no reason to fear such an interruption of our supplies as would lead to the starvation of our people” [italics added].<sup>37</sup>

The commission looked at the idea of stockpiling food but rejected the idea as too expensive and disruptive of the normal workings of the market. This left the Royal Navy bearing the entire responsibility of securing the nation’s food supplies. Not surprisingly, the main outcome of its report was to reinforce the naval building program, which began in earnest in 1905. In that year, Admiral John Fisher, the head of the navy, commissioned HMS *Dreadnought*, a battleship whose large guns, heavy armor, and high speed rendered all previous big warships obsolete. The result was a further increase in the pace of the global naval arms race. Fisher demonstrated that Britannia meant to continue ruling the waves, not just by the revolutionary design of the ship but also by the astonishing speed with which it was built. *Dreadnought* was ready for action in only fifteen months. The rapid progress of technology meant that existing naval assets were liable to instant obsolescence, and this gave a potential advantage to a technological powerhouse like Germany, which might outweigh the far greater starting size of the British navy. However, even when fleets had to be rebuilt from scratch to keep up with technical advances, Britain retained an advantage because of the global dominance of its shipbuilding industry. For the time being it could simply outbuild any rival. By 1914, the Royal Navy had grown to 2,714,000 tons, and the two-power standard was still intact. But even so, Britain could no

longer feel sure of its ability to deal with any combination of naval threats in any quarter of the globe at any time.

On the continent of Europe, the arms race was equally visible on land. People were only too aware that between 1859 and 1870 the map of Europe had been redrawn by military force. The effectiveness of the Prussian army, based on a system of compulsory military service, had impressed all observers, and other nations felt that they had to respond. France introduced conscription in 1872, and by the outbreak of the First World War every major continental nation had an army based on compulsory short-term military service. The numbers in the armed forces grew steadily in every country between 1880 and the outbreak of war, rising by 110 percent in Germany, 80 percent in Austria-Hungary, 71 percent in Russia, 68 percent in France, 60 percent in Italy, and 45 percent in Britain. By early 1914, France had 827,000 men under arms (compared to only 144,000 in 2011), Germany had 761,000, and Russia had 1,445,000.<sup>38</sup> And behind these figures for peacetime strengths were even larger numbers of military reservists who could be called up at short notice. Germany, for instance, could quickly mobilize an army of more than two million men if it decided to go to war.

This combination of rising protectionism, the drive for imperial expansion, and the inexorable increase in military spending was a terrible setback for the belief that trade should foster peace. Some liberal thinkers, like John A. Hobson, despaired:

Cobden and his friends primarily conceived nations as bound together by the play of purely commercial interests. If we could have free trade established between the different parts of the world, then the material business interests of these different parts would bind together the world so closely and so quickly that it would be impossible for war to be maintained in the future ... Those who see to-day that the fiercest struggles between members of different nations are for the markets of the world smile scornfully on this dream of Richard Cobden.<sup>39</sup>

Trying to explain what had gone wrong, in 1902 Hobson published *Imperialism*, a book that was to become the basis of the standard socialist critique of empires for

decades to come. Capitalism had a tendency to overproduce and increasingly found itself short of markets for its wares. The result was that competition among firms was replaced by competition among countries as they sought to acquire monopoly markets for their output, without which the profits of industry would fall. The resulting race for colonies was a threat to world peace. However, there was a simple solution: social reform and the redistribution of income so that industrial output could be consumed at home. “The struggle for markets ... is the crowning proof of a false economy of distribution. Imperialism is the fruit of this false economy; ‘social reform’ is its remedy. The primary purpose of ‘social reform’ ... is to raise the wholesome standard of private and public consumption for a nation, so as to enable the nation to live up to its highest standard of production.”<sup>40</sup>

But there was an unresolved conundrum in this thesis. Hobson claimed that the ideas of the imperialists were based in part on a false analysis of trade patterns. The bulk of international trade was between industrialized countries, not within their empires, and this trade between the imperial rivals was growing faster than colonial trade. As Hobson put it caustically, “The greatest increase of our foreign trade is with that group of industrial nations whom we regard as our industrial enemies.”<sup>41</sup> The largest level of intra-imperial trade was, not surprisingly given its scope, within the British Empire. But even there, only 37 percent of British exports went to the empire in 1913. Elsewhere the proportions were far lower. Only 13 percent of French exports went to its colonies, yet France had by far the largest empire after Britain. If Hobson had wanted to make a case about the evils of imperialism, he would have done better to focus on colonies as sources of raw materials rather than as markets for manufactured goods. France absorbed 50 percent of the exports of its colonies; the figure was 90 percent in the Belgian empire. But even here, the case was not very strong. The British colonies sold only 42 percent of their goods to Britain.<sup>42</sup>

Hobson was not unaware of the possible contradiction in his theory. If capitalists preferred to trade outside the empire, how was it possible to blame them for imperialism? To resolve this difficulty, he had a *deus ex machina*: the wicked financiers who looked for monopoly profits in their colonial investments. The problem with this idea was that the overseas investments of the imperial powers were, rather like their

trade, largely outside the colonies. Even counting its massive investments in the autonomous dominions of Canada and Australia, less than half of British overseas assets were within the empire. The largest single destination of capital flows from London was the United States. The situation in France, the second-largest source of capital after Britain, was even more lopsided. Only 9 percent of French investments were in the French empire, compared to 25 percent in Russia and 13 percent in Latin America. Germans had more excuse for ignoring their relatively modest colonial possessions, investing 46 percent of their funds in Europe, 32 percent in the Americas, and 8 percent in Turkey.<sup>43</sup>

Hobson's critique was taken up by Marxists such as Hilferding, Bukharin, and Lenin. They agreed with his basic premises of the inherent tendency of capitalism to overproduce, the move from competition between companies to competition between states, and the pernicious role of finance. To Communists, especially once Lenin put his seal on the maxim that "imperialism is the highest stage of capitalism" in 1916, it was an orthodoxy that capitalism meant imperialism, and that imperialism meant war.

There were other voices, however. In 1909, the journalist Norman Angell published his bestselling *The Great Illusion*, in which he reaffirmed the old beliefs of the Manchester free-trade liberals about the futility of war, but with two new arguments. He contended, not entirely convincingly, that wealth could not be annexed, and rather more credibly that financial interdependence had now been added to commercial interdependence to make conquest self-defeating. A German invasion of London would be futile, he declared. "Because of the internationalization and delicate interdependence of our credit-built finance and industry ... German credit [would] collapse." In colorful language he continued:

The German Generalissimo ... would soon find the difference between himself and Attila. Attila, luckily for him, did not have to worry about a bank rate and such-like complications; but the German General, while trying to sack the Bank of England, would find that ... the value of even the best of his investments dwindled as though by a miracle; and that for the sake of loot, amounting to a

few sovereigns apiece among his soldiery, he would have sacrificed the greater part of his own personal fortune.<sup>44</sup>

Angell, like Hobson, had his supporters on the left. In 1911, August Bebel, the parliamentary leader of the German Socialists, disagreed with those who argued that international finance posed a threat to world peace. A war scare over a colonial dispute between Germany and France was setting off a financial panic, and Bebel told the Reichstag, "I say openly that the greatest guarantee for the preservation of world peace today is found in the international investments of capitalism. These investments make war so dangerous for both sides that it would be pure madness for any government to push things to the brink over Morocco."<sup>45</sup>

How were these two opinions of the effects of capitalism to be reconciled? One possible answer was that economics had nothing to do with imperialism at all. This was the theory proposed after the war by the political economist Joseph Schumpeter, who argued that the war had been caused not by capitalism but by the relics of feudalism in the upper echelons of governments and armed forces.<sup>46</sup> This is an idea with some plausibility, given that the decision to go to war in 1914 was taken by small coterie of men, especially in Germany, Austria, and Russia, who, with the exception of the German chancellor Bethmann-Hollweg, came almost exclusively from aristocratic-military backgrounds.

However, a better line of argument is that in a competitive multipolar world, governments were dealing with a "prisoner's dilemma" of whether they should cooperate or compete. It may have been fine for small countries to rely on the protection of the Royal Navy for their international trade. But was that a safe bet for countries like Germany that were sufficiently large to pose an economic and therefore geopolitical threat to Britain? Given its circumstances, it was logical for Germany to compete for colonies and to build up a navy. Yet the attempt to carve out safety for one country was potentially threatening for others, leading to a self-fulfilling prophecy.

The first person to suggest this paradox was one of the great liberal thinkers of the midcentury, the French political economist Frédéric Bastiat. One of the biggest reasons to protect domestic production, acquire colonies, or build up navies was to

reestablish the self-sufficiency that industrialization had eroded—leading to potential vulnerability in time of war. And yet, as Bastiat pointed out, the search for self-sufficiency tended to make war more rather than less likely:

A nation isolates itself looking forward to the possibility of war; but is not this very act of isolating itself the beginning of war?... Let countries be permanent markets for each other's produce; let their reciprocal relations be such that they cannot be broken without inflicting on each other the double suffering of privation and a glut of commodities; and they will no longer stand in need of naval armaments, which ruin them, and overgrown armies, which crush them.<sup>47</sup>

Curiously, the great apostle of naval power, Alfred Mahan, also perceived the outlines of this paradox. In 1907, he recognized the logic of Germany's naval buildup, while at the same time noting that the country's earlier defenselessness had been more conducive to the maintenance of peace: "In the development of her merchant shipping Germany, to use a threadbare phrase, has given a hostage to Fortune ... Unless she equip a navy adequate to so great a task as protecting fully the carrying trade she has laboriously created ... this trade is ... a circumstance making for peace."<sup>48</sup>

## **THE DESCENT INTO WAR**

The question is: Did the combination of colonial rivalry and military buildup lead inevitably to war? The causes of the descent into war in July–August 1914 are so hard to fit into a simple pattern that more than thirty thousand books and articles have been written on the subject without coming to a definitive conclusion. After the war, it was easy to blame the escalating prewar imperial rivalries of the belligerents for the conflict, and Communists worldwide, following Lenin's conclusive statement on the matter, never wavered in this belief. Yet this explanation has always encountered difficulties with the fact that war broke out not over some distant, resource-rich colony but over a landlocked province in the Balkans with no obvious raw materials or markets to quarrel about.

There were certainly plenty of moments in the years before 1914 when it looked as if war might break out over colonial rivalries. The first of these crises occurred when competing British and French plans to create empires that spanned Africa from one coast to another met in the middle. In 1898, a French expedition met a British force at Fashoda in southern Sudan, the unclaimed intersection of their territorial axes. A tense military standoff was finally resolved by French acceptance of British claims. In 1905 and again in 1911, France and Germany teetered on the brink of war about Morocco, on which they both had imperial designs.

On the surface, the peaceful resolution of the 1911 Moroccan Crisis seemed to reinforce the liberal view that commercial and financial interdependence was reducing the likelihood of war. The financial panic in Berlin was one of the reasons that Germany backed down and caused Bebel to suggest that international capitalism was becoming a force for peace.

However, Bebel's hopes were premature. The colonial crises, although resolved without resort to arms, had ramifications that made war in Europe more likely. The resolution of the Fashoda incident foreshadowed a fundamental realignment of European politics. Britain abandoned its policy of "splendid isolation" and aligned itself with France. In exchange for French acceptance of Britain's position in Egypt and Sudan, Britain tacitly agreed to accept French claims in Morocco. In 1905 and 1911, Britain came down decisively on the side of France, threatening military action if Germany did not withdraw its claims. From a British perspective, the thought of the German navy gaining bases on the Atlantic and Mediterranean coasts of Morocco was far too dangerous to contemplate. From a German viewpoint, however, the success of the Anglo-French front in 1905 and 1911 only encouraged the country to believe that it was surrounded by enemies intent on denying it its place in the sun and increased its determination to break out of its encirclement. At the same time, by challenging France in Morocco, Germany brought into question one of the unspoken bases of European peace since 1870. Bismarck had encouraged France to expand into Africa as a way of distracting it from its loss of Alsace and Lorraine. A dispute about colonies in Africa reawakened more dangerous antagonisms closer to home.

Moreover, the idea that imperial rivalries would not lead to war falls afoul of an obvious rejoinder: that what can be seen as the first skirmish of the First World War, the Russo-Japanese War of 1904–1905, had already occurred—and it was clearly about colonies.

In 1900, the Great Powers had cooperated in confronting the Boxer uprising in China. However, there were unresolved differences of opinion about how to divide the Qing empire between them. In the earlier part of the century, Britain had been content to establish a local trading base in Hong Kong and bargain for open access to the Chinese market. As competition heated up, the rival powers felt it was best to divide China into spheres of interest as a way of avoiding clashes between them—although the United States continued to argue for open access for everyone. In the north, however, the Russians and Japanese had other ideas and looked to lop bits off the old empire that they could control in a more formal way. Russia gained Outer Manchuria in the 1860s, and in 1895 Japan gained Taiwan.

What happened next confirmed the worst fears of those who believed that imperialism must lead to war. In 1905, the two rivals went to war over Inner Manchuria, which Russia considered vital because it gave it access to a warm-water port on the Pacific,<sup>\*</sup> and to which Japan felt entitled after its victory in 1895, even if it had been forced to return the Chinese cession of the area in the face of the opposition of the Western powers. There had been colonial conflicts before the Russo-Japanese War, but they had always been one-sided events in which an imperial power confronted either some backward tribes or a declining empire like China or Spain. This was the first time that two of the rising contenders for empire had fought one another with the full might of modern military technology. The Russo-Japanese War was shocking not just for its outcome, which witnessed the victory of an Asiatic upstart over one of the traditional Great Powers of Europe, but also precisely because it showed that conflict over empire could not always be avoided.

Why was it that Russia and Japan failed to resolve their differences peacefully whereas the other powers in the area managed to do so? The answer is likely to be proximity. Russia and Japan were neighbors of China and therefore viewed the acquisition of its territory as an inexorable process of national expansion—particu-