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Economic Threats, Balancing, and the Pattern of International Conflict and Cooperation

by

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B.A. (Yale University) 1987
M.A. (University of California, Berkeley) 1988

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Chapter One Balancing in the Military and Economic Realms

Does the international system compel states to balance in the economic realm, making conflict likely, as it does in the military realm? In other words, do states perceive the relative economic strength of other states as a threat, and if so, do they react to economic threats in the same way that they react to military threats? The answers to these questions have important implications for our expectations about the nature of international relations after the Cold War.

Power imbalances have been seen as a cause of conflict at least since Thucydides recorded his view of the war between Athens and Sparta in *The Peloponnesian War*.¹ The end of the Cold War, however, has prompted many observers of international politics to reexamine the effects of the distribution of power on the likelihood of conflict and cooperation. Indeed, some analysts argue that the peaceful end of the Cold War represents a watershed in international relations, and that the distribution of power in the international system will no longer be a source of conflict among states.

These scholars de-emphasize the distribution of power and look instead at changes in what states are like and what states can do to explain the likely character of the emerging era. Drawing on various arguments in the field, they discount the likelihood of military conflict, at least among the major powers.² They then argue that the decreased likelihood of major power war mitigates the destabilizing effects of power asymmetries among states: states are able to focus on pursuing absolute gains, making cooperation

¹ Work which focus on polarity or the distribution of power and the occurrence of war include Blainey 1970; Bueno de Mesquita 1978; Bueno de Mesquita and Lalman 1988; Deutsch and Singer 1964; Gilpin 1988; Hopf 1991; Kaplan 1957; Powell 1996; Sabrosky, ed. 1985; Singer, Bremer and Stuckey 1972; Wagner 1994; Waltz 1964, 1979 and 1988. Studies which have focused on power transitions as a cause of war include Organski and Kugler 1980; Kim 1992.

² Reasons given for this decrease in the likelihood of major power war range from the prevalence of democratic states to the existence of assured nuclear forces. Arguments about the peaceful coexistence of democratic states include Doyle 1983a and 1983b; Lake 1992; Russett 1990. For arguments on the effect of the existence of assured nuclear forces, see, for example, Gaddis 1992; Jervis 1989; Kaysen 1990; Mandelbaum 1981; Waltz 1981 and 1993; Weber 1990; but see Mueller 1988 and 1989.

easier.³ While cooperation is not seen as automatic, analysts who hold this position generally expect the emerging era to be one of greater cooperation.

Other scholars have argued that the end of the Cold War heralds the beginning of a new era of economic conflict, because the distribution of power still influences the behavior of states. They agree that major power war has become unlikely, but argue that states are still constrained by anarchy to care about relative power. International relations after the Cold War will therefore be characterized by continued conflict stemming from the distribution of power, though those conflicts are expected to assume a new, perhaps economic, form (e.g. Huntington; see also Thurow).

We thus have two different visions of international politics after the Cold War: it may be characterized by much more international cooperation, or it may represent a new era of economic conflict.⁴ This project focuses on this disagreement: It asks whether the distribution of power among states will continue to be an important determinant of the nature of international relations in a world in which major power war is unlikely. In particular, it asks whether imbalances in relative economic strength are an underlying cause of international conflict.

Summary of Argument

I argue that the constraints imposed upon state behavior by the international system should operate in both the military and economic realms. Because of this, and because one of the effects of anarchy is to make relative power important, I expect states

³ See, for example, Weber 1991; Jervis 1991/92 and 1993; Glaser 1994/95; see also Hopf 1991.

⁴ A dissenting view dismisses the idea that the peaceful end of the Cold War constitutes a break from the past. For example, Mearsheimer (1990) argues that international relations will return "Back to the Future," and that with the reemergence of multipolarity comes a significantly increased likelihood of violent conflict.

to balance in the economic realm. However, because military threats generally pose a more immediate threat to survival than economic threats, military threats will dominate economic threats when they occur simultaneously. Thus, whether or not states balance in the economic realm depends on the larger strategic setting faced by states. In particular, I argue that when states are not faced with a significant military threat, they will perceive the relative economic strength of other states as a threat and try to counter it. This suggests that even if the likelihood of major power war has decreased, power disparities will continue to be an important underlying cause of international conflict. Specifically, I argue that where the military threats faced by states have declined or disappeared, we should expect economic threats to rise to the top of states' agendas, and we should expect these threats to lead to conflicts among states.

In a world in which economic threats and conflicts dominate the agenda of states, the economic relations among states will be highly politicized, with economic affairs attracting the attention of top policymakers (see Conybeare 5-6). At the same time, economic conflicts will spill over into other spheres of state interaction, and other policy goals will be subordinated to the requirements of economic policy. The formal and informal alignments of states, the identification of friends and enemies, will be driven by economic interests, and familiar types of economic conflict such as trade wars, competitive devaluations and embargoes will occur more frequently among economic rivals. Rough balances of economic strength among the major powers will tend to form.

Because the threats faced by states largely shape the pattern of conflict and cooperation in the international system, a change from military to economic threats at the top of states agendas may be expected to change this pattern. To understand the kind of change which may occur, differences between military and economic threats must be explored. For several reasons, I expect economic threats to be more difficult for states to respond to than military threats.

When states do respond to economic threats, and when they do so by allying with other states, I expect those alliances to be more institutionalized than military alliances. This argument builds on the suggestion that the stability of threat in bipolar systems makes cooperation easier in such systems. To the extent that economic power shifts more slowly over time than military power, the source of economic threats should change more slowly; this stability facilitates cooperation in the face of threat and encourages the institutionalization of the cooperation that does occur. This suggests that the pattern of conflict and cooperation in a multipolar system dominated by economic threats should resemble that traditionally associated with bipolarity (long-term rivalries and alliances) more than that traditionally associated with multipolarity (rivalries and alliances that shift quickly over time).

Anarchy, Balancing, and Threats

The fundamental or underlying cause of international conflict is often found in the international system, and in particular in its anarchic nature. This section first explores the general effects attributed to anarchy; it then focuses on one specific effect, the formation of balances of power. Finally, it examines how the larger strategic setting faced by states—the presence or absence of military threats—influences their propensity to balance in the economic realm.

The Effects of Anarchy

The concept of anarchy is central to much of the work done in international relations by both realists and liberals.⁵ Anarchy is often defined as the absence of a central authority or government.⁶ The anarchic nature of the international system means that it is a permissive environment in which states are free to do whatever they can. In anarchy states are formal equals, with no central government or even shared authority that can limit the means states use to pursue their objectives. In short, the only constraint on what states can do is the limit of their own capabilities. The flip side of this permissiveness is that an anarchic environment is one of "self-help."⁷ Because there is no higher authority or centralized government, there is no place a state in trouble can go for aid; other states may for a time share its interests and lend a helping hand, but ultimately a state can depend on nothing but itself.

⁵ Waltz 1979; Gilpin 1981, 7; Lake 1988, 21; Stein 1990, 8. In *Theory of International Politics* (1979) Waltz presents a theory of how the international system constrains state behavior, including a theory that explains the recurrent formation of balances of power. In his theory, the international system is divided into structure and units. The structure is defined by three characteristics: the anarchic nature of the international system, the functional similarity of the units, and the distribution of capabilities across the units. The units, states, are treated as unitary rational actors. Each of these elements of Waltz's theory has been criticized. The literature is voluminous. Two useful collections of articles are Keohane (1986) and Baldwin (1993).

⁶ Waltz 1979, 114; Lake 1988, 21; Oye in Oye 1986, 1; Stein 1990, 4-5; Gilpin 1981, 27-28. But see Helen Milner (1991), who has criticized the use of "anarchy" in the international relations literature. She argues that two problems arise when anarchy is defined as a lack of government or central authority. First, Milner focuses on what she sees as the failure of the literature to define "government" and "authority" clearly, and she argues that there are differences between "government" and "authority" that are likely to be significant. While I agree with Milner that this can be a problem, and that the differences between government and authority might be usefully explored, the effects attributed to anarchy above do not seem to hinge on the precise definitions of "government" or "authority" employed. I take Milner's point that "anarchy" cannot be used as a wedge to cleanly divide the realms of international and domestic politics in a similar way. Instead of undermining work in the field that has been based on differences between the two realms, it is a reminder that work which explores the similarities between the two realms also holds great promise. Powell (1993) makes a critique of anarchy that is related to Milner's second point.

⁷ Alexander Wendt has challenged the idea that anarchy necessarily implies self-help in his 1992 article, "Anarchy is What States Make of It: The Social Construction of Power Politics." Wendt's argument has been challenged in turn by Jonathan Mercer (1995), who argues in "Anarchy and Identity" that the understanding of intergroup relations presented by social identity theory supports neorealism's depiction of anarchy as necessarily self-help.

Anarchy has at least two major effects on international politics. First, the absence of a centralized government or higher authority makes cooperation difficult; states face problems of collective action in pursuing shared ends, and the enforcement of promises or contracts is difficult. Cheating is easy, and penalties are by no means automatic. Indeed, sanctions are imposed only if and when other states are able and willing to do so. Second, the permissive nature and self-help character of the international system means that relative power differentials become important. The ability of a state to defend itself or to accomplish any of its goals that clash with the interests of other states depends on its relative power. As Waltz (1979) argues, the international system thus constrains states to care about relative gains—to monitor and safeguard their relative standing.⁸ This preoccupation with relative gains prompts states, at a minimum, to try to prevent others from gaining power over them. As a result, balances of power tend to form. In addition, cooperation becomes even more difficult. Even when states are able to overcome the barriers to collective action, cooperation may not occur because each state worries that the cooperative endeavor will benefit others more than itself.⁹

The claim that relative gains impede cooperation (Waltz 1979, esp. 105-106) has given rise to a wide-ranging debate.¹⁰ At least in part, this debate centers around a disagreement about the pervasiveness of threat in the international system. In particular,

⁸ Waltz's argument about this effect of the international system has spawned a debate about the correct characterization of states' concern with relative gains as well as the importance of that concern. A discussion among Joseph Grieco, Duncan Snidal, and Robert Powell is a useful overview of the debate (Grieco, Powell, and Snidal, 1993).

⁹ Much of the work done in the field of international relations focuses on one or more of these consequences. For example, in Robert Jervis's work on the security dilemma, anarchy is important in three ways: the reason why one state's attempt to increase its security threatens the security of other states is because there is no central government or higher authority that can limit the uses to which a state puts its military forces, states can rely on no one else to defend them against possible aggressors so they have to arm themselves, and agreements to limit the number and type of weapons, or the uses to which military forces are put, are difficult to enforce (see Jervis 1978; see also Schweller 1996; Glaser 1997; and see Herz 1950 for the original discussion of the security dilemma). Another example is the work of liberal institutionalists, which has focused on the difficulty of cooperation under anarchy. Many of these arguments examine various factors that may increase the likelihood of cooperation in particular cases, including the existence of a hegemon and repeated interactions among the states involved.

¹⁰ In addition to the sources addressed below, other contributions to the debate include Grieco 1988b and 1990; Snidal 1991b; and Matthews 1996.

Robert Powell's (1991) claim that relative gains impede cooperation only when such gains can be used to the possessor's advantage and the disadvantage of other states amounts to a claim that relative gains matter only when they pose a credible threat: Duncan Snidal's (1991a) argument that the impediment to cooperation posed by relative gains diminishes rapidly as the number of states increases is a function of his assumptions about the distribution of threat; and the Waltz-Grieco-Keohane disagreement about the effects of uncertainty is a disagreement about the relative importance of capability versus intentions in producing threat (see Waltz 1979, esp. 105, 165; Grieco 1988a; Keohane 1993, esp. 282-283). As we will see in more detail in Chapter Five, the existence of "threat" thus plays a central role in shaping the prospects for conflict and cooperation in the international system, and whether or not states perceive the relative economic strength of other states as a threat will be an important determinant of the pattern of conflict and cooperation in the emerging international system.¹¹

While both realists and liberal institutionalists recognize the anarchic nature of the international system, a division is evident in their work which partially overlaps with the division between security studies and international political economy. Although there are important exceptions, most of the work that has examined the first effect of anarchy—the difficulty of cooperation and the problem of collective action—has examined state behavior in the economic realm. Work on the second effect—on states' concerns with relative gains and the formation of balances of power—has dealt largely with state behavior in the military realm.¹² However, there is no well-developed reason why the effects of

¹¹ It is important to note that not even in the most stark, most "realist" portrayals of international relations is the picture that emerges one of perpetual conflict. International life is not a Hobbesian war of all against all. While there is a constant possibility of conflict, it does not always occur, and cooperation among states does sometimes take place. (In fact, the realist expectation that states will form alliances when necessary to counter a threat relies on the ability of states to cooperate.) Thus it is important to distinguish between the ever-present possibility of conflict associated with anarchy, and the actual incidents of conflict and cooperation that take place among states.

¹² This division is not clear-cut; perhaps because the belief that states pursue relative gains in the military realm is widely accepted, most of the empirical work on relative gains as an impediment to cooperation has examined state behavior in the economic realm.

anarchy should be different in these two realms; if the logic of anarchy inextricably leads to the effects above, then those effects should be evident in both the economic and military realms.

Robert Powell (1991; see also 1993) argues that the effects associated with anarchy may not be attributable to anarchy alone. He has constructed a model in which states' concern for relative gains varies, not according to the anarchic nature of the situation, but according to the ability of states to use their relative gains to their advantage and to the disadvantage of other states. This suggests that some sort of "technology constraint" is necessary for anarchy to have some of the effects previously attributed to anarchy alone. But anarchy is still important—the mere existence of the technology to turn relative gains to a state's advantage and to the disadvantage of other states is also not enough to produce the effects associated with anarchy. It is the existence of this ability, in combination with anarchy—the lack of a centralized government or higher authority to prevent states from using that technology—that is important.

To the extent that the effects attributed to anarchy are actually the result of other factors or of other factors in combination with anarchy, a comparison of how these effects vary across the military and economic realms should help to reveal these other factors. This project is a first step in this direction. Because according to balance of power theory the anarchic nature of the international system leads states to balance (Waltz 1979, 118), asking whether states balance in the economic realm is a way of asking if the permissive nature and self-help character of the international system influence state behavior in the economic realm in the same way that they do in the military realm.

Balance of power theory

The question, "Does the international system compel states to balance in the economic realm, as it does in the military realm?" implies that we know something about how the international system constrains states to balance in the military realm.¹³ In this section I explore what that "something" is.

As indicated, Waltz argues that the formation of balances of power follows more or less directly from the anarchic nature of the international system. He begins his balance of power theory with assumptions about states, stating that

they are unitary actors who, at a minimum, seek their own preservation and, at a maximum, drive for universal domination. States, or those who act for them, try in more or less sensible ways to use the means available in order to achieve the ends in view.... To the assumptions of the theory we then add the conditions for its operation: that two or more states exist in a self-help system, one with no superior agent to come to the aid of states that may be weakening or to deny to any of them the use of whatever instruments they think will serve their purposes (Waltz 1979, 118).

The expected outcome is the formation of balances of power. Because states care about their survival, because some states may seek universal domination, and because the anarchic nature of the international system means that a state can count on nothing but its own capabilities to resist any actions of other states that may threaten its survival, relative power becomes important. A state's relative power determines its ability to achieve its goals, including the basic goal of survival. Thus although Waltz does not assume that all states aim to maximize their power, his theory implies that any state who wishes to survive will, to the best of its ability, try to increase its own relative power and

¹³ This project thus assumes that states balance in the military realm, although it is by no means universally accepted that they do so (e.g. Schroeder 1976, 1994 and 1996; Schweller 1994).

to limit the relative power of other states.¹⁴ As states compete for the relative power necessary for survival, rough balances of power tend to form.

Waltz thus explains the formation of balances of power as an unintended consequence of actions taken by states to increase their relative power, actions which are made necessary by the threat to their security inherent in the anarchic nature of the international system. While states may act explicitly to counter the threat posed by other states, Waltz argues that balances will form whether or not states intend to create them. The logic of his argument is such that balances will form even among a group of states where each is explicitly trying to upset a relatively equal distribution of power. Waltz's explanation of the formation of balances of power thus differs significantly from balance of power theorists who argue that states explicitly act so as to create and maintain balances of power (e.g. Kaplan 1957).

The focus of this project is not on the formation of balances of power but on the balancing behavior of states. This means that the definition of balancing used here is more limited than that used by Waltz. For Waltz, balancing behavior comprises any action that increases a state's relative power, because it is the interaction of such actions by all states in the system that lead to the formation of balances of power. In this project, "balancing" comprises only those actions taken by a state in order to counter the threat posed by another state's relative strength; the focus is on the intention behind, and not on the consequences of, a state's act.¹⁵

¹⁴ Power is a means and not an end for states in Waltz's theory; the anarchic nature of the international system means that power is a necessary means for survival and other goals that states may possess (see Waltz 1979, 26). Note that Waltz clearly states that it need not "be assumed that all of the competing states are striving relentlessly to increase their power. The possibility that force may be used by some states to weaken or destroy others does, however, make it difficult for them to break out of the competitive system" (Waltz 1979, 118-119). Furthermore, according to Waltz, those states that ignore the systemic imperative and do not pursue relative power "will fail to prosper, will lay themselves open to danger, will suffer" (Waltz 1979, 118).

¹⁵ This is consistent with the difference between systemic and unit level explanations; while systemic explanations focus on how the nature of the system explains international outcomes, unit levels theories focus on how the units behave.

This understanding of "balancing" focuses attention on the definition of threat. In neorealism, unbalanced power is in itself a threat, because of the anarchic character of the international system and the insecurity it produces (Waltz 1979, 105). In this view, it is capabilities, and not intentions about how to use those capabilities, that matter. This is illustrated in Robert Jervis' discussion of the security dilemma, where conflict can erupt despite the defensive intentions of the states involved (Jervis 1978). Robert Keohane has objected to the argument that uncertainty about a state's intentions is by itself enough to lead to a perception of threat and a concern with relative gains.¹⁶ Addressing Joseph Grieco (1988a), Keohane argues,

In a standard expected-utility formulation, states will not let mere *possibilities* determine their behavior. If so, they would behave like paranoids, to their great cost. On the contrary, in considering whether to worry about relative gains they will estimate not only the consequences of adverse action by their partners but the probability of such behavior. Risk-averse states will be cautious in the face of uncertainty, but mere uncertainty, which is characteristic of international affairs in general, will not by itself mandate significant concern for relative gains (Keohane 1993, 282-283).

While it is true that "mere possibility" may not be enough to justify a concern with relative gains, it is also true that it may make sense to take such possibilities seriously under some conditions. For example, the effect of mere possibilities may depend on the size of the relative gains at stake, and on the degree of danger posed by a relative gain. In an expected utility framework, it may be perfectly logical for a state to worry a great deal about a cooperative agreement that generates a large relative gain for its partner, even if there is only a small probability of that gain being used against it; similarly, it may make sense for a state to worry a great deal if a cooperative agreement offers the potential of small unequal gains that pose a large threat. Even a very small chance of great harm deserves to be taken seriously.

¹⁶ Note that the debate over whether a bipolar or multipolar system is more stable also revolves around the effects of uncertainty (e.g. Blainey 1970, 108-119; Kaplan 1957, 22-36).

The difference between an underlying potential for conflict and the occurrence of a specific incident of conflict is important here. Focusing on intentions as a measure of threat would limit us to the examination of cases where states attempt to use their economic strength for coercive purposes.¹⁷ While the usefulness of economic strength for discrete influence attempts is of interest, it is not the question under examination: I am interested in whether anarchy influences state behavior in the economic realm in the same way that it does in the military realm, by making power differentials an underlying source of conflict. In this case, intentions are not an appropriate indicator of threat. This is supported by the findings of the US case study, where the American perception of a threat from Great Britain did not rely on a belief that Great Britain had decided to destroy or coerce the United States. Rather, policies that Great Britain followed in its own self-interest were seen to be damaging to the United States, regardless of whether or not Britain intended to inflict such damage.

In what follows, I use capability as a potential indicator of threat.¹⁸ Great Britain's generally acknowledged position as a economic hegemon in the late 19th century suggests that it was stronger than other states: I use this imbalance as a possible indicator of threat. The case studies then examine whether the United States and Germany actually perceived the relative economic strength of Great Britain as a threat and tried to counter it.

It is important to note that states may react to threats in many ways, only some of which can be classified as an attempt to "counter" or oppose the threat. As Schroeder

¹⁷ Some sources I have found useful on economic sanctions and economic tools of influence include: Baldwin 1985; Barber 1979; Doxey 1972 and 1975-1976; Galtung 1967; Grieve 1968; Hirschman 1980; Hoffmann 1967; Karns 1987; Lenway 1988; Mansfield 1994; Wagner 1988; and Wallenstein 1968.

¹⁸ Other scholars have suggested that there are other source of threat besides unbalanced power. For example, in his amendment of Waltz's balance of power theory, Stephen Walt argues that geographic proximity, offensive capabilities, and perceived intentions are all important sources of threat (Walt 1987; see also Jervis 1978). Geographic proximity and offensive capabilities are both a source of threat because they increase the ability or ease with which a state can use its power against another. This connects to Powell's (1991) argument, discussed above, that states pursue relative gains only when such gains can be used to the advantage of the state that possesses them and to the disadvantage of other states.

points out, states may also ignore or try to hide from a threat, attempt to "transcend" a threat through international institutions, or bandwagon by allying with the state that poses the threat.¹⁹ All of these options seem just as feasible in the economic realm as in the military realm, and the US case provides a possible instance of bandwagoning: The argument over the gold standard in the US was in part a three-way argument between the silverites, who believed that the US could counter the threat posed by Great Britain's relative economic strength by using a bimetallic standard, and gold bugs who argued that the US was not strong enough to oppose the gold standard. To the extent that the gold bugs' argument stops there, they are in effect arguing that the US had no choice but to bandwagon with Great Britain in the financial arena.²⁰ Unfortunately, an investigation of the factors that affect how a state decides to respond to a threat is beyond the scope of this project.

To summarize, anarchy constrains states to care about relative power in the military realm, and this pursuit of relative power leads to the formation of balances of power. By asking if states balance in the economic realm, that is, by asking if states perceive the relative economic strength of other states as a threat and try to counter it, I am asking if anarchy motivates states to pursue relative economic strength in the same way that it motivates them to pursue relative military strength.²¹

¹⁹ Schroeder 1994, 117. On bandwagoning see Waltz 1979, 126; Walt 1987; Schweller 1994; Labs 1992.

²⁰ The argument did not always stop there. As we will see in Chapter Two, many gold bugs in effect made a virtue out of necessity and argued that if the US maintained the gold standard it would eventually eliminate the advantages that Britain gained from that standard.

²¹ I refer here to "relative economic strength" and not "relative economic power" because in some sense the question I am asking is if states treat "relative economic strength" as "power" and balance against it. "Power" is one of the most slippery concepts in international relations theory. Debates in the literature have focused on the question of the definition of power, on the measurement of power, and on the need to distinguish between the existence of resources and capabilities and the translation of those resources into power or influence (e.g. Baldwin 1979; Hoffmann 1975; March 1966; Nye 1990; Singer 1963; Wolfers 1962). Little consensus has been reached. The topic of economic power is just as complex; James Caporaso and Stephan Haggard (1989) agree with Susan Strange (1975) that many different conceptions of economic power are potentially useful, suggesting that one view of economic power is unlikely to dominate the others. Instead, work on economic issues will need to draw on a variety of conceptualizations of economic power. For other discussions of economic power see Baldwin 1985; Gilpin 1987; Kindleberger 1970; Knorr 1975; and Wagner 1988. I avoid an *a priori* definition of what constitutes economic power.

This application of balance of power theory to the economic realm contributes to an evaluation of the theory in two ways: First, the application of balance of power theory to a new area requires a close scrutiny of its concepts, and may expose ambiguities that have gone unnoticed in repeated applications to the military realm. New insights into the conceptual and logical coherence of the theory are thus made possible. Second, the application of the theory to the economic realm provides new empirical observations that can be used to judge the usefulness of the theory.

Threats

So far I have argued that anarchy constrains states to balance in both the military and the economic realms. The next step in the argument is to show how the strategic setting faced by states influences their propensity to balance in the economic realm. I argue that this larger setting influences the potential for economic conflict in three ways: First, if an overriding military threat exists, producing conflict between two or more states, it is likely that an economic conflict will also exist among the same actors.²² This is the case because economic strength is a significant source of military power. An example of this situation is the economic conflict between the Western allies and the Soviet Union during the Cold War. At the same time, economic cooperation may emerge among states that face the same military threat, because when economic strength is a

By focusing on how states react to imbalances in economic strength, I leave it up to the states involved to decide if, and if so, how, an imbalance in economic strength threatens them. In other words, power, like beauty, may lie in the eye of the beholder.

²² Liberman (1996) argues that military conflicts will more often entail a economic conflict in bipolar systems than in multipolar systems, because multipolarity limits the security implications of relative economic gains. However, Viner's (1929) study of "International Finance and Balance of Power Diplomacy, 1880-1914" suggests that economic relations are constrained by the military relations among states in multipolar systems as well.

significant source of military power, states who face the same military threat will have additional incentives to undertake such cooperation.²³

Second, economic conflicts between a state that is a party to the military conflict and a state that is not will be damped down, because the state that faces separate military and economic threats will concentrate on countering the military threat.²⁴ In part this is so because, as I argue in Chapter Five, military power differs from economic power in ways that suggest that military threats are more time urgent than economic threats. It may also be the case that the "stakes" are higher in military than in economic conflicts. Another reason for thinking that military threats will take precedence is that military security is a necessary precondition for the attainment of other goals by states. The ability of a state to accumulate wealth or to achieve domestic prosperity is dependent, to some extent, on the ability of a state to defend its territory and population from attack, and to prevent other states from seizing its wealth in such attacks. When faced with a military threat and an economic threat at the same time, I therefore expect states to focus on the military threat.

Third, a state that faces no significant threat in the military realm will turn its attention to the economic realm. Because the same systemic forces that operate in the military realm also operate in the economic realm, states will balance in the economic realm just as they do in the military realm. In the absence of a military threat, a state will perceive the relative economic strength of other states as a threat and attempt to counter it. This third possibility thus yields the central question under investigation: Are differences in relative economic strength an underlying source of economic conflict? I

²³ In her investigation of the relation between polarity and free trade, Joanne Gowa explains how the ability of military alliances to internalize the security externalities of free trade makes it easier for such alliances to evolve into free trade coalitions (1989; see also Gowa and Mansfield 1993). This suggests that economic cooperation is easier for states who face the same military threat.

²⁴ Keohane and Nye argue that realism assumes a strict hierarchy of issues where "the 'high politics' of military security dominates the 'low politics' of economic and social affairs" (1977, 23-24). Without making that assumption, I do argue that military threats will take precedence over other types of threats that occur at the same time.

hypothesize that they are, and, in the absence of an overriding military threat, I expect states to balance in the economic realm.

Indicators of Balancing

How can we determine whether states balance in the economic realm? One way, the way adopted here, is to examine the motivations behind the economic policies of states, asking to what extent these policies are intended as a counter to a perceived economic threat. Another way would be to ask whether states are concerned with relative economic gains. As explained above, if states care about relative economic gains, we would expect states to attempt to increase their relative economic strength. As a result of this attempt by all states, rough balances of power should form.

The problem is that it is very difficult to demonstrate empirically that states care about relative gains, because it is very difficult in real-world cases to distinguish states' concern with relative gains from their concern with absolute gains. Conflict over the distribution of the gains from cooperation is not necessarily evidence of a concern for relative gains, because as Duncan Snidal argues, "such disputes are equally well-explained by tough bargaining in a purely absolute-gains world" (Grieco, Powell, and Snidal 741).

If the fact that states fight over the distribution of gains is not enough to demonstrate a concern for relative gains, what is? Waltz argues that a state's concern with relative standing may lead it to forego the absolute benefits of cooperation if another state gains more than it does from the cooperative venture (Waltz 1979, 105). Thus an effective demonstration of a state's concern for relative gains requires a situation in which a state sacrifices potential absolute gains in order to safeguard its relative standing. However, it is extremely difficult to show this empirically.

Analyses of states' concerns with relative gains have typically looked at the ability or inability of states to negotiate an agreement as an indicator of their concern with relative gains. For the failure to reach an agreement to be evidence of such concern, the analyst has to demonstrate 1) that all parties to the potential agreement would have benefited absolutely from it; 2) that the benefits offered by the potential agreement were unequal; and 3) that those who stood to lose relatively from the agreement blocked the agreement because of the potential relative losses.

An example of such an analysis is Joseph Grieco's *Cooperation among Nations* (1990). In this book Grieco examines the ability of neoinstitutionalism and realism to explain the pattern of cooperation and discord in EC-US relations under the agreements on non-tariff barriers, which were a part of the Tokyo Round GATT regime. In particular, he examines whether the conflicts that occurred can be explained best by neoinstitutionalism's focus on states' concern about the potential for cheating or by realism's focus on states' concern for relative gains. Grieco recognizes the need to find situations in which states face a choice between absolute and relative gains: he argues that, in the case of agreements on technical barriers and government procurement, "it is possible to demonstrate that the EC's policy was not driven by an interest in maximizing its absolute potential trading gains; on the contrary, the EC sometimes actually gave up opportunities for absolute gains while attempting to minimize gaps in gains favoring the United States" (Grieco 1990, 169). Grieco thus recognizes and attempts to overcome the problem described by Snidal, by showing that the EC sacrificed potential absolute gains for relative gains.

One of Grieco's cases involves the issue of the mutual acceptance of test data under the technical barriers code. He sees this as one of his strongest cases, stating that in it "realism finally finds an opportunity to demonstrate its power over neoliberalism" (Grieco 1990, 169). As Grieco explains, the Code on Technical Barriers to Trade "was

directed toward ameliorating trade distortions arising from national health, safety, and other technical standards and regulations whose satisfaction is required by governments as a condition of sale" (Grieco 1990, 61). Article 5.2 of the agreement mandated "that signatories accept one another's test results 'whenever possible' in determining whether imports meet national regulations and standards" (Grieco 1990, 124). In 1985, the US proposed a new comprehensive agreement that would require the parties to accept one another's test data. The EC opposed the proposal; it had been criticizing the original Technical Barriers to Trade agreement because it applied only to central-government authorities, and it feared that this new proposal "would generate relatively greater obligations for unitary states [including many members of the EC] than for federal states [such as the US]" (Grieco 1990, 184). While Grieco does show that the EC was concerned about the relative burdens of the agreement, he is not able to demonstrate that that is evidence of a concern with relative gains. The EC concern with the relative burdens may simply have reflected a EC belief that it was an unattractive agreement—that they were giving up too much and getting too little in return. The EC may also have opposed the US proposal in an attempt to achieve an agreement that gave them even better terms. In either of these situations, the EC concern with absolute gains would be responsible for the failure to reach agreement.

Michael Mastanduno's article "Do Relative Gains Matter? America's Response to Japanese Industrial Policy" (1991) also reveals the difficulties of demonstrating the concern of states with relative gains. Mastanduno's broader argument is that domestic factors, especially ideology and the institutional setting within which policy struggles take place, explain the significance attached to relative gains in disagreements with the Japanese over policies on aircraft, satellites, and high-definition television. The problem once again lies in his demonstration of the existence of a concern with relative gains, although Mastanduno argues that in the case of satellites, "U.S. officials adopted a

controversial policy initiative that reflected relative gains considerations fully and unambiguously" (Mastanduno 1991, 75).

Mastanduno argues that the satellite issue was characterized by "a Japanese strategy of industrial targeting, a history of U.S.-Japanese cooperation, and a dilemma for U.S. officials over whether to disrupt or jeopardize that cooperation in pursuit of relative gains" (Mastanduno 1991, 93). He argues that the concern of U.S. officials for relative gains was illustrated by the resort of those officials to "a controversial, high-profile trade weapon [Super 301] in an effort to frustrate Japanese industrial targeting and deny Japanese firms the strategic benefits of a protected home market" (Mastanduno 1991, 93). The specific issue was the closure of the Japanese public market to American firms; government agencies in Japan were not allowed to purchase foreign-made satellites. Mastanduno's argument is that the decision by the United States to target Japanese satellite restrictions makes perfect sense from a relative gains perspective. He explains,

The relative gains implications [of Japan's policy] were obvious. U.S. firms were not only shut out of a market they could easily have dominated, but their competitors could use their protected home base as a 'sanctuary' and from it launch an export drive in an effort to out-compete U.S. firms in the American and other markets in the future....To some U.S. officials, the rationale for a relative gains strategy was...clear—to seek to deny Japanese firms the luxury of that captive government market, and thereby prevent the execution of what was perceived as Japan's industrial strategy. Such a U.S. approach would serve the long-term economic interests of the United States, even if it conflicted with the short-term concerns of American firms (Mastanduno 1991, 98-99).

This logic is compelling. However, it is still not clear that an alternative explanation which focuses on absolute gains has been ruled out. Mastanduno's argument is that in its attempt to open up the public market, the US risked the benefits it gained from the open private market. It took actions which threatened the short-term interests of America firms, because it was possible that Japan would react by closing off the private market as well. But if the public market was opened, the US stood to gain

absolutely (from increased sales) as well as relatively (by preventing the execution of Japan's industrial strategy and all that would follow). It is not clear on what basis we should judge the possible relative gains to be a more important determinant of US policy than the possible increase in absolute gains. Mastanduno's argument seems to rest on the fact that the US risked its access to the private market, but it is not clear why the potential absolute gain of sales in the public market could not justify those risks as well as the potential relative gains.

Because of these problems with the empirical demonstration of a state's concern with relative gains, I use different indicators.²⁵ To determine if states balance in the economic realm, I ask whether states fear the relative economic strength of other states and take actions designed to counter that relative strength. To the extent that a state fears the relative economic strength of other states and takes action to counter it, it is balancing in the economic realm.

To determine this, I examine the arguments made for and against major economic policies in United States from 1870-1896 and in Germany from 1871-1896. While a variety of different kinds of arguments are made in the debates over economic policies, I am particularly interested in arguments that link a specific position on these policies to arguments about a possible economic threat. If a state perceives the relative economic strength of another state as a threat, and if its economic policies are selected at least in part on the basis of their ability to counter that threat, I conclude that the state is balancing in the economic realm.

There is always the possibility that arguments about "threat" are merely a rhetorical device used to sell policies preferred for other reasons. I therefore need to

²⁵ Of course, the approach followed here has its own problems. The hope is that by pursuing a variety of approaches, a body of evidence can be accumulated that is more persuasive than each piece of research on its own.

determine whether the occurrence of arguments about economic threat vary with the strategic setting faced by states. As Chapters Two and Three will demonstrate, I find that they do; this finding lends support to the use of arguments about threat as an indicator of balancing.

It is important to note that the "correctness" of various economic arguments quoted in the case studies is not at issue.²⁶ That is, the relevant question is not "Did so and so correctly understand international economics?" but, "What role, if any, did Great Britain's relative economic strength play in debates over economic policies? Was Great Britain's economic strength seen as a threat, and if so, were particularly policies touted for their ability to decrease that threat?"

Case Selection

In order to evaluate the possibility that states balance in the economic realm in the absence of significant military threats, it is necessary to examine the policies of a state that is militarily secure but faces a potential economic threat. Drawing on balance of power theory, I use an imbalance of economic strength as a indicator of potential economic threat.

I examine two cases, the United States from 1870-1896, and Germany from 1871 to 1896. The cases are drawn from the late nineteenth century because Great Britain's economic strength provides a clear case of an economic imbalance. As L.C.A. Knowles observes, "In the twenty-three years between 1850 and 1873 Great Britain was the forge of the world, the world's carrier, the world's ship-builder, the world's banker, the world's

²⁶ For a comparison of the economic knowledge displayed in the 1824 and 1894 Congressional debates, see Edwards 1970.

workshop, the world's clearing house, the world's entrepôt. The trade of the world during this period pivoted on Great Britain."²⁷

In addition to choosing cases characterized by an imbalance in economic strength, it was necessary to select cases that would help to control for the influence of military power. Because economic strength is a source of military power, military competition can seep into the economic realm. Cases of what may look like economic balancing—states attempting to counter the relative economic strength of other states—may actually be motivated by the military power such economic strength could produce.²⁸ Therefore, in order to ask whether states perceive the relative economic strength of other states as a threat and balance against it, it is necessary to distinguish between "economic balancing" that occurs as a result of the connection between economic strength and military power and "economic balancing" that occurs because economic strength *is* economic power. The variation in the presence of a military threat controls for this. As will be argued in more detail in Chapter Two, the United States faced no significant military threat in the period under study. Germany, on the other hand, faced a significant military threat from within Europe, as we will see in Chapter Three.²⁹

It is not uncommon for researchers in the social sciences to face the problem of "small n." Many of the events we are interested in occur infrequently, which make the

²⁷ Quoted in Brown 1943, 2; see also Hoffman 1933, 1-13; Harvey 1938, 133; Appendix One.

²⁸ See Kennedy 1980, esp. 306-320 and 464-465 for a discussion of how the connection between economic strength and military power affected Anglo-German relations.

²⁹ To the extent that Great Britain is seen as posing a military threat, the geographic proximity of Great Britain to Germany means that it should pose a greater military threat to Germany than it does to the United States. As George Kennan argues, "the effectiveness of the power radiated from any national center decreases in proportion to the distance involved" (quoted by Wohlstetter 1968, 242). Boulding labels "the amount by which the competitive power of a party diminishes per mile movement away from home" the "loss-of-power gradient" and explores its effects in *Conflict and Defense* (Boulding 1962, 79; for other arguments about the effect of geographic proximity, see Morgenthau 1978, especially pages 117-120; Starr and Most 1976; and Walt 1987). Thus even if Great Britain itself poses a military threat to both states, the pattern of economic balancing found will still reveal the relative importance of economic versus military motivations for balancing.

application of statistical techniques of control difficult.³⁰ In this case, the problem is exaggerated to the extreme, because of the difficulty of identifying states that face no significant military threat. The United States in the period from 1870 to 1896—after the withdrawal of the French from Mexico and the close of the Civil War but before the war with Spain—is the best and indeed only example I could find of a state that faced no significant military threat. The case of Germany was chosen, as explained above, to control for the possible influence of the connection between economic strength and military power. While it would be possible to study additional cases of states that face both military and economic threats, those cases would not improve our ability to get at the central question under investigation—whether states balance in the economic realm in the absence of a significant military threat.

While I am aware of the methodological problems this small number of cases creates, and of the limits it imposes on the claims that can be made on the basis of the case studies presented in this study, it is important to examine the historical evidence that does exist. The end of the Cold War sparked a lengthy and controversial debate that has been conducted largely on speculative grounds. As mentioned above, theorists have presented cogent arguments about what the emerging era of international relations will look like; the problem is that those arguments lead to at least three competing visions of international politics in the post-Cold War era. Because of the importance of this question, and because it is not possible to resolve this debate at the theoretical level, I seek to use what historical evidence is available to evaluate the possibility of economic conflict in a world in which the military threats to states' security may have receded in importance.

³⁰ For discussions of the problem of "small n," see: Bueno de Mesquita 1985; Collier 1991; George 1979; George and McKeown 1985; King, Keohane and Verba 1994; Krasner 1985b; and Lijphart 1975.

Conclusion

The peaceful end of the Cold War evoked a great deal of uncertainty about the future of international politics, and about the usefulness of traditional approaches to understanding international relations. This project addresses these issues by exploring the usefulness of balance of power theory in a world where the behavior of states is not driven by a concern with their military security. Specifically, I ask whether states balance in the economic realm: Do states perceive the relative economic strength of other states as a threat and attempt to counter it?

Chapter Two examines the United States from 1870 to 1896, and asks whether it balanced against the relative economic strength of Great Britain. Both the tariff and the remonetization of silver were very salient issues during this period. I examine the kind of arguments made about these policies, in legislative debates, executive documents, and presidential campaigns. I find that the United States did react sharply to the imbalance in economic strength: the threat posed by Great Britain's relative economic strength was widely discussed, and the debate over American economic policies was in part a debate over which policies would best counter that threat. Little or no mention of a potential military threat posed by Great Britain was made in these debates; the concern with Britain's relative economic strength was not motivated by fear of a future military competition.

Chapter Three examines Germany during the same time period. Germany faced the same disparity in economic strength vis-a-vis Great Britain as did the United States, but it also faced a significant military threat, from within Europe. The case study reveals that Germany concentrated on countering the perceived military threat: any concern about the relative economic strength of Great Britain was secondary to Germany's perceived need to prevent the formation of a preponderant alliance against it. Furthermore, to the

extent that Germany's economic policies were motivated by international considerations, they were motivated by the need to create the economic pre-requisites of military power, not by a concern with Great Britain's relative economic strength.

Chapter Four presents the remainder of the historical story. It first analyzes British policy during the period from 1870-1896, and examines in particular the lack of severe economic conflict between the US and Great Britain. The second part of the chapter focuses on changes in the strategic setting of the United States, Germany and Great Britain after 1896, and explains why the case studies end with that date.

Chapter Five is devoted to concluding arguments and an examination of the implications of the finding that states balance in the economic realm for the current era of international politics. In the first part of the chapter I summarize the findings of the case studies and examine the conditions under which states balance in the economic realm. I then evaluate the lessons suggested by this application of balance of power theory to the economic realm. Finally, I address the issue of what the findings of this project suggest about international politics today. I first argue that we should expect economic balancing to take place, despite changes that have occurred in the economic realm and in the relation between the economic and military realms. I then investigate the implications of these findings for the pattern of conflict and cooperation likely to characterize the post-Cold War era. I argue that a world in which states' agendas are dominated by economic threats will be very different from a world in which states' agenda are dominated by military threats as well as from a world in which power disparities have lost their significance. In the past military threats have constrained the possibilities for cooperation in the international system, although the stability of the distribution of power in bipolar systems made cooperation easier in such systems than in multipolar systems. If economic threats dominate the agenda of states, the possibilities for cooperation will still be constrained, but less severely, even in a multipolar system. This is because the greater

stability of the distribution of economic power compensates for the loss of stability associated with the change from a bipolar to a multipolar system.

Before turning to the case studies, I should make it clear that I am not offering an explanation of the economic policies of particular states. Domestic concerns impinge on, and in most cases are the primary determinants of, the economic policy enacted by a state at a particular time. My aim is different: In order to determine if imbalances in economic strength are a source of economic conflict, I ask whether states perceive the relative economic strength of other states as threat and balance against it. This means that explanations of why particular policies are adopted at certain times (e.g. interest group explanations) are not necessarily counter arguments. They may even be complementary, unless they specifically exclude the possibility of any international motivation for the policy in question.

Chapter Two Economic Balancing: The American Response to British Commercial and
Financial Strength, 1870-1896

The first chapter made two claims about the United States during this period: that it faced no significant military threat, and that it balanced against the economic threat posed by Great Britain. That second claim involves two sub-claims: that the relative economic strength of Great Britain was perceived as a threat in the United States, and that the United States countered that threat. I will substantiate these claims in this chapter.

The heart of the chapter lies in the analysis of the period from 1870-1896. After arguing that the United States was militarily secure during this period, I show that Great Britain's relative economic strength was seen as a threat. In order to show that the United States attempted to counter that threat, I then examine economic policy debates in the US and demonstrate that one of the criteria used to evaluate and champion various policies was their ability to counter the economic threat posed by Great Britain.

After discussing that period, I will contrast it with the period which preceded it. During the first part of the 19th century the dominant threat facing the United States was not economic. The United States is thus not expected to balance in the economic realm in this period, and an examination of it, and of particular of the economic policy debates during this period, gives us a baseline against which to judge the period from 1870 to 1896.¹ Section one below thus analyses the period from 1870 to 1896, while section two focuses on the first part of the 19th century. In each section I first investigate the overriding strategic threat faced by the United States. I then examine arguments made about economic policy to see if changes in the strategic setting are reflected in those arguments.

¹ Thus by looking at the period before 1870, it is possible to see if my indicator of balancing-economic policy debates—reflects changes in the strategic setting facing the United States. Note that the period after 1896 will be examined in Chapter Four.

1870-1896

The first part of this section argues that the United States faced no significant military threats during this period. I then demonstrate that the relative economic strength of Great Britain was seen as a threat: I show first that Americans in this period came to believe that economic expansion was necessary for the survival of their way of life, and then that Great Britain's dominant position in the world economy was seen as blocking that necessary expansion. I also look at more specific threats thought to be posed by Great Britain's commercial and financial power. In the third part I examine the role that those threats played in the debates on two controversial economic issues of the time—the tariff and the free coinage of silver. Because Great Britain's relative economic strength was widely perceived as a threat in the United States, and because the debates on key economic policies were in part a debate about what policies would best counter that threat, I conclude that the United States balanced in the economic realm. Finally, the fourth section reviews some possible objections to the type of evidence offered.

The Overriding Threat

During the years 1870-1896, the United States faced no significant military threat—there was no obvious military rival whose military power threatened the security of the United States, no military threat that dominated its foreign policy and towards which the energies and concerns of the United States were directed. Foster Dulles, in his book *Prelude to Power*, characterizes the period as one of "free security" for the United States. He explains that "at no time from the end of the Civil War to the end of the 1890's was its national security threatened as it would be in the twentieth century" (1965, vii).²

² Part of Dulles' argument is that "free security" allowed "foreign policy to become little more than an irresponsible instrument of political partisanship." However, he does recognize that there was a serious

The essential security of the United States was recognized at the time. In the late 1860's, President Johnson's Secretary of State, William H. Seward, argued that because of its geographic position and resources, the United States was "singularly independent of the varying policy of foreign powers" (quoted in Dulles 1965, 45). A strikingly similar statement was made by President Cleveland's Secretary of State in 1895. In his note to Great Britain on the Venezuela-British Guiana boundary controversy, Secretary of State Olney noted that the United States' "infinite resources combined with its isolated position render it master of the situation and practically invulnerable as against any or all other powers."³

Despite the overall security of the United States, there were occasional war scares in this period. For example, when two American soldiers were killed in a brawl in Chile, there was talk of war (LaFeber 1963, 133-135; Dulles 1965, 127-131), and Cleveland's message to Congress about the Venezuelan boundary dispute was widely seen to contain a threat to use force if necessary to prevent Great Britain from exercising jurisdiction over any land the United States determined belonged to Venezuela.⁴ But no sustained military threat—actual or potential—emerged from these scares to dominate the foreign policy of the United States.

The absence of significant military threats can also be seen in the arguments used to justify the development of the navy. President Grant issued a warning in 1872 about the comparative weakness of the United States navy (*Messages* 1897, vol. IX: 4150-4151). Grant's concern did not stem from potential military threats; instead he argued that "with an energetic, progressive business people like ours, penetrating and forming business relations with every part of the known world, a navy strong enough to command

aspect to foreign policy in this period, in that the United States had a "developing need...to expand and safeguard foreign trade" (see Dulles 1965, viii, see also 74).

³ Quoted in Dulles 1965, 139; see also Dewey 1907, 306; LaFeber 1963, 262.

⁴ LaFeber 1963, 242-283, especially 267-268; Dulles 1965, 135-144; Faulkner 1959, 215-216.

the respect of our flag abroad is necessary for the full protection of our rights" (*Messages* 1897, vol. IX: 4151). The need for a navy to protect foreign trade would continue to be an important justification for a modern navy throughout this period.⁵

According to the hypotheses presented in Chapter One, a state that faces no significant military threat should turn its attention to the threat posed by the relative economic strength of other states. The next sections demonstrate that this is in fact what happened in the case of the United States.

In order to show that the United States balanced against the relative economic strength of Great Britain, I first need to demonstrate that Great Britain's relative economic strength was perceived as a threat. I argue that Great Britain's economic strength was seen as posing a general threat to the United States because Great Britain's dominant position in the world economy was an obstacle to American economic expansion. In addition, Great Britain's commercial and financial strength were seen as posing more specific threats to the United States. I explore each type of threat below.

The threat posed by Great Britain's economic strength. Two elements came together in the last part of the nineteenth century to convince Americans that Great Britain's economic strength was a threat to the necessary development and perhaps even the survival of the United States.⁶ The first of these elements was the formation of a

⁵ See, for example, Pletcher 1962, 119; Williams 1969, 238-239; Terrill 1973, 145; Faulkner 1959, 218. For more information on the development of the navy, see Faulkner 1959, 217-219; Dulles 1965, 123-127, 132, 187; Rhodes 1919, 438-442; Dewey 1907, 184-186; Pletcher 1962, 119-125, 257, 345; Terrill 1973, 65, 69, 71; Williams 1969, 29-30, 36-37, 374-375; Cashman 1988, 228-229; LaFeber 1963, 58-60, 121-127, 229-241.

⁶ The survival of the United States was perceived to be threatened in the sense that economic stagnation and severe distress were thought to undermine the legitimacy and viability of American political institutions.

The influence of Friedrich List may also be at work here: he argued in *The National System of Political Economy* that "history is not without examples of entire nations having perished, because they knew not and seized not the critical moment for the solution of the great problem of securing their moral.

consensus on the idea that development, in the case of the United States, meant expansion. The second of these elements was the historical and contemporary experience of British economic power. Especially in the last quarter of the nineteenth century, Great Britain was perceived as the single greatest obstacle to the development of the United States. Because Great Britain dominated the world economy through its commercial and financial strength, American economic expansion was expansion "against Great Britain," and Great Britain's economic strength was seen as a threat.

During the last quarter of the nineteenth century, Americans came to believe that continued expansion was necessary for the survival of the United States. Many of the histories of this period make repeated reference to the gradual emergence of a consensus on the necessity of expansion: William Appleman William's book *The Roots of the Modern American Empire* (1969) finds the origin of this belief in the experience of American "farm businessmen" who were dependent upon exports for their survival, and he traces the spread of the belief in the necessity of expansion from these farmers to metropolitan leaders, industrialists, and financiers. Tom E. Terrill's *The Tariff, Politics and American Foreign Policy* (1973) focuses on the professional political leaders of the two major parties; he argues that the 1880's witnessed the emergence of a consensus by the leaders of both parties on the need to expand foreign trade. Others have focused on the effects of this belief in the necessity of expansion on the evolution of the United States first into a state concerned with commercial expansion and then into an imperialist power (LaFeber 1963).

Attention was paid to the need for expansion and for greater economic independence from Great Britain even early on in the period under study. For example, in 1870, President Grant emphasized the need to expand foreign trade, and argued that until

economical, and political independence, by the establishment of manufacturing industry, and the formation of a powerful class of manufactures and tradesmen" (List 1856, 82).

more of the carrying trade was in American hands, "we can not control our due share of the commerce of the world" (*Messages* 1897, vol. IX: 4060).⁷ And in 1875, the economist Henry Clay argued that "gold monometallism tied the United States so closely to Great Britain...that America was being recolonized. [In Clay's view] high tariffs and a nationalistic money policy were the keys to 'Financial Independence' " (Williams 1969, 198).

The 1875 Hawaiian reciprocity treaty was an early instance of bipartisan agreement on the need for expansion. During the House debate on the treaty, Congressman Fernando Wood (D-NY), speaking for the majority but with the minority concurring, stated that "the Pacific Ocean is an American ocean, destined to hold a far higher place in the future of the world than the Atlantic. It is the future great highway between ourselves and the hundreds of millions of Asiatics who look to us for commerce, civilization, and Christianity" (quoted in Terrill 1973, 19; see also 95).

Thus, although a full consensus on the need for expansion may not have emerged until the 1880's, even as early as 1870 the economic strength of Great Britain and the need for expansion were issues that attracted attention and were part of policy debates.

While early American leaders such as Hamilton and Madison had argued for economic development and expansion largely as a means to increase the military security of the United States, during this period economic expansion came to be seen as vital in its own right.⁸ The closing of the frontier in the late 19th century highlighted the role expansion had played in the formation of the United States, and posed the question of the necessity of and possibilities for further expansion (see Dulles 1965, 150).

⁷ Similar concerns were voiced in many of the annual messages given during this period (e.g. Grant in *Messages* 1897, vol. IX: 4201, Hayes in *Messages*, vol. X: 4421 and 4423).

⁸ See Alexander Hamilton, "Report on Manufactures" in *Documents Relating To American Economic History: Selections from the Official Reports of Alexander Hamilton*. Arranged by Felix Flügel. Berkeley, CA: University of California Press, 1929, 5-99, esp. 53; *The Complete Madison: His Basic Writings* ed. Saul K. Padover. New York: Harper & Brothers, 1951, especially 270-271, 273-274.

For example, Frederick Jackson Turner

rested the central part of his frontier thesis on the economic power represented by free land. American individualism, nationalism, political institutions, and democracy depended on this power: "So long as free land exists, the opportunity for a competency exists, and economic power secures political power"....Without the economic power generated by expansion across free lands, American political institutions could stagnate (LaFeber 1963, 66).⁹

Turner's thesis, published in 1893 in an essay entitled "Significance of the Frontier in American History," formally expressed what many had been thinking (see LaFeber 1963, 65; Williams 1969, 17, 271-272, 286, 341).¹⁰ As early as 1836, Thomas Dew of Virginia warned that "the time must come when...our rapidly increasing numbers shall fill up our wide spread territory...when the great safety valve of the west will be closed...When these things shall come....First comes disorganization and legislative plunder, than the struggle of factions and civil war" (quoted in Williams 1969, 68). And in 1881 Representative John Adam Kasson (R-IA) suggests, "We are rapidly utilizing the whole of our continental territory. We must turn our eyes abroad, or they will soon look inward upon discontent" (quoted in Williams 1969, 270). Turner himself argued that "the growth of nationalism and the evolution of American political institutions were dependent upon the advance of the frontier" (Turner 1993, 77).

Thus the end of the frontier (which Turner proclaimed at the end of his essay [1993, 88]), posed a problem for which Turner himself proposed no solution. From where would the increasing economic power which maintained American political institutions come? Three options were available: reorienting American political institutions to accommodate a non-expanding society, finding new outlets for territorial

⁹ See also Per Sveaas Andersen, *Westward is the Course of Empires* (Oslo: 1956, 20-21).

¹⁰ Indeed, LaFeber reports that Theodore Roosevelt wrote Turner in 1894 that "I think you...have put into definite shape a good deal of thought which has been floating around rather loosely" (LaFeber 1963, 64).

expansion, or switching focus from territorial expansion to commercial expansion (LaFeber 1963, 67; Terrill 1973, 151; Williams 1969, 236 and 288).

Non-expansion was ruled out by the belief that some form of expansion was necessary for economic growth. This belief in the necessity of expansion found support in the work of Adam Smith. The division of labor is at the heart of Smith's understanding of economic growth. He argues that "The greatest improvement in the productive powers of labor, and the greatest part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem, to have been the effects of the division of labor" (Smith 1937, Bk. I, ch. I, 3). Smith states further that "it is the power of exchanging that gives occasion to the division of labor, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market" (Smith 1937, Bk. I, ch. III, 17). Thus, market expansion becomes the key to economic growth.¹¹

The belief in the necessity of some sort of expansion was also reinforced by experience of the (first) Great Depression. The social and labor unrest, as made manifest by the riots and strikes that occurred, served as evidence of the threat posed to American institutions by a stagnant economy (see Terrill 1973, 7, 143, 185, 212; Dewey 1907, 248). The depression began in 1873; four years later, in 1877, "the year of violence," the country witnessed unprecedented social unrest; violent railroad strikes and labor and farmer agitation gave voice to the discontent that was spreading across the country.¹²

¹¹ Williams argues that "Smith did not abandon the stress on economic expansion that was so much a part of mercantilism. He instead made it *the* dynamic factor in the proper functioning and success of his own system. According to Smith's logic, therefore, market expansionism was the necessary condition for the realization of individual freedom and liberty" (Williams 1969, 61; italics in the original).

Williams states further that "Smith and the mercantilists shared two important characteristics. The first was a reliance on the principle that the expansion of the marketplace was necessary for economic, political, and social well-being. The second was the axiom that economic liberty and success had a direct and causal part in both the definition of freedom per se, and in the realization of such freedom (Williams 1969, 60). This connection between expansion and values such as political freedom and liberty helps to explain why the option of readjusting American political institutions to a non-expanding economy did not receive more attention.

¹² Rhodes argued in 1909, "It is probable that the ratio of unemployed to the total population has never been larger in this country than during 1877 and the strikes and riots of that year constituted the most serious labor disturbances that has ever occurred in the United States" (1919, 46).

Federal troops were used in West Virginia, Maryland, Pennsylvania and Illinois to maintain order (*Messages* 1897, vol. X: 4424).

Demonstrations of social and economic discontent would continue throughout the period under study.¹³ For example, again during a downturn, another series of strikes hit the country in 1884. 1886 saw twice as many strikes as in any previous year (Dewey 1907, 42), and in that same year the "Haymarket Riot" occurred. After police attempted to break up a meeting organized to discuss labor difficulties in Chicago's Haymarket Square, a bomb was thrown, killing seven policemen and wounding sixty others. Eight prominent anarchists were arrested, four of whom were hung; one committed suicide in prison (*Messages* 1897, vol. XIX; Rhodes 1919, 278-284). In the early 1890's, Coxey's Army, composed of the unemployed, walked from Ohio to Washington D.C. to demand relief (Dewey 1907, 289-90). And in 1892 and 1894, other major strikes occurred which attracted the country's attention; the Homestead strike was said to have played a significant role in the Republican's loss of the White House in 1892.¹⁴

These events made manifest the dangers of economic stagnation and contributed to the growing consensus on the need for economic expansion (LaFeber 1963, 16). This concern is evident throughout the period under study. For example, in 1882, Representative William McKinley (R-OH) argued in a discussion on the appointment of a Tariff Commission that "the stability of our institutions rests upon the contentment and intelligence of all our people, and these can only be possessed by maintaining the dignity of labor and securing to it its just rewards" (McKinley 1894, 81; see also U.S. House 1882, vol. 2: 2390). And Walter Gresham, appointed as Secretary of State by Grover Cleveland in 1893, made the link between social stability and economic expansion explicit,

¹³ For more information on labor unrest during this period, see Robert V. Bruce, *1877: The Year of Violence*, Indianapolis, IN: Bobbs-Merrill Company, Inc. 1959; Dewey 1907, esp. 40-56 and 288-296; and Faulkner 1959, esp. 163-186. Also see Table Twenty-eight in Appendix One for data on the number of work stoppages and workers involved for the years 1881-1900.

¹⁴ Rhodes 1919, 385, 388, 424-428; Dewey 1907, 247, 291; Faulkner 1959, 132-133, 169, 321.

arguing that economic expansion could defuse the social and political crisis created by the depression (Williams 1969, 38, see also pp. 41, 202 and 286; LaFeber 1963, 197; and Crapol 1973, 220).¹⁵ Thus the experience of the Great Depression and the teaching of Smith and others came together to suggest that expansion was necessary. Because expansion was required for prosperity, and prosperity was required for the maintenance of American political institutions, non-expansion was not an option.

But it was not clear how the US could continue to expand once the frontier was gone. Americans were wary of further territorial expansion, as the debates over Santa Domingo and Hawaii show (see LaFeber 1963, 67-68).¹⁶ As LaFeber explains, "This was a cruel dilemma. Nonexpansion threatened economic and political stagnation, but further expansion could worsen the abscesses already festering on a sick body politic" (1963, 68). Economic expansion came to be seen as the answer, as it offered the benefits of an

¹⁵ The need to alleviate domestic discontent was recognized by both sides in the tariff debate. For example, Congressman Hewitt (D-NY) argued in March 1882 that lower import duties were necessary because increased exports were necessary for sustained prosperity (Terrill 1973, 60). He foresaw "convulsions and revolutions," "sufferings and horrors" if exports were not increased, and warned that in that case the "whole structure and genius of our government must be changed in order to meet the primary necessity...for preserving social order" (quoted in Terrill 1973, 61). Others also thought that high tariffs contributed to discontent; for example, Senator James Beck (D-KY), in a minority report on the Mills bill, quoted a letter from J.M. Atherton, president of the Distillers Association. Terrill reports that according to Atherton, "The Republican policy... had so restricted foreign trade' that the country was like a 'great steam boiler without a safety valve and in which the steam is made faster than used, and a destructive explosion must follow'" (Terrill 1973, 137). Protectionists also saw a link between the tariff and social unrest, but their view of the connection was different. For example, President Harrison argued that fair wages, protected by the tariff, prevented discontent, so that "this country of ours is secure, and social order is maintained" (Harrison 1971, 285); he also warned that "these institutions of ours have no danger except in a discontented citizenship" (Harrison 1971, 496; see also his second annual message in Richardson vol. XII, 5557).

¹⁶ For information on the debate on Santo Domingo, see LaFeber 1963, 38-39, 110; Dulles 1965, 35-36, 45-47, 57-58; Pletcher 1962, 10, 132-133; Williams 1969, 144-147. For information on the debate on Hawaii, see Williams 1969, especially 343-344, 355-356, 421; LaFeber 1963, especially 140-149, 203-209; Terrill 1973, 177-178; Cleveland's second annual message (1886) in *Messages* 1897, vol. XI: 5085-5086; Harrison's third annual message (1891) in *Messages* 1897, vol. XII: 5623, Harrison's fourth annual message (1892) in *Messages* 1897, vol. XIII: 5751, Harrison's special messages (2/15/93) in *Messages* 1897, vol. XIII: 5783-5784 and (2/16/93) in *Messages* 1897, vol. XIII: 5784; Cleveland's first annual message (1893) in *Messages* 1897, vol. XIII: 5873, and Cleveland's special message (12/18/93) in *Messages* 1897, vol. XIII: 5892-5904; Allen 1955, 555-556; Dulles 1965, 107-118, 183-186; Pletcher 1962, 68-71; Dewey 1907, 297-304.

increased market without increased responsibilities over new territories (see Dulles 1965, 151-152).¹⁷

This agreement on the necessity of economic expansion led Americans to perceive any state that blocked or threatened to block American expansion as an enemy, because without such expansion, the continued existence of American political institutions—even the very survival of the United States—was thought to be in danger. Great Britain in particular was seen as a threat, because of the historical and contemporary American experience of British economic power (see, for example, Crapol 1973, 16, 44-45, 225).

The military threat inherent in that history (which includes the colonial relationship, the War of Independence, the War of 1812 and Great Britain's flirtation with the Confederacy during the Civil War) is obvious.¹⁸ But the role of economic factors in these conflicts was not minimal, and they continued to influence discussion of American economic policy. For example, Peter Cooper, in an article included with his testimony before the Tariff Commission of 1882, asserts that "the war of the Revolution of our country was brought on by a war of commercial interests...The war of the Revolution was a war of resistance to a war of commerce then being forced by the mother country on the colonies" (U.S. House 1882, vol. 2: 1587; for a similar argument see the testimony by James Park et. al. in U.S. House 1882, vol. 2: 2025-26). Another example is provided by Benjamin Harrison; as the Republican presidential candidate in 1888, he referred to "the story of our colonial days, when England, with selfish and insatiate avarice, laid her

¹⁷ Note that economic expansion could be seen as the solution to domestic unrest in two ways. Economic expansion was thought by some to be the solution to domestic problems, by opening up new markets that would absorb the surplus farm and manufactured products and thus restore prosperity. Others emphasized the ability of an aggressive foreign policy to distract and unify the country (see Dulles 1965, 134).

¹⁸ See Dulles (1965, 3 and 8) for reasons why both the British and the French looked favorably upon the prospect of the Confederacy winning the Civil War. Harrison described the British role in the Civil War as follows: "That grasping avarice which has attempted to coin commercial advantages out of the distress of other nations which has so often characterized English diplomacy naturally made the Government of England the ally of the Confederacy" (Harrison 1971, 19, see also 140-142; for a similar view, see Grant in *Messages* 1897, vol. IX: 3987-3988).

repressive hand upon our infant manufactures and attempted to suppress them all" (Harrison 1971, 139, see also 522).

The dangers of economic dependence were manifest throughout the history of relations between United States and Great Britain.¹⁹ Crapol argues that Great Britain had established a "client-patron trade pattern" in which the United States exchanged raw materials and agricultural products for Great Britain's manufactured products (1973, 6). When manufacturing sprang up in the United States during the War of 1812 and threatened that pattern, Great Britain strove to maintain it. In 1816, for example, Henry Brougham, a member of the British Parliament, recommended that British traders enact a policy of dumping so that British export might "stifle in the cradle those rising manufactures in the United States which the war had forced into existence contrary to the natural course of things" (quoted in Crapol 1973, 8; see also Teller 1887, 11). But it was not just the manufacturing power of Great Britain that posed a threat: Great Britain's position as the United States' largest creditor was perceived as significantly increasing its power over the United States (Crapol 1973, 6).

Hostility generated by these historical experiences was reinforced and focused by the contemporary experience of Great Britain's economic strength.²⁰ In 1894 James S. Hogg, the Democratic governor of Texas, wondered, "Why is it that the seat of commerce and finance now in control of and dominating the United States and the whole world is located on the little island of England? Why does not the United States control both the finance and the commerce and proclaim herself mistress of the seas?" (quoted in Crapol 1973, 219). One answer was that Great Britain itself blocked the necessary expansion of

¹⁹ In his *National System of Political Economy*, List provided arguments for why such dependence could be dangerous (e.g. 1856, 71-72, 74).

²⁰ There were other conflicts with Great Britain during this period, including the *Alabama* claims controversy (Dulles 16, 62; Grant in *Messages* 1897, vol. IX: 3987-3988; Allen 478, 486-488), the fisheries dispute (see Dulles 1965, 67-71; Allen 1955, 527-529; Sears 385-386, 390-393), and the issue of sealing in the Bering Sea (Allen 1955, 529-531; Dulles 1965, 71-74; Dewey 1907, 208-214; Latané 1927, 461-472; Mowat 246; Sears 1935 408-412).

the United States (see Crapol 1973, 14-15). In 1879 William Evarts asked, "They [Great Britain] complain of us that we are a forward, impatient nation, always getting into everybody's way. When do they ever hear of our mother country ever getting out of anybody's way?" (quoted in Crapol 1973, 42).

The frustration was not just limited to Britain. In the mid-1870's, the Select Committee on Transportation Routes to the Seaboard issued a report which recognized America's dependence on export markets.²¹ The Committee was established to investigate ways to improve and reduce the cost of transportation between the interior and the seaboard, and its report "formalized the process whereby the nations that blocked or challenged America's market expansion were defined as primary threats to American prosperity and freedom" (Williams 1969, 165).²² Any nation that took action to block American expansion could be labeled an enemy – for example, when several European nations took measures to stem the flood of American exports (which were causing distress and unrest in their countries), they became in the eyes of many Americans "a direct threat to the national necessities – and hence vital interests – of the United States" (Williams 1969, 23, see also 22, 209, 258).²³

However, because of its dominance in the international economy, Great Britain was seen as the primary threat (see Williams 1969, 237; Crapol 1973, 16, 225). Its position as the world's largest economic power made it the greatest obstacle to US expansion, and together with the long history of conflict between Great Britain and the

²¹ The report was known as the "Windom Report" after the committee's chairman, Senator William Windom (R-MN).

²² An example of this can be found in the discussion of Russia in U.S. Senate 1874, vol. 2: 176-7, 333.

²³ Because Great Britain, as the economic hegemon during this period, would seem to be the greatest threat, I originally thought that I might find economic policies that singled it out. However, if states are concerned about relative economic strength, we should expect them to be concerned with the relative strength of all countries, though of course the degree of concern will vary. The fact that concerns about economic strength were not limited to Great Britain undercuts the argument that expressions of concern about Great Britain's relative economic strength in this period can be dismissed simply as an attempt to take advantage of the popular antipathy toward Great Britain.

United States, this convinced Americans that Great Britain's relative economic strength was a threat. In addition to the general ability it gave Britain to block American expansion, Great Britain's relative economic strength was seen as posing a number of more specific threats. Indeed, the economic strength of Great Britain was seen as affecting every aspect of economic life in the United States. As discussed below, its control of the world's carrying trade meant that US trade with other nations could often only be done through England and resulted in large payments to English shippers, leading to a balance of payments deficit; it dominated many of the markets in which the US wished to expand; it was the United States' largest creditor; and it wielded influence over the world's money supply through the principal role of sterling and its veto over the remonetization of silver (see Crapol 1973, 134).

The threat posed by Great Britain's commercial strength. The desire of the United States to expand its trade meant that its interests conflicted with those of Great Britain.²⁴ This led to the perception of Great Britain's commercial strength as a threat. Duff Green, a businessman and author who Williams identifies as a "Southern spokesman" argued that Great Britain's commercial power allowed it to influence other nations; he explained that Great Britain tried "to regulate the commerce and consequently the value of money, and of labor and property, in all the other countries having commercial intercourse with her" (quoted in Williams 1969, 186).²⁵ More specifically, Great Britain's control over the grain markets in London and Liverpool was resented because it determined the prices at

²⁴ Foreign trade, measured as a percentage of GNP, was not very important to the US during this period (see Table Twenty-seven in Appendix One). This does not mean, however, that external economic expansion was not an important issue. As will be explained below, exports of a particular type—agricultural commodities—were seen as important to the economy as a whole. Furthermore, since it was argued that Great Britain's economic strength limited American access to foreign markets, it is unfair to dismiss that argument by pointing to the small size of America's foreign trade.

²⁵ Great Britain was the largest trading partner of the United States. Table Twenty in Appendix One show that the percentage of US exports which went to the UK ranged from 43% in 1896 to 59% in 1875 and 1876.

which American farmers could sell their products, Great Britain's near monopoly of merchant shipping was seen as limiting American trade, and Great Britain's presence in Latin America was seen as infringing on American rights.²⁶

It was clear by 1873 that Liverpool and London controlled the world's commodity markets (Williams 1969, 12-13, 160, 164; see also U.S. Senate 1874, vol. 1: 45; U.S. House 1869, xlvi). This control was a threat to American farmers, for whom those prices could determine not just the difference between a good year and a bad year, but the difference between survival and bankruptcy (LaFeber 1963, 10; Crapol 1973, 24). But finding markets for agricultural surpluses at a good price was not just important to the farmers. The role of agricultural surpluses in the recovery from the depression which had begun in 1873 and in creating a positive balance of trade meant that it was important to the country as a whole.²⁷ The elimination of that control thus became an object of national policy. As Representative Moses A. McCoid (R-IA) argued in 1884, "Our true national policy is to determine that the day shall come when the price of our products shall not be fixed at Liverpool, when we shall consume our own and dictate the price of that which we choose to sell abroad" (quoted in Williams 1969, 234).

²⁶ Latin America was seen as the "natural" outlet for American expansion, one that the United States had more "right" to than any other country (e.g. Harrison 1971, 269, 325; Jones 1876, 91; Blaine 1887, 419; Crapol 1973, 133; Williams 1969, 328).

²⁷ See Terrill 1973, 16; *Messages* 1897, vol. X: 4428-4429, 4457; Williams 1969, 2, 15, 20, 23, 208, 239; McKinley 1894, 242, 248-249; LaFeber 1963, 18. Even in later years the importance of agricultural exports and their dependence on the British market is clear. Faulkner reports that

agricultural products made up three-fourths of the value of American exports in 1890, three-fifths in 1900; the year 1898 marked the high point to that date in the value of agricultural exports. Cotton, grain, packinghouse products, tobacco, beef, and dairy products in that order constituted the leading exports; two-thirds of the American cotton crop was normally exported, half of the tobacco crop, and a third of the grain crop. Nineteen-tenths of all these exports went to Europe, and half of these to Great Britain; Germany was second in order of importance as a market for American farm products. Occasionally as much as twenty percent of the American wheat exported was sent to areas outside of Europe, but even then Great Britain consumed more than half of the total....Except for the United States itself, Great Britain was the American farmer's best market (1959, 84-85).

The importance of agricultural to the economy can also be seen in the percentage of the labor force employed in agriculture. See Tables Twenty-four through Twenty-six in Appendix One for data on the importance of agriculture to the US economy.

Great Britain's dominance in merchant shipping was also seen as an obstacle to American economic expansion (*Messages* 1897, vol. XIII: 5757).²⁸ The triangular trade between Latin America, Britain and the United States was particularly troublesome. In order to trade with Latin America, American goods first had to travel to Great Britain, and then be shipped from there to Latin America; little or no direct trade was possible (see Crapol 1973, 134; Terrill 1973, 129). James Blaine explained the problem as follows:

During the whole of Great Britain's mastery of the sea, while she has been seeking every line in which a steamer could float, she has never put on lines to carry from an American port to any foreign ports, but only to her own. You cannot get a British and South American steamship line except on the triangular system. They will go from New York to Liverpool taking breadstuffs or cotton, from Liverpool to Rio Janeiro taking British fabrics, from Rio Janeiro to New York bringing coffee and dye-woods; but when then proposition is made that they shall go back from New York to Rio, they decline because they do not want to interfere with the prosperity of England at home by furnishing transportation to any point for American fabrics in competition with British fabrics (Blaine 1887, 302).²⁹

Thus it was argued that British dominance in merchant shipping limited American exports. In addition to the effects on commerce, British dominance was also resented because the payments to British shippers contributed heavily to the unfavorable balance of payments (Crapol 1973, 50).

²⁸ Pletcher reports that "in 1858 American ships had carried three-fourths of all American imports and exports, but by 1881 this figure had fallen to about one-sixth" (1962, 147), while Faulkner notes that "by 1898, tonnage registered in foreign trade had dropped to the lowest point (726,213) in the history of the American merchant marine. Whereas American ships at the beginning of the nineteenth century had carried over nine-tenths of the nation's foreign trade, by 1901 they carried no more than 8.2 percent" (1959, 83). In the period under study, Great Britain had over 30% of the world's fleet (by tonnage); the US share was 9.1% in 1870, but it declined to 3.2% by 1900. See Tables Nine through Twelve in Appendix One.

²⁹ Blaine was the US Representative from Maine (1863-1876), the Speaker of the House (1876-1881), and the US Secretary of State under Garfield and Arthur (1881) and Harrison (1889-1892). His *Political Discussions, Political, Legislative and Diplomatic* (1887) does not provide the date of this speech.

As will be discussed below, some argue that the triangular trade was due, not to British designs, but to US tariff policy and the similarity of American and Latin American exports.

But for Americans at this time, Britain's dominance in Latin America was perhaps the most galling manifestation of its economic strength.³⁰ Pletcher reports that

a careful survey of trade with Latin America in 1883 revealed that in only one country—Guatemala—did Americans control more than 50% of exports and imports combined. In the case of the major Latin American countries, the United States accounted for 39.4% of Mexican foreign trade and 26.8% of Brazilian foreign trade, but the figures fell to 6.7% in Argentina and 1.7% in Peru. Europeans did four times as much business as Americans in all of Latin America (1962, 178; see Tables Four and Five of Appendix One for more information).

The British presence in Latin America was resented and feared because it was seen as blocking American trade expansion.³¹ The frustration this situation produced in the United States is perhaps best captured by the *New York Herald's* 1892 suggestion to Britain that it should focus on the Zulus or Boers in Africa and stay out of Latin America; "She need not bother about this side of the sea. We are a good enough England for this hemisphere" (quoted in LaFeber 1963, 53). Latin America was seen as the natural outlet for American economic expansion, and as a solution to current American problems. Blaine declared in 1886,

³⁰ The commercial presence of British and other European powers was seen as a harbinger of territorial expansion: Secretary of the Navy Benjamin Tracy warned in his 1889 report that "commercial supremacy by a European power in...the Western Hemisphere means the exclusion of American influence and the virtual destruction, so far as that state is concerned, of independent existence. With the great maritime powers it is only a step from commercial control to territorial control" (quoted in LaFeber 1963, 126; see also Pletcher 1962, xii-xiii, 7).

³¹ Crapol 1973, 123, see also 81; LaFeber 1963, 21, 107; Kolko 1976, 41. Many of the diplomatic conflicts of this period involved the question of European and especially British influence in Latin America and the defense of the Monroe Doctrine. [The Monroe Doctrine (1823) announced that the US had no interest in the wars of Europe and correspondingly warned that Europe should stay out of American affairs (Allen 1955, 359)]. These conflicts included the War of the Pacific, between Peru and Bolivia on the one hand, and Chile, seen as backed by Great Britain, on the other (see Pletcher 1962, 9, 40-58; Williams 1969, 255); the boundary dispute between Venezuela and British Guiana (Dulles 1965, 135-144; Dewey 1907, 304-313; Cleveland 1933, 417-418; Crapol 1973, 192; LaFeber 1963, 242-283); the question of an Isthmian canal (Dulles 1965, 37-38; Allen 1955, 525-527); and the Mosquito Indians in Nicaragua (Crapol 1973, 205; LaFeber 1963, 220-228, 246). Economic concerns were often present in these disputes as well (Dulles 1965, 140; Williams 1969, 150; Pletcher 1962, xii-xiii, 7).

Even in areas outside Latin America, American policy was often motivated by the perceived need to forestall the establishment or expansion of European influence. Two examples of this are American policy in Hawaii (see Pletcher 1962, 68-71; Dulles 1965, 109; Dewey 1907, 298-299; Crapol 1973, 81-84, 153; and Volwiler 1940, 190) and in Samoa (see Allen 1955, 553-555; Dulles 1965, 97-107; Dewey 1907, 205; Cashman 1988, 232-233; Pletcher 1962, 9, 126-128; Terrill 1973, 147; Crapol 1973, 156-157).

What we want, then, are the markets of these neighbors of ours that lie to the south of us. We want the \$400,000,000 annually which today go to England, France, Germany and other countries. With these markets secured new life would be given to our manufactories, the product of the Western farmer would be in demand, the reasons for and inducements to strikers, with all their attendant evils would cease (quoted in Crapol 1973, 166).

Thus Great Britain's relative commercial strength was seen as a threat in the United States. As we will see, one of the primary ways the United States tried to combat this threat was through its trade policy. Before turning to the debate over trade policy, however, the kinds of threats thought to be posed by Great Britain's financial strength will be examined.

The threat posed by Great Britain's financial strength. Like Great Britain's commercial strength, Great Britain's relative financial strength was also seen as a threat. That strength was made manifest in a number of ways, and was perceived as harming Americans in various areas of their economic life. Along with its commercial strength, Great Britain's financial strength was seen as blocking American economic expansion and thereby contributing to the stagnation of the economy and the fermentation of social disturbances. LaFeber argues that President Grant and Secretary of State Fish saw "British bankrolls" backed up by "the greatest navy in the world" as preventing American expansion, and they undertook various efforts to undercut British and more broadly European influence in Latin America (LaFeber 1963, 36, see also 37).

Great Britain's financial strength was seen as giving it influence over other nations, and the US was no exception. For example, Adoniram J. Warner, the president of the American Bimetallic League, "believed that the American people resented England's position 'as the great creditor of the world' which allowed Britain 'to dominate other

countries more by the power this gives her than by the power of her own navy' " (Crapol 1973, 210). And in 1896 Senator William Stewart (R-NV) stated that "The people of the United States are opposed to remaining a financial colony of Great Britain, and any reference to London is regarded as a badge of humiliation....Our object is to abolish financial slavery" (quoted in Crapol 1973, 191).

In addition, the United States was seen as heavily dependent upon the financial resources of Great Britain. While the United States achieved a favorable trade balance early in the period under study and generally maintained it in the following years, the balance of payments was more often negative than positive in this period and was seen as representing the extent to which the US was dependent upon Great Britain economically and financially (Crapol 1973, 221, 113, 62; see Tables Eighteen and Nineteen in Appendix One). Secretary of State Evarts gave two pieces of evidence for the United States' dependence on Great Britain: the fact that the majority of "American debts abroad were paid in sterling exchange," and the fact that "the interest on American bonds went through the London exchange" (Crapol 1973, 49-50; see also W.H. Smith 1896, 153-164). This dependence was still evident in 1890; in his second annual message Harrison commented on the monetary distress in England which was resulting in the return of American stocks and bonds to the US and tried to reassure the country about the consequent "ill effects" it was suffering (*Messages* 1897, vol. XII: 5556).

Another instance of the concern which existed about Great Britain's financial strength and the dependence of the United States on it is the attention paid to the measures taken to maintain American gold reserves. As early as 1876, the Independent or Greenback party platform stated that "we most earnestly protest against any further issue of gold bonds for sale in foreign markets, by which we would be made for a long period 'hewers of wood and drawers of water' to foreigners" (Johnson and Porter 1973, 52). Later on, President Harrison was lauded by the Populists and others for his ability

to maintain American gold reserves without turning to Wall Street or European financiers for loans (Williams 1969, 345, 325). His successor, President Cleveland was in turn lambasted by the public for turning to foreign syndicates for loans. During his second term, Cleveland made four bond issues (totaling 262 million) in order to maintain the gold reserve (Rhodes 1919, 438). The most notorious was that made in 1895. In late January and early February, the gold reserve fell precipitously, dropping below \$9,000,000. To prevent the suspension of gold payments, Cleveland turned to a New York syndicate headed by J.P. Morgan and August Belmont (Cleveland 1933, 375; Rhodes 1919, 431).³² Reaction was unfavorable; for example, Senator Stewart (R-NV) accused Cleveland of being captive to an "alien gold trust" and then congratulated the President for turning over the management and control of US domestic affairs to the British (Williams 1969, 373; see also 361).

In this section I have argued that the US perceived Great Britain's relative economic strength as a threat because it blocked what was seen as necessary economic expansion and because it made the United States dependent upon Great Britain. But the fact that the US perceived the economic strength of Great Britain as a threat is not enough to demonstrate that the US was balancing in the economic realm. I also have to show that the United States designed its economic policies at least in part to counter that threat. In the next section I analyze the debates on the two most prominent economic issues of the day – the tariff and the remonetization of silver. The question of how best to counter the threat posed by Great Britain's greater economic strength was repeatedly addressed in the debates on these two issues, and it became more central as the consensus on the necessity of expansion solidified.

³² See also *Messages* 1897, vol. XIII: pp. 5999-6000 for Cleveland's special message to Congress on the bond sale; see Rhodes 1919, 429-438, Faulkner 1959, 148-157, and Dewey 1907, 267-276 for more information on the bond sales during Cleveland's second term.

The Policy Debates

In order to show that the US balanced against Great Britain in the economic realm, I have to show not only that Great Britain's relative economic strength was seen as a threat but also that economic policies were evaluated on the basis of their ability to counter that threat. In this section I demonstrate that second claim. To the extent that debates on the tariff and the monetary standard involved international factors, it revolved, not around the question of whether Great Britain's relative economic strength was a threat, but around the question of which means were best to meet that threat. For the sake of clarity, I deal with the tariff and the monetary standard separately, though there are important linkages between them and to other issues of the day, such as the regulation of the railroads, reform of the consular service, alien land holding, and further territorial expansion.

The tariff debate. Much of the protection versus free trade debate was about which policy was the best means to counter the commercial threat posed by Great Britain—about which policy was the best way to increase American economic strength, challenge British dominance and accomplish economic expansion. Tariff policy was a—if not the—prominent issue from at least 1870 through 1896. Rightly or wrongly, politicians and their parties interpreted the outcomes of various elections as hinging on the tariff issue.³³ The prominence of the tariff can also be seen in the thousands of pages of the Congressional Globe and Congressional Record devoted to speeches on the numerous and varied bills presented on the subject. Furthermore, the economic conditions of the time—

³³ See McKinley 1894, 397; Terrill 1973, 40; Stanwood 1967; Taussig 1967, 253-255, 285-6; Dewey 1907, 73; Faulkner 1959, 106, 117; Pletcher 1962, 150, 268; Rhodes 1919, 390.

one long depression which was punctuated by various highs and lows--meant that economic policy was a subject of interest to the general public.³⁴

The tariff debate was largely concerned with the two goals of safeguarding the American domestic market and expanding into the foreign market. Much of the discussion on these issues did not directly address Great Britain's dominance; instead, the focus was on which policy--free trade or protection--would lead to the most economic expansion by creating a large domestic market and facilitating American participation in the world market. As argued above, economic expansion was seen as crucial for the United States and Great Britain's relative economic strength was thought to threaten that expansion. This section will demonstrate that the debate over tariff policy was in part a debate over how best to counter that threat--how best to achieve economic expansion. Both the policies of free trade and protection were also championed as ways to overcome the more specific manifestations of the threat posed by Great Britain's dominance.

To see the role that the ideas of economic expansion and overcoming British economic dominance played in the debate, in what follows I analyze the arguments presented by tariff reductionists and protectionists in a variety of forums, including Congressional speeches, party platforms, and campaign speeches.³⁵ It is important to note that although the Democratic party was generally the party of tariff reductionists and the Republican party the party of protectionists, both parties included representatives of both groups. While the emphasis of what follows is on the ideas and speeches made by politicians, I have also included information from other sources such as testimony before a tariff commission and published pamphlets.

³⁴ Note that Stanwood questions the importance the public attached to the tariff question (Stanwood 1967, 226, also see 199).

³⁵ I follow Terrill in his use of the term "tariff reductionists." See Terrill 1973, 10.

The tariff reductionists believed that a downward revision of the tariff would help the United States to address several of the manifestations of British commercial strength. For example, several different speakers before the 1882 Tariff Commission argued that a revision of the tariff would increase American participation in the foreign market, salvage American shipping and stem the flow of money into the hands of foreign capitalists (e.g. the testimony of Adolphus Meier, U.S. House 1882, vol. 1: 1175-1176).³⁶ Samuel Rockwell Reed, for example, argued that while the tariff might offer some domestic benefits, the tariff kept American manufacturers from the foreign market by increasing the cost of imported raw materials and thereby increasing the cost of production. That, in turn, limited domestic consumption (U.S. House 1882, vol. 1: 888). He stated further that the policy was leading to "the extinction of the shipping industry in all the free carrying trade" (U.S. House 1882, vol. 1: 889). J.B. Sargent made a very similar argument in his testimony, arguing that

we have built a tariff wall around us that not only keeps nearly all foreign raw material and manufactured goods out of the country, but keeps nearly all of our manufactured goods at home, and so circumscribes our market, dwarfs American commerce, and suppresses nearly all possible material for commerce, except the products of our soil that may be wanted abroad....With raw materials free of duty, labor free of duty, and freights and other expenses on a free-trade basis, the manufacture will need no protective tariff, but, I am sure, can not only hold all he ought to hold of the home market but obtain a large share of the foreign markets (U.S. House 1882, vol. 1: 597-598).

This last point was especially controversial; as will be addressed below, it was not clear to many people that the United States could compete with Great Britain in its home market without the benefit of a protective policy.

As mentioned above, one of the ways in which Great Britain was seen as a threat was the control it exercised over the world commodity markets, and the tariff

³⁶ The Tariff Commission was authorized under an act of Congress (May 15, 1882) and appointed by President Arthur. It held hearings for twenty-nine days in various parts of the country, and its report includes over 2000 pages of testimony.

reductionists were particularly concerned with creating a domestic market for the farmers that would offset British influence. For example, in a campaign speech for the Democrats in 1884, Secretary of State Thomas Bayard argued that "the American farmer today could not realize for his wheat as much as it cost him to raise it because the price was regulated in Mark Lane, in London" (quoted in Crapol 1973, 145). And in his 1888 annual message, one of President Grover Cleveland's arguments for tariff reduction was that the farmers "are obliged to accept such prices for their products as are fixed in foreign markets where they compete with the farmers of the world" (*Messages* 1897, vol. XII: 5360). A decrease in the tariff, according to tariff reductionists, would help to eliminate the farmers' dependence upon the world commodity markets by creating a larger domestic market: They believed that by dropping the tariff wall and thereby providing less expensive raw materials to manufacturers, manufactured exports would increase. This would create more jobs and, in turn, generate an increased demand for food, so farmers would be able to sell more of their products at home.³⁷

Yet even early on, tariff reductionists were concerned with the foreign market in and of itself.³⁸ They argued that high tariffs, by making American goods uncompetitive, crippled the United States' ability to compete in those markets. They believed that the only way to compete with Great Britain and achieve economic expansion was to follow her example and institute free trade.³⁹ For example, as early as the late 1860's, Special

³⁷ The tariff reductionists also repeatedly pointed out that the farmers were perhaps the hardest hit by the tariff, because while they had to sell their goods in a competitive foreign market, the prices of all the farmers' supplies were increased by protective duties (e.g. the testimony of S. Corning Judd et. al. in U.S. House 1882, vol. 1: 1030-1031). See Higgs, "The Ups and Downs of the Farmer" in *The Transformation of the American Economy, 1865-1914* for an appraisal of the position of the American farmer in this period.

³⁸ Pletcher argues that "in general, low-tariff and free-trade men linked tariff reform with other measures designed to make the United States a major power: an interoceanic canal, a navy second to none, development of the Mississippi Valley, education, and labor reform" (1962, 143).

³⁹ For example, see Crapol 37. The Protectionists countered this argument by pointing to Great Britain's own history of protection (e.g. McKinley 1894, 19) and government aid (e.g. Crapol 1973, 53), and to all the other countries that had protective policies. For example, in his testimony before the Tariff Commission, Cyrus Elder argued, "You [will] find...no free country, not under the domination of Great Britain...that does not protect its industries" (U.S. House 1882, vol. 2: 2357; see also McKinley 1894, 281, 496).

Commissioner of the Revenue David A. Wells argued in his reports that a reduction in the tariff was necessary to expand foreign trade. He believed that a reduction of the tariff would lower "the cost of domestic production and consumption," and thereby increase American competitiveness and open new markets, especially for American manufactured goods in Latin America. According to Wells, the increase in exports would also mean an increase in jobs and a decrease in domestic discontent.⁴⁰ He argued that the free import of raw materials into the United States would encourage production and export (e.g. U.S. House 1869, xxxvii); any suffering caused by a lowering of the tariff would be compensated for by the enlargement of the market and by the exports made possible by the lower cost of raw materials (U.S. House 1869, cxxviii).

Wells also argued that the triangular trade between the United States, Great Britain and Latin America was a side-effect of the high tariff because the tariff made American products too expensive to sell to the nations from which the United States was buying. In his view, a reduction in the tariff would put an end to the triangular trade and the profits Great Britain reaped from it (U.S. House 1869, lxi).⁴¹ Thus, as early as 1869, at least some Americans saw tariff reform as *the* way to compete with the British in foreign markets and to eliminate the threat posed by domestic discontent.⁴²

It is important to distinguish between arguments that the US should emulate Great Britain because its policy was successful, and those that argued that the US should emulate British policies because that was the best way to counter the threat posed by its relative strength. The former is benchmarking, not balancing; an example is found in Populist Representative Jeremiah Simpson's (KS) argument that "free trade was the proper and effective policy,...and pointed to Great Britain's economic supremacy as proof of the logic and as the example to emulate" (Williams 1969, 348).

⁴⁰ See Williams 1969, 142-3; see also U.S. House 1869, xxxviii; Terrill 1973, 16; Crapol 1973, 26-33.

⁴¹ Similarly, in testimony before the 1882 Tariff Commission, J.B. Sargent, a manufacturer of shelf hardware, argued that "until the cost of raw materials and manufactured goods in the United States can be reduced, all attempts to build up a respectable United States commercial marine will be futile" (U.S. House 1882, vol. 1: 600). Sargent believed that until the US had competitive manufactured goods to export, "it is folly to talk of steamship lines running direct between the United States and Australia, between the United States and South America, or between the United States and any other purely agricultural country" (U.S. House 1882, vol. 1: 600; for a related view, on reciprocity treaties with Latin America, see the 1892 Democratic Platform in Johnson and Porter 1973, 87).

⁴² Wells and his report were immediately charged with being funded by, and in the interest of, the British. Wells anticipated this in his report. See U.S. House 1869, lxxi; Crapol 1973, 27-33; Williams 1969, 141-143; Kelley 1870, esp. 370-371, 373.

Tariff reductionists also made a more general argument linking tariff reduction with an increase of foreign trade. For example, in 1878 Fernando Wood, the Democratic chairman of the House Ways and Means Committee, introduced the Wood tariff bill, which was to increase foreign commerce by lowering the tariff. Duties on manufactured goods were to be reduced and some previously untaxed raw materials (e.g. hides, rags for paper making) were to be made dutiable. Only those goods specifically mentioned were to be taxed; all others were free—there was no free list (see Stanwood 1967, 197-198). As Rep. Wood explained, by reducing the tariff his bill would revitalize American commerce and reestablish the United States "as one of the foremost maritime nations of the world" and "advance the manufacturing interests of the country" (quoted in Stanwood 1967, 198). Other bills to decrease the tariff, including the 1884 Morrison tariff bill which called for a horizontal reduction of twenty percent, were also seen by its proponents as a way to increase foreign trade (see Terrill 1973, 98-100).

The strategy of increasing foreign trade by lowering the tariff and removing it from raw materials was championed by Cleveland during his two administrations. While Cleveland and his Secretary of State Bayard favored some reciprocity agreements and the protection of American interests in places such as Cuba, Samoa and Hawaii, ultimately its foremost concern was with expanding trade by lowering the tariff (see Terrill 1973, 92-96). Cleveland's annual message in December 1887 was devoted entirely to the tariff issue (*Messages* 1897, vol. XI: 5165-5176).⁴³ He first discussed the issue of the Treasury surplus and the necessity of tariff reform in order to reduce it; he then attacked the tariff because it raised prices to domestic consumers (*Messages* 1897, vol. XI: 5169).

⁴³ Blaine, in Paris at the time of Cleveland's speech, gave an interview to the New York Tribune in which he made much of the London papers response to Cleveland's address. He explained that the British press understood Cleveland's speech "as a free-trade manifesto that might be expected to enlarge the market for English fabrics in the United States. Perhaps this expectation stamps the character of the message more clearly than any words of mine can do" (quoted in Rhodes 1919, 308; see also Terrill 1973, pp. 124-5).

He called for reducing the duties on the "necessaries" of life, including raw materials, and argued that such a reduction would increase foreign trade:

It is not apparent how such a change [the reduction of duties on raw materials] can have any injurious effect upon our manufacturers. On the contrary, it would appear to give them a better chance in foreign markets with the manufacturers of other countries, who cheapen their wares by free material. Thus our people might have the opportunity of extending their sales beyond the limits of home consumption, saving them from the depression, interruption in business, and loss caused by a glutted domestic market and affording their employees more certain and steady labor, with its resulting quiet and contentment (*Messages* 1897, vol. XI: 5174).⁴⁴

Here again we see the belief that expansion was necessary to quell social unrest; Cleveland argued that a reduction in the tariff would facilitate American expansion into overseas markets, which in turn would increase domestic prosperity and eliminate discontent (see LaFeber 1963, 197).

The Mills bill, named after Roger Mills (D-TX), the Chairman of the House Ways and Means committee, embodied Cleveland's 1887 proposals on the tariff.⁴⁵ The bill, reported to the House on April 2, 1888, featured "1. a transfer of raw materials to the free list; 2. a large substitution of ad valorem for specific duties; and 3. a general reduction of protective duties" (Stanwood 1967, 232). The argument for the bill, as presented by Mills, emphasized the need to increase foreign trade as well as the importance of agricultural exports to both the farmer and the American economy as a whole, cited the

⁴⁴ In September 1887, Cleveland met with House Speaker John Carlisle (D-KY), Representative Roger Q. Mills (D-TX) and others to plan their attack on the tariff (Cleveland 1933, 130; see also Terrill 1973, 114). Out of that grew Cleveland's message of December 1887. Evidently an earlier draft of the message contained more about foreign trade; Terrill notes that Cleveland's advisors suggested that he play down the export expansion argument in his message (Terrill 1973, 119). In the 1888 platform, the export argument for tariff reduction would again be de-emphasized. Cleveland and others had attempted to include the "Marble-Gorman" tariff plank, which was more moderate, in the platform without success; Terrill explains that "the Marble-Gorman draft gave more attention to relating tariff reduction to export expansion while the platform attacked protectionism more generally and emotionally" (Terrill 1973, 133).

Note that Cleveland took on not only the Republicans but also the Democratic protectionists when he decided to push for tariff reform; the latter were routed in 1887-88 (Terrill 1973, 106; see also Cleveland 1933, 157-158).

⁴⁵ This was not the first tariff bill of the Cleveland administration; an earlier tariff bill, presented in 1886, was never formally debated (Terrill 1973, 102-104, Stanwood 1967, 225-6).

overflowing Treasury as evidence of the need for tariff reduction, and relied on the quantitative theory of trade to argue that the US had to buy more from Europe in order for Europe to buy more from the United States (Terrill 1973, 126-128).⁴⁶ The bill, passed by the House, died in the Senate.⁴⁷

Similar arguments were made during the second Cleveland administration, when free raw materials were again the tariff reductionists preferred tool for opening up foreign markets (see Cleveland's second annual message in *Messages* 1897, vol. XIII: 5891). In 1893, Representative William Wilson (D-WV), Chairman of the House Ways and Means Committee, gave his name to a bill that eliminated the duties on raw materials while lowering others (see Terrill 1973, 185). Wilson argued that this bill would increase trade and solve the current economic problems facing the country: labor unrest, farm surpluses, and inadequate revenues. Free raw materials would increase American exports and thereby American shipping, with a resulting increase in the domestic market (see LaFeber 1963, 165). The Wilson-Gorman bill was eventually passed, but without the free raw materials provision that was the hope of tariff reductionists.⁴⁸

⁴⁶ Terrill explains that in the 1870s and even beyond the Democrats made a "simplistic connection between foreign trade expansion and the tariff. Tariff barriers interfered with the international flow of products upon which many Americans were dependent....The Democrats reduced their trade theories to one misleading quantitative theory: since foreign trade is essentially barter, countries tend to trade in similar amounts" (Terrill 1973, 33-34).

⁴⁷ Stanwood provides a different account, stating that the Senate passed a substitute bill that then died in the House. See Stanwood 1967, 230-242.

⁴⁸ The bill was severely amended in the Senate (634 times); among the changes was the removal of several important raw materials from the free list, including iron ore, sugar and coal (Terrill 1973; Rhodes 1919, 420). LaFeber reports that only wool, timber and copper were left free of duty (LaFeber 1963, 168; see also Terrill 1973, 192-3; Stanwood 1967, 326-328; Cleveland 1933, 342). The Conference Committee deadlocked; despite Cleveland's intervention, the Senate version of the bill was eventually passed, and Cleveland allowed it to become law without his signature (Cleveland 1933, 354-357; Terrill 1973, 193-194; Stanwood 1967, 342-344 and 346-352; LaFeber 1963, 170-1). In a letter to Representative Thomas C. Catchings of Mississippi, Cleveland explained his refusal to sign the bill and reiterated his belief in the importance of free raw materials for increasing foreign commerce (see Cleveland 1933, 364-366).

The bill also undid the basis for the reciprocity agreements made in the Harrison administration, and Senator Proctor (R-VT) denounced the bill as a measure to "Perpetuate the Territorial Jurisdiction and the Financial and Commercial Power of Great Britain in America" (quoted in Williams 1969, 369).

As explained above, because of Great Britain's dominance of the world economy, almost any economic expansion the US might undertake would put it in direct competition with Great Britain. The link between the success or failure of American expansion and Great Britain was occasionally made explicit. For example, in their 1884 presidential platform, the Democrats strongly criticized the policies of the Republican Party and then argued that "Republican rule and policy have managed to surrender to Great Britain, along with our commerce, the control of the markets of the world. Instead of the Republican party's British policy, we demand on behalf of the American Democracy, an American policy" (Johnson and Porter 1973, 68, 65-67; Crapol 1973, 145; Stanwood 1967, 222-224).

Tariff reform was thus seen as a policy that would counter the threat posed by the relative commercial strength of Great Britain. By creating a domestic market for farmers and encouraging an expansion of foreign trade and American shipping, the social and economic problems facing the country would be solved and Great Britain would be relatively weakened. Tariff reformers believed that a reduction of the tariff was necessary to balance economically against Great Britain.

The protectionists were also concerned about the relative commercial strength of Great Britain, but differed from the tariff reformers as to the best means of addressing that concern. They believed that a protective policy was the best way to counter the threat posed by Great Britain's economic strength. For example, in 1878 James Blaine declared

We stand where we can defy her, and we are today the only power on the globe that can defy Great Britain, and we can do it with just as much dignity or with just as much insolence as we choose to employ. There is not a European power that can do it...There is no rival left to her in the commercial world, and if she can bluff us out, or buy us out, or bully us out of a tariff that shall protect American industries and any enterprise that shall stimulate lines of American steamships, she will have done all

she desires to do for her factories and her commerce (quoted in Crapol 1973, 67).

For the protectionists, one of the most important manifestations of the threat posed by Great Britain was its presence--actual or potential-- in the American market.⁴⁹ The appropriate counter to that threat was believed to be a protectionist policy which would preserve the home market for American producers. For example, Representative William D. Kelley (R-PA) responded to Special Commissioner Wells' argument that lower tariffs were needed for effective competition with the British in foreign markets by arguing that high tariffs were needed for effective competition with the British in the home market. Kelley argued that the tariff allowed for the creation of domestic industries, freeing the United States of dependence (commercial and political) on Great Britain. He also argued that American tariff policy would eventually lead the US into the world market where it would be able to effectively compete with Great Britain (Kelley 1870, 369, 371; see also Crapol 1973, 30).

Protectionists argued that a decrease in the tariff benefited England above all others by allowing Great Britain to re-establish its dominance of the American market.⁵⁰ McKinley cited various statements made in the English press and parliamentary debates that looked favorably on movement toward free trade in the United States as evidence of the benefits England stood to gain from such a policy.⁵¹ He also warned that as soon as American free trade and the consequent destruction of American manufacturers was accomplished, England would take advantage of its dominance and increase prices (e.g.

⁴⁹ Just as the belief in the necessity of expansion can be traced back to the early days of the United States, so too can the concern with the domestic market. For example, McKinley quotes both Jefferson and Jackson on the importance of American manufactures for the independence of the United States (McKinley 1894, 248). Hamilton's *Report on Manufactures*, first published in 1791, stresses the importance of manufactures for both military and economic independence. On the emergence of American control of the home market, see Crapol 1973, 48-49; see Table Twenty-one in Appendix One for information on U.S. imports from Great Britain.

⁵⁰ Of course, counter-arguments were made. For example, W.C. Ford, in his testimony before the Tariff Commission, argued that the protective policy of the United States *benefited* Great Britain by "removing from [British manufacturers] the fear of our competition" (U.S. House 1882, vol. 2: 2353).

⁵¹ See, for example, McKinley 1894, 9, 116-117, 147-148, 463.

McKinley 1894, 117). In the debate on the establishment of the Tariff Commission, McKinley asked

Who has demanded a tariff for revenue only...?....England wants it, demands it—not for our good, but hers; for she is more anxious to maintain her old position of supremacy than she is to promote the interests and welfare of the people of this Republic, and a great party in this country voices her interests. Our tariffs interfere with her profits. They keep at home what she wants. We are independent of her; not she of us. She would have America the feeder of Great Britain, or, as Lord Sheffield put it, she would be "the monopoly of our consumption and the carriage of our produce." She would manufacture for us, and permit us to raise wheat and corn for her. We are satisfied to do the latter, but unwilling to concede to her the monopoly of the former (McKinley 1894, 96, see also 149).

McKinley himself was perhaps the leading defender of the domestic market. He referred time and time again to the superiority, desirability and importance of the home market; the illusory nature of the foreign market, and the necessity of the tariff in preserving the domestic market for Americans.⁵² McKinley argued that lowering tariff barriers would invite British manufacturers into the American market and threaten the existence of American manufacturers, that American manufacturers who wished to export already had practically free raw materials through the draw-back provisions, and that American farmers who faced increased competition from India in the markets of Europe needed a secure home market (McKinley 1894, 143-144). He did not renounce the foreign market completely, but argued that the United States was not ready for it; in the debate on the 1884 Morrison bill, McKinley stated

This foreign market, for which every tariff idealist and every Democratic free trader longingly sighs, is only mythical in the present condition of our country. We should capture the home market first, and get full control of it, before we seek the foreign market. We cannot command a foreign market until we can control our own (McKinley 1894, 144).⁵³

⁵² For example, see McKinley 1894, 143, 257, 281, 350, 373, 423, 595; see Pletcher 1962, 144 for similar arguments made by other protectionists.

⁵³ The 1884 Morrison tariff bill was eventually killed, with 41 Democrats joining 118 Republicans in removing the enacting clause (Terrill 1973, 100, see also Stanwood 1967, 220-221).

McKinley made a similar argument in his comments on the Mills bill. Terrill reports that "Congressman McKinley denounced the Mills Bill as a radical measure that threatened the American farmer

Thus McKinley and others were most concerned with establishing American dominance in the American market and eliminating Great Britain from it, and they believed that a protectionist policy was necessary to do that.⁵⁴ And for at least some protectionists, the domestic market was seen as the only market of importance up through and including 1890, when the McKinley tariff bill was passed.⁵⁵

But other protectionists, even early on, were concerned with the need for the United States to expand its foreign trade. The trick for these protectionists was to find a way to encourage foreign trade without endangering the domestic market. Some protectionists argued that because of protection, the United States produced higher-quality goods which would eventually allow the United States to control the foreign markets (Pletcher 1962, 144). Others asserted that the tariff would expand foreign trade without really explaining how; for example, in his 1865 book *How To Outdo England Without Fighting Her*, Henry Carey argued that raising the tariff and increasing the money supply would "gain and keep possession of foreign markets" (Williams 1969, 121).

Expanding foreign trade, which as stated above meant expansion against Great Britain, became an increasingly important issue for the protectionists. This can be seen in the administration of Benjamin Harrison.⁵⁶ The Republican platform of 1888 did not recommend specific actions to increase foreign trade, but it did attack the Cleveland

and the prosperity and industrial independence of the United States. He decried the foreign market as 'delusory,' and claimed that no foreign market compared with the domestic one" (Terrill 1973, 127). In presenting the report of the Minority of the Committee on Ways and Means, McKinley argued that the Mills Bill would "diminish if not wholly destroy our own production" of wool and argued that "every nation ought, if possible, to produce its clothing as well as its food. This Nation can do both, if the majority will let it alone" (McKinley 1894, 279).

⁵⁴ See Table Twenty-one in Appendix One on the sources of US imports for information on Great Britain's control of the United States' domestic market.

⁵⁵ As discussed below, the McKinley Tariff included a reciprocity clause, but only after a long fight within the Republican party. Note that, according to its supporters, the policy of reciprocity did not threaten American control of the domestic market; instead, by focusing on non-competitive goods, it offered the possibility of maintaining the American market for Americans while opening up specific foreign markets to American goods. Even so, many protectionists feared that reciprocity was the first step toward free trade and an unprotected domestic market.

⁵⁶ Harrison was president from March 1889 to March 1893.

administration for "having withdrawn from the Senate all pending treaties effected by Republican Administrations for the removal of foreign burdens and restrictions upon our commerce, and for its extension into better markets" (Johnson and Porter 1973, 82). The Republican platform went on to note that the Cleveland administration "has neither effected nor proposed any others in their stead. Professing adherence to the Monroe Doctrine it has seen with idle complacency the extension of foreign influence in Central America and of foreign trade everywhere among our neighbors" (Johnson and Porter 1973, 82, see also 80). And while the importance of the domestic market was not neglected, Harrison repeatedly addressed the foreign market in the campaign.⁵⁷

Harrison's commitment to economic expansion was also made plain by the appointment of many well-known expansionists to his cabinet (Williams 1969, 323). James Blaine, Harrison's Secretary of State, was an ardent protectionist who had been concerned with the foreign market for many years (see Crapol 1973, 60; Terrill 1973, 42).⁵⁸ As President Garfield's Secretary of State, he had worked with Garfield to design a program which included a network of reciprocity treaties; he paid particular attention to improving relations with Central and South America.⁵⁹ After Garfield's assassination in July 1881, President Arthur and his new Secretary of State Frederick Frelinghuysen derailed Blaine's plans and initiated their own program for the economic expansion of the United States.⁶⁰ Blaine was particularly upset with the decision to cancel the Pan-

⁵⁷ For examples of the former see Harrison 1971, 51, 60, 66, 68; for examples of the latter see Harrison 1971, 109-110, 114.

⁵⁸ The importance Blaine attached to Harrison's election and the continuation of a protectionist policy can be seen from his statement to Harrison that "your election...will seal our industrial independence as the Declaration of '76...saved our political independence" (quoted in Williams 1969, 322; see also Volwiler 1940, 28).

⁵⁹ On the reciprocity treaties, see Williams 1969, 246; Terrill 1973, 41; on the effort to improve relations with Central and South America, see Terrill 1973, 44-50; Blaine 1887, 412; Pletcher 1962, xv, 77-78; Dulles 1965, 41.

Note that Pletcher argues that Garfield and Blaine were principally motivated by prestige and only secondarily by commercial motives (1962, xv, 77-78) while others see the commercial motives as paramount. For example, Dulles argues that the adverse American balance of trade with Latin America (about \$100 million) lead Blaine to increase American exports to Latin America (1965, 41).

⁶⁰ See Williams 1969, 248-9; Terrill 1973, 69-70; Pletcher 1962, 285.

American conference he had been planning, and he published a letter in which he pointed out the dependence of the United States on the European market and the danger of the one-way trade currently taking place with "Spanish America."⁶¹ He argued that "If anything should change or check the balance in our favor in European trade, our commercial exchanges with Spanish America would drain us of our reserve of gold coin at a rate exceeding \$100,000,000 per annum" (Blaine 1887, 410). While recognizing that the conference in and of itself could not alleviate that dependence, he believed that

it will bring us into kindly relations with all the American nations; it will promote the reign of law and order; it will increase production and consumption; it will stimulate the demand for articles which American manufacturers can furnish with profit. It will, at all events, be a friendly and auspicious beginning in the direction of American influence and American trade in a large field which we have hitherto neglected, and which has been practically monopolized by our commercial rivals in Europe (Blaine 1887, 410; see also 415-418; Terrill 1973, 46).⁶²

The fact that Arthur and Frelinghuysen withdrew the invitations to the conference is not an indication of the Arthur administration's attitude toward foreign trade; they shared Blaine's concern with increasing foreign trade, but differed as to the best way to go about doing it. Frelinghuysen canceled Blaine's general conference because he felt that the US would gain more from specific, bilateral treaties than from indiscriminate tariff reductions (Pletcher 1962, 285); the Arthur administration acted upon that belief by negotiating a series of reciprocity treaties in the Caribbean basin. In a statement sent to the Senate Foreign Relations Committee, Frelinghuysen argued for the reciprocity treaties with Spain for Puerto Rico and Cuba by stating that

Garfield was elected in 1880. For information on the campaign and his election see Stanwood 1967, 199-201; Terrill 1973, 37-40. As Garfield's vice-president, Chester Arthur assumed the presidency after Garfield's death; he served from 1881 until 1885.

⁶¹ See Tables Five and Six in Appendix One for figures on relative shares of trade with Latin America; see Tables Twenty through Twenty-three in Appendix One for figures on US dependence on European market.

⁶² Blaine was the Republican presidential nominee in 1884, and his commitment to protecting the American market and increasing foreign trade continued to be evident in that campaign. See Blaine 1887, 421, 423, 429. Blaine lost the election to Cleveland.

The resources of the countries with which such treaties may be concluded are practically without limit, and their governments and people are fully alive to this fact. It follows that the superior nation which aids in such development can monopolize the greater portion of the import trade of each and all....

To attain such a consummation some revenue will have to be surrendered, and, perhaps, some home trade displaced; but for every dollar of revenue surrendered, and for every dollar's worth of trade displaced, we will receive equivalent in our enlarged exports, and the impetus given to our various industries from the field to the factory and from the foundry to the ship yard (quoted in Pletcher 1962, 337).

In addition to the treaties with Spain, negotiations were also undertaken with the Dominican Republic and Haiti, Great Britain for the British West Indies and British Guiana, El Salvador, Guatemala, Colombia, Venezuela, and Mexico. The administration also looked to expand foreign trade by negotiating a treaty for a Nicaraguan canal, participating in the Berlin Congo conference (see Pletcher 1962, 308-324), and renewing the reciprocity treaty with Hawaii.⁶³

During the Harrison administration, Blaine's Pan-American conference was finally held, and out of it developed the Republican emphasis on reciprocity as *the* means of market expansion. Although Blaine had originally been interested in establishing a customs union, the conference was in favor of increasing inter-American trade through reciprocity treaties. Reciprocity, limited to non-competing goods, came to be seen as the key to increasing foreign trade and solving American economic difficulties without putting the domestic market at risk.⁶⁴

Pressure for action on the economic front began to build and intensify as the economy worsened (see Williams 1969, 323-332). Harrison noted in his second annual message that "the year has been marked in a vary unusual degree by agitation and

⁶³ The treaty with Hawaii was eventually extended in 1887, once the Pearl Harbor amendment was added (Pletcher 1962, 340). Negotiations for the treaty with the British West Indies came to a halt when the British rejected the American terms, and the Dominican, Nicaraguan and Cuban treaties as well as the draft treaties with Colombia and El Salvador were never acted upon (Pletcher 1962, 337).

⁶⁴ Terrill 1973, 160-163, 169-171; Volwiler 1940, 202, see also 153; Williams 1969, 328.

organization among farmers looking to an increase in the profits of their business" (*Messages* 1897, vol. XII: 5554). Before they could act, however, Harrison and Blaine had to convince their own party that economic expansion was necessary, that reciprocity was the correct means to that end, and that reciprocity did not threaten the protection of the home market. The House of Representatives was the scene of conflict, with Harrison and Blaine urging the inclusion of a reciprocity clause in the tariff bill; Representative McKinley led the opposition. He argued in his speech to the House that "we have been beaten in every instance [of a reciprocity agreement]....wherever we have tried reciprocity or low duties we have always been the loser" (McKinley 1894, 408).⁶⁵

The House evidently agreed with McKinley, for it ignored Harrison and Blaine and passed the bill without a reciprocity clause (Williams 1969, 333-4). The bill did address the argument that free raw materials would expand foreign trade; it increased the drawback provision to 99% and extended it "to apply to all articles imported here which may be finished here for use in the foreign market" (McKinley 1894, 400). Despite this, the conflict intensified. In the Senate Blaine told the Finance Committee that the tariff did not include "an item or line that will further or increase our foreign trade anywhere" (quoted in Terrill 1973, 163; see also Faulkner 1959, 108); he later asked,

The value of the sugar we annually consume is enormous. Shall we pay for it in cash or shall we make a reciprocal arrangement by which a large part of it may be paid for in pork, beef, flour, lumber, salt, iron, shoes, calico, furniture and a thousand other things? In short, shall we pay for it all in cash or try friendly barter in part? I think the latter mode the highest form of protection and the best way to promote trade (quoted in Rhodes 1919, 350).

⁶⁵ Those opposed to reciprocity often cited the Elgin-Marcy treaty of 1854, which was a reciprocity treaty between the United States and Canada. It was widely seen in the United States as offering greater benefits to Canada than it did to the United States, and the United States eventually let the treaty lapse (Pletcher 1962, 170-173; Williams 1969, 191,193; Terrill 1973, 178-179).

The Committee still reported the bill without a reciprocity amendment, and President Harrison himself entered the fray, siding with the State Department in a message to Congress.⁶⁶

Eventually Senator Eugene Hale (R-ME) offered a reciprocity amendment drafted by Blaine; although it was defeated, another reciprocity clause, the Aldrich amendment, was finally included in the bill and accepted by both Houses (see Terrill 1973, 159-173).⁶⁷ The reciprocity clause gave the President the power to re-impose duties on sugar, molasses, coffee, tea and hides if reciprocal concessions were not made by other countries (Terrill 1973, 170; McKinley 1894, 479-480).⁶⁸

But the fight over reciprocity had just begun.⁶⁹ The Republicans entered the 1890 congressional elections a divided party. The McKinley tariff had just become law on October 1st; with the elections on November 4th, there were few results in the economic arena to which the Republicans could point. The election went to the Democrats, who gained control of the House and Senate (Terrill 1973, 174-5).

⁶⁶ Terrill 1973, 165; see *Messages* 1897, vol. XII: 5509 for Harrison's message.

⁶⁷ The president of the Democratic convention in 1892, Representative William L. Wilson (D-WV) criticized the reciprocity clause in the McKinley bill at the convention. He argued, "It is not reciprocity at all. It is retaliation, and, worst of all, retaliation on our own people" (quoted in Faulkner 1959, 108).

⁶⁸ Under this clause, penalty duties were imposed upon Colombia, Venezuela, and Haiti (Volwiler 1940, 234, footnote 4). Ten reciprocity agreements were concluded, including agreements with Germany, Austria-Hungary, Brazil, and Great Britain and Spain for their Caribbean colonies (Faulkner 1959, 8).

⁶⁹ It would culminate in the campaign of 1896, when the Democratic party's free silver platform was pitted against a Republican platform which emphasized protection and reciprocity. In their 1892 platform, the Democrats attacked reciprocity, stating that

Trade interchange, on the basis of reciprocal advantages to the countries participating, is a time-honored doctrine of Democratic faith, but we denounce the sham reciprocity which juggles with the people's desire for enlarged foreign markets and freer exchange by pretending to establish closer trade relations for a country whose articles of export are almost exclusively agricultural products with other countries that are also agricultural, while erecting a custom-house barrier of prohibitive tariff taxes against the richest countries of the world, that stand ready to take our entire surplus of products, and to exchange therefor commodities which are necessities and comforts of life among our own people (Johnson and Porter 1973, 87; see also Stanwood 1967, 313-17).

Despite this defeat, Harrison and Blaine continued their push for expansion, negotiating reciprocal agreements and working to remove limits on the export of pork to various European countries (Terrill 1973, 175-183, esp. 179). In his 1890 annual message Harrison pleaded for a fair trial for the McKinley tariff (*Messages* 1897, vol. XII: 5556) and argued for the wisdom of the reciprocity clause and the benefits to be won under it (*Messages* 1897, vol. XII: 5557-5559). He took every opportunity to sell his administration's programs for economic expansion, and undertook a cross-country train tour for that specific purpose.⁷⁰ His speeches touched again and again on the topic of foreign markets. For example, he argued in Jonesboro, Tennessee that

while other nations of the world have reached a climax in their home development, and are struggling to parcel out remote regions of the earth that their commerce may be extended, we have here prodigious resources that are yet to be touched by the finger of development, and we have the power, if we will, to put our flag again on the sea and to share in the world's commerce.⁷¹

And in Galveston, Texas on April 18, 1891, Harrison focused on the Latin American markets. He stated that

We are great enough and rich enough to reach forward to grander conceptions than have entered the minds of some our statesmen in the past. If you are content, I am not, that the nations of Europe shall absorb nearly the entire commerce of these near sister republics that lie south of us (Harrison 1971, 325, see also 522-523 and 540-541).

In his letter accepting the 1892 Republican presidential nomination, President Harrison recounted the benefits gained by the country through reciprocity. These benefits included "increased ocean traffic for our ships," the "cheapening [of] articles used increasingly in every household" such as coffee, tea, and sugar, and expanded markets for both farmers and manufacturers (Republican Party 1892, 166, see also 168). Harrison

⁷⁰ See Harrison's letter to the Western States Commercial Congress in April, 1891 (Harrison 1971, 287-8).

⁷¹ Harrison 1971, 296; see also 292, 312, 321, 332, 383, 409, 414, 418, 426, and 467-8.

pointed to the concerned reaction of European trade journals and boards of trade and to the fact that British exports to Latin America had declined £23,750,000 as further evidence of the success of reciprocity (Republican Party 1892, 167). Harrison concluded his discussion of reciprocity by stating that

As I have shown, our commercial rivals in Europe do not regard this reciprocity policy as a "sham," but as a serious threat to a trade supremacy they have long enjoyed. They would rejoice—would illuminate their depressed manufacturing cities over the news that the United States had abandoned its system of protection and reciprocity. They see very clearly that restriction of American products and trade, and a corresponding increase of European production and trade, would follow (Republican Party 1892, 168; see also Crapol 1973, 185).

Although Harrison lost the election, reciprocity was embraced by the Republican party. By 1891, even McKinley agreed on the importance of the foreign market.⁷² Reciprocity had become the favored policy of protectionists because it allowed the preservation of the domestic market at the same time as foreign trade was increased. The 1892 Republican platform argued that reciprocity would lead to an expansion of the United States' foreign commerce:

We point to the success of the Republican policy of reciprocity, under which our export trade has vastly increased and new and enlarged markets have been opened for the products of our farms and workshops. We remind the people of the bitter opposition of the Democratic party to this practical business measure, and claim that, executed by a Republican administration, our present laws will eventually give us control of the trade of the world (Johnson and Porter 1973, 93).

⁷² This can be seen in the opening speech of his gubernatorial campaign (McKinley 1894, 539-557). This speech included his usual attack on the British: After reading a sampling of British reactions to various American trade policies, McKinley asserted that "We neither take our patriotism nor our political economy from other nations. If we had done so we would yet be in our swaddling clothes, a dependency and province of Great Britain, instead of the first and best Government on the face of the earth" (McKinley 1894, 556-7). For other evidence of McKinley's evolution on the issue of foreign trade, see McKinley 1894, 511, 531, and 623; Terrill 1973, 199.

And the 1896 Republican platform asserted its support of protection "as the bulwark of American industrial independence and the foundation of American development and prosperity" (Johnson and Porter 1973, 107). It also stressed reciprocity, which would

equalize our trade with other nations, remove the restrictions which now obstruct the sale of American products in the ports of other countries, and secure enlarged markets for the products of our farms, forests, and factories. Protection and Reciprocity are the twin measures of American policy and go hand in hand...Protection builds up domestic industry and trade and secures our own market for ourselves; reciprocity builds up foreign trade and finds an outlet for our surplus (Johnson and Porter 1973, 107).

Thus the debate over tariff policy increasingly became a debate over the best means to counter the threat posed by Britain's commercial supremacy-over when, and how best, to accomplish economic expansion.⁷³ Terrill quotes *Iron Age* in October 1890 as stating that "protectionists and free traders seem to have at last arrived at a common point, as both classes now profess to be desirous of enlarging our foreign trade. They are, of course, not in harmony with each other as to the means to be adopted in securing this purpose."⁷⁴

The tariff debate was not a debate over whether it was necessary for the United States to balance against Great Britain; Great Britain's economic strength was widely perceived as a threat. Instead, the debate focused on the question of means; the debate

⁷³ In addition to tariff policy, other means were occasionally discussed as a means to counter Great Britain's commercial strength. For example, a reduction in the costs of transportation was seen as one way to alleviate the effects if not the cause of British control over the commodity market (see U.S. Senate 1874; Williams 1969, 130, 177, 325; Rhodes 1919, 291). The proper way to counter Great Britain's dominance of shipping was also widely debated (e.g. Harrison 1971, 68; Cleveland's second annual message in Richardson vol. XIII, 5984-5985; the Democratic Platform of 1896 in Johnson and Porter 1973, 102; McKinley 1894, 424; the Republican Platform of 1896 in Johnson and Porter 1973, 108; Teller 1887, 19-20; Grant in *Messages* 1897, vol. IX: 4200-01, 4255-56; Hayes in *Messages* 1897, vol. X: 4423-4; and Harrison in *Messages* 1897, vol. XIII: 5757-5758; Harrison 1971, 326-7; U.S. House 1882, vol. 1: 889, 1122; U.S. House 1882, vol. 2: 1694-6, 1905-1935; Crapol 1973, 74, 145; Williams 1969, 328; Terrill 1973, 18, 157). A final example is the "subtreasury plan" proposed in 1889 at a joint meeting of the Southern Alliance, the Northern Alliance, the Farmers Mutual Benefit Association and the Colored Farmers National Alliance. It had as its aim the elimination of England's control of the commodity market (see Williams 1969, 27, 330; Faulkner 1959, 113-114).

⁷⁴ Terrill 1973, 184; see also 12, 44, 49, 97, 127, 183-184, 214.

was over what kind of commercial policy would most effectively counter the commercial strength of Great Britain and allow the United States to expand economically (see Crapol 1973, 35). The United States thus balanced in the economic realm.

But it was not just Great Britain's commercial strength which was of concern; as we will see in the next section, Great Britain's financial strength was also seen as a threat, and debates on financial policy were also in part a debate over how best to counter that threat.

The free silver debate. The issue of Britain's financial power and the United States ability to challenge it received the most attention in the debate over which monetary standard the United States should have. Like the debate on tariff policy, this debate is in part a debate over the best means to counter the threat posed by Great Britain. This debate also reveals a concern about whether the United States was strong enough to challenge Great Britain. There were three basic policy choices: a bimetallic standard with silver coined freely by the United States, a bimetallic standard by international agreement, or a gold standard. The latter two options were linked: those who argued that a bimetallic standard was possible only by international agreement in effect argued for the gold standard until and unless such an agreement was reached. In the analysis of the debate that follows, I focus on the two major poles of the debate—the free coinage of silver versus the gold standard or an international agreement for bimetallism.

Especially during the early part of the period under study, the money question was largely a question of plentiful or scarce money—the former benefiting the debtor and the later the creditor (Crapol 1973, 193).⁷⁵ It involved whether, and if so how, to resume

⁷⁵ The quantity of money available was of continuous concern during the period under study; see, for example, Blaine's letter of August 22, 1890 to Benjamin Harrison (Volwiler 1940, 118) as well as Jones 1876, 94 ; U.S. House 1877, 24; Faulkner 1959, 57.

specie payments, and what to do with the greenbacks (paper currency printed during the Civil War which was not backed by specie).⁷⁶ Scarcity of money was blamed for domestic unrest, as in this statement from the Report of the Monetary Commission: "The mischief which practically threatens the world, and which has been the most prolific cause of the social, political, and industrial ills which have afflicted it, is that of a decreasing and deficient money. It is from such a deficiency that mankind are now suffering, and it is the actual and present evil with which we have to deal" (U.S. House 1876, 61).⁷⁷ The scarcity of money was linked to the monetization of silver, which increasingly attracted attention during this period (Dewey 1907, 220).

The swings in US monetary policy which occurred are a measure of the contentiousness of the debate on free silver: In 1873 silver was demonetized in the United States, and at the same time a "silver trading dollar" was created to facilitate trade with countries on a silver standard.⁷⁸ In 1876 Senator Bland (D-MO) introduced a bill to remonetize silver, but it was not until February 1878 that the Bland-Allison bill, passed over President Hayes' veto, made silver dollars legal tender and authorized the Secretary of the Treasury to purchase between \$2,000,000 and \$4,000,000 of silver bullion per

⁷⁶ One way to trace the development of this issue is through the party platforms of the various parties throughout this period; see Johnson and Porter 1973.

⁷⁷ The Monetary Commission was created by the joint Congressional resolution of August 15, 1876, to investigate changes in the relative value of gold and silver, the economic effects of these changes, and the possible restoration of the double standard. It recommended "the restoration of the double standard and the unrestricted coinage of both metals" but was "unable to agree upon the legal relation which should be established between them" (U.S. House 1877, 126). There were two minority reports; that by Mr. Boutwell supported an international agreement on bimetallism but argued that until such an agreement should be reached the United States should continue its present policy—the demonetization of silver and the resumption of specie payments in gold in 1879. See U.S. House 1877, Minority Report of Mr. Boutwell, 134-137.

⁷⁸ The demonetization of silver attracted little attention in 1873; few people, including many in Congress who passed the bill and even President Grant, who signed it into law, realized that silver had been demonetized (Jones 1876, 46; Von Kardoff 1880, 19-20; U.S. House 1877, 88-90). Faulkner argues that it was demonetized with so little fuss because silver was so scarce at the time (1959, 58), and Rhodes reports that this lack of attention was not intentional; the bill had been printed thirteen times in order to draw attention to it (1919, 95).

For a brief overview of the politics of and legislation on the silver issue, see "The Politics of Silver" in Friedman and Schwartz (1963), *A Monetary History of the United States, 1867-1960*, 113-119. They note that during this period the stock of money in the United States was controlled primarily by external influences (Friedman and Schwartz 89).

month (Williams 1969, 215). In the meantime, in 1877, the silver trading dollar ceased to be legal tender. Then, in 1890, the Sherman Silver Purchase Act was passed; it repealed the Bland-Allison law of 1878 and authorized the Secretary of the Treasury to purchase 4,500,000 ounces of silver bullion per month, to issue legal tender notes in payment, and to make a sufficient monthly coinage for the redemption of these notes. Finally, in 1893 the silver purchase clause of the Sherman Silver Purchase Act was repealed. The debate over these various changes in policy involved questions about the relation between the United States and Great Britain, and the United States' ability to assert itself in the world (e.g. Williams 1969, 18-19). To see this, we need to look at the arguments presented by both sides.

The silverites, who argued for the free coinage of silver by the United States, saw it as a way to eliminate the United States from its dependence upon Great Britain. Senator James Beck (D-KY), in his speech against the elimination of the coinage of silver dollars in 1885, argued that the United States policy towards silver was leading to American submission to England and Germany: "If the managers of the financiers of France had treated her silver coinage as our officials have ours she would have been prostrated, financially, at the feet of England and Germany long ago" (Beck 1885, 12).⁷⁹ In a Senate speech in 1876, John Jones (R-NV) pointed out that 52.5 percent of the annual gold production of the world "was obtained in countries over which the British flag waved or which was subject to British domination" (1876, 61); he believed that the single gold standard would extend Britain's domination to the countries that used it.⁸⁰ Senator Jones asked,

⁷⁹ Some English also acknowledged the benefit they gained from the gold standard: Betram Currie, an English banker and financial leader explained that "I do not say that England would lose her natural advantage if she parted with the gold standard,... but if she did she would be in a very great danger of losing her supremacy" (quoted in Williams 1969, 307).

⁸⁰ As a senator from Nevada, Jones had an obvious interest in the free coinage of silver. However this interest should not lead us to discount his statement entirely. Even if his parochial interests determine his policy position, they do not dictate the arguments he uses to defend that position. In other words, even if his argument about Britain is simply instrumental, the fact that it was seen as a useful argument to make suggests that a concern with British economic strength existed.

Is this, then, the secret of British plutocratic solicitude for the single gold standard? Is it not only that the people of Great Britain shall have the rewards of their labor measured by this diminishing measure, which is to be held tightly grasped in the monopolizing and cruel hands of their plutocratic lords, but that the labor of the entire civilized world shall be measured by it also? For one, I reply to this, never! And when this subject shall be fully understood by the American people, the reply that I now make should echo and reverberate throughout the whole length and breadth of this great land. Never ought we, never will we, submit to have our labor and enterprise measured by a standard subject to the manipulation and pleasure of a foreign nation, and of a class hostile to the genius of our institutions (Jones 1876, 61-62).

This attitude towards gold was not limited to silver miners and their congressional representatives. The 1896 Democratic platform argued that "gold monometallism is a British policy, and its adoption has brought other nations into financial servitude to London. It is not only un-American but anti-American," and demanded "the free and unlimited coinage of both silver and gold at the present legal ratio of 16 to 1 without waiting for the aid or consent of any other nation" (Johnson and Porter 1973, 98; see also Perkins 21-22).⁸¹

The free coinage of silver was also seen as a way to eliminate American dependence upon Great Britain, because it would free farmers from a commodity market controlled by England, open up new markets in South America and Asia, and, by providing sufficient domestic capital, put an end to alien ownership and bond issues (Crapol 1973, 192). One silverite, Senator James Jones (D-AK) asked "whether we propose to surrender our independence and manhood and follow the dictates of England" or whether "in the spirit of 1776, [we] dare to take our own course for ourselves" (quoted in Crapol 1973, 192).⁸²

⁸¹ Bradley Young (1995) examines the ideology of the silverites, especially the Silver Republicans, in his article "Silver, Discontent, and Conspiracy: The Ideology of the Western Republican Revolt of 189-1901." See page 254 for a discussion of the perception of Great Britain as a threat. I thank Peter Trubowitz for bringing this article to my attention.

⁸² This quote is from 1898, but the sentiments it expressed were also held during the period under study.

And like the tariff policy, the monetary policy of the United States was seen as partially responsible for the social unrest which threatened the country. Brooks Adams argued in his *The Gold Standard: An Historical Study* that "the restoration of silver becomes the most vital issue of our age, for the gold standard seems to involve more than mere financial embarrassment; it apparently strikes at the root of the social system. Pressure is producing suffering, and suffering discontent" (Adams 1896, 37, see also 6, 35-36).

One of the specific ways the demonetization of silver was seen to benefit England and harm the United States was the ability it gave British operators to undersell American producers in the British market. India remained a silver country. When silver was demonetized, British traders could buy silver bullion cheaply in the US and have it coined into Indian rupees. They made a profit on that transaction, because of the low price of silver bullion. They could then use that profit either to buy Indian wheat and cotton which they could sell more cheaply than American products on the world market, or to invest in India, increasing the productiveness of Indian farms. Either way, they gained an advantage over American farmers (Williams 1969, 19, 306; Crapol 1973, 196).⁸³

It was also argued that Great Britain benefited from the demonetization of silver because of its position as an international creditor. The Report of the Monetary commission argued,

Every additional employment for gold increases its value, and it must be an unwise policy for the United States, owing large debts held in gold-standard countries, and many of them specifically payable in gold, to make a new demand for that metal...by adopting an exclusive gold standard. The interests to be subserved by such a policy are not American interests, but those of the gold-standard countries of Western Europe, and especially of England, which are to an enormous extent the creditors of the United States and of other parts of the world (U.S. House 1876, 104, see also 101-103; Jones 1876, 112).

⁸³ It is interesting to note that India also protested this, and only maintained the silver standard at Britain's insistence (Williams 1969, 306; de Cecco 62-67).

In addition to eliminating these negative effects of the gold standard, it was thought that the remonetization of silver would also have positive effects. For example, the remonetization of silver in the United States was championed as a way to increase trade with the silver standard countries of Asia and Latin America. As Crapol explains, it was thought that the remonetization of silver would increase American sales in those countries because trade with another silver country was more profitable than trade with a gold country; the benefits offered by trade with a silver country were believed to be great enough to challenge existing trade arrangements between Britain and the silver standard countries.⁸⁴

Senator Jones (R-NV) argued that with the many advantages of the United States, including

advantages of route, of amicable relations, of an ample supply of silver--that if we do not senselessly throw them away, we are almost certain to monopolize the Asiatic trade and the vast profits that accrue from its pursuit. Asia stands in urgent need of silver...and as we can afford to sell it to her cheaper than Europe can...we are almost certain to secure the monopoly of her trade, and with it a market not only for our silver, but also for our coal and iron, our wheat and Indian corn, our manufactures, our literary and our art products. And, moreover, we shall inevitably become what England is now, the occidental world's emporium (Jones 1876, 90).⁸⁵

He goes on to suggest that the demonetization of silver in the United States may have been brought about by the "sinister advice of nations whose far-seeing commercial policies detected the advantages which we possessed over them in the future rivalry for the rich trade of the Orient" (Jones 1876, 90).

⁸⁴ See Crapol 1973, 194; Williams 1969, 361-2,391; U.S. House 1876, 109, 112-113; LaFeber 1963, 155-156, 158.

⁸⁵ For a similar argument in regard to Latin America, see Jones 1876, 91.

William "Coin" Harvey, a lawyer and an author on financial matters, argued in 1895 that the remonetization of silver and the increase in trade it would bring about would then allow the United States to control its trade with Europe:

If we had the principal trade of India, China, Japan, and South America, which we would have with silver remonetized...our virtual monopoly of the trade of those countries that now supply Europe with many articles would put these articles under the control of our traders and we would fix the price to Europe (quoted in Williams 1969, 3).

And in the 1896 presidential campaign, William Jennings Bryan

focused almost exclusively on the benefits of unlimited silver coinage at 16 to 1. Remonetization would bring the nation relief from the depression by arresting the deflationary trend and broadly serving to expand overseas markets. Bryan declared "it was the issue of 1776 over again," for unlimited silver coinage...would allow the United States to bring England's reign as king of the world marketplace to a close (Crapol 1973, 213).⁸⁶

The silverites thus argued that the remonetization of silver would strike a blow against Great Britain's financial strength, robbing it of the advantages it gained from the single gold standard and improving the United States' position in both the emerging markets of Latin America and Asia and the established market of Great Britain.

In their counter-argument, the "gold bugs" did not dispute the negative effects of the gold standard, but argued that the United States had little choice in the matter. The gold bugs argued that it was precisely because of Great Britain's strength—because of its position at the center of both the financial and commercial markets—that the United States had to establish and then maintain the gold standard. Both the United States' credit and its ability to participate in the world marketplace was thought to hinge on the maintenance of gold; economic expansion could only be accomplished if the United States maintained the gold standard (Williams 1969, 37).

⁸⁶ This campaign also featured Bryan's "Cross of Gold Speech" at the Democratic convention. See Pletcher 1962, 314-316; Faulkner 1959, 59-60, 194-196; Cashman 1988, 315.

For example, as Williams explains, Secretary of the Treasury Hugh McCulloch argued as early as 1867 that "the value of exports hinged wholly on the monetary system used by Great Britain because it dominated the world commodity market. That meant gold monometallism and hence the United States had to maintain itself on the gold standard." The value of exports were important because of Civil War debts; the alternative to the gold standard was what "McCulloch called the central danger of ruinous indebtedness to England" (Williams 1969, 166, see also 214).

To the extent that the gold bugs argued simply that the US could not effectively oppose the gold standard, they can be seen as arguing for bandwagoning instead of balancing. Most gold bugs did not stop there, however. Instead, they went on to argue that adherence to the gold standard was necessary for economic expansion and that the US would eventually overtake Great Britain even under the gold standard. For example, in 1876 former Secretary of the Treasury George Boutwell argued that "London is the financial center of the world," and if the United States were to remonetize silver on its own, it would be in a "less favorable condition to compete with Great Britain for commercial and financial supremacy" (quoted by Williams 1969, 214).

Blaine made a similar argument; as Williams explains, Blaine argued that "American prosperity depended on agricultural exports, and those, because of England's power and policy, were 'inevitably and peremptorily subjected to the gold standard when sold.' Hence the only satisfactory policy was specie based on gold" (Williams 1969, 199). But Blaine did not stop there; he cried "Give us the same basis of currency that our great competitors of the British Empire enjoy...and we will, within the life-time of those now living, float a larger tonnage [of exports] under the American flag" (quoted in Williams 1969, 199). Thus, while Blaine accepted the gold standard, he did not accept a continuation of the benefits Great Britain received from that system; he argued that the United States could overtake England even within the gold system (Williams 1969, 199).

Gold bugs also argued that the United States was dependent upon foreign investment, and that the maintenance of the gold standard was necessary to maintain its international credit. For example, President Cleveland and other gold bugs argued that, as shown by the experience of the 1893 panic, a move to silver would lead to a withdrawal of necessary European investment and that the gold standard was necessary to safeguard the high credit rating needed for international trade (LaFeber 1963, 154-5).⁸⁷

The gold bugs feared unilateral remonetization of silver, believing that it would drive gold out of the country and that as a result, the United States would be left with a practical policy of silver monometallism (e.g. McKinley 1894, 454-455; 540-541). Representative Simon B. Chittenden (NY) argued in 1879 that "while the leading great nations with whom we trade adhere to the gold standard common sense and public policy force us, in my judgment, to stand with them unless we mean to adopt silver as our only standard" (Chittenden 1879, 6). One of Cleveland's arguments for the repeal of the Sherman Silver Purchase act was that it was leading to the depletion of the gold reserves. As Cleveland explained, the "law provides that in payment for the 4,500,000 ounces of silver bullion which the Secretary of the Treasury is commanded to purchase monthly there shall be issued Treasury notes redeemable on demand in gold or silver coin" (*Messages* 1897, vol. XIII: 5834). This meant that gold could be taken out of the Treasury in return for silver going in, making it easy for foreign nations to raid the American gold stock. Cleveland added, "That the opportunity we have offered has not been neglected is shown by the large amounts of gold which have been recently drawn from our Treasury and exported to increase the financial strength of foreign nations" (*Messages* 1897, vol. XIII: 5835; see also Cleveland 1933, 56-57). Cleveland argued that as a result the country was approaching silver monometallism and that if it reached that

⁸⁷ The silverites had a different point of view; they saw a decrease in European investment as a positive step towards limiting European influence (LaFeber 1963, 155), and they believed that remonetization "would accelerate and extend domestic capital formation" (Williams 1969, 37).

basis the United States would lose its place "among nations of the first class" (Rhodes 1919, 402).

The gold bugs also tried to turn the "India" argument on its head. As explained above, the silverites argued that a silver basis would allow them to compete more effectively with India, by eliminating the competitive advantage of British traders who purchased Indian products cheaply and then sold them on the European markets. The gold bugs recognized that if the United States allowed free coinage of silver, people could benefit by their ability to buy bullion and have it coined in the United States just as they did in India. But the gold bugs differed from the silverites in that they saw this as a negative; they argued that the free coinage of silver

will oppress and rob the people of our own country, in whose name it is ostentatiously brought forward.....Is there any reason why...men in Ohio and Georgia shall be forced to receive for their labor debased political currency? Why should the cotton and grain growers in these great States be paid for in [silver] dollars worth but eight-five cents, while the merchant to whom these products are sold is paid in [gold] dollars worth one hundred cents as soon as his ship touches a foreign port? (Chittenden 1879, 8; see also Cleveland 1933, 388).

Few, if any, argued in this period for a unilateral gold standard; most gold bugs professed support for bimetallism, but insisted that it could only be achieved by international agreement. The argument was repeatedly put forth that the unilateral remonetization of silver would actually put the United States further from its goal of the international use of both metals. For example, Harrison stated that

I have always believed, and do now more than ever before, in bimetallism, and favor the fullest use of silver in connection with our currency that is comparable with the maintenance of the parity of the gold and silver dollars in their commercial uses. Nothing, in my judgment, would so much retard the restoration of the free use of silver by the commercial nations of the world as legislation adopted by us that would result in placing this country upon a basis of silver monometallism (Harrison 1971, 288-9; see also Cleveland in *Messages* 1897, vol. XIII: 5836).

Repeatedly during this period international conferences were held to discuss the possibility of international bimetallism. In his second annual message, President Harrison promised that "no favorable opportunity will be lost" to renew an international conference on remonetization, and he suggests that with the "recent monetary disturbances in England...our very large supply of gold will...give us a position of advantage in promoting a permanent and safe international agreement for the free use of silver as a coin metal" (*Messages* 1897, vol. XII: 5548-9; see also 5629-30). Cleveland also favored an international agreement; in 1895 he wrote to his Ambassador to Great Britain, Thomas Bayard, that "I trust you will be alert to discover any growing inclination in England to deal with the silver question internationally, and advise us if you see a propitious opening" (Cleveland 1933, 378). No international consensus in favor of bimetallism was ever reached, however. Britain would never agree, which intensified the American hostility towards it and raised the question of whether the United States was strong enough to remonetize silver on its own (LaFeber 1963, 158, Williams 1969, 37).⁸⁸

Thus one of the differences between the silverites and the gold bugs was their estimates of the relative economic strength of the United States: whether or not the United States had enough financial strength to "declare its independence" became a issue.⁸⁹ Secretary of State Evarts believed that the United States did not have enough

⁸⁸ In his book *The Gold Standard: Its Causes, Its Effects, and its Future*, the German Baron Wilhelm Von Kardoff-Wabnitz reports on the International Monetary Conference held at Paris in 1878. The United States proposed to establish the free coinage of silver through a treaty that would fix the relative value of gold and silver. Von Kardoff states that "This proposition failed partly through the non-participation of Germany [who refused to attend], partly through the refusal of England to abandon the single gold standard" (Von Kardoff 1880, 51). The British preferred that the relative value of the two metals be maintained without any action on her part, but as Von Kardoff explains, an international agreement without England would be unstable because countries party to the agreement would have an incentive to defect and join England on the single gold standard (Von Kardoff 1880, 56. see also 51). Dewey makes a similar argument when he states that "so long as the United States showed a disposition to shoulder alone the declining fortunes of silver, European governments naturally held back from positive cooperation" (1907, 314).

Not everyone in England believed a single gold standard was in its best interests. See, for example, the Chamber of Commerce of Liverpool's "Report of the Special Committee on the State of Trade in Connection with the Discrediting of Silver as Money" (1879), which argued for an international agreement to secure the remonetization of silver.

⁸⁹ Although perhaps not as clearly, estimates of US power also played a role in the debate on commercial policy. See, for example, Williams 1969, 22, 237, 247, 341 and Crapol 1973, 63.

financial strength to create its own monetary system using silver, but he thought that US economic power could be used to bring about an international agreement on remonetization (Williams 1969, 212).⁹⁰

But others believed the United States could remonetize silver on its own. The Report of the Monetary Commission, published in 1877, argued that "there can be no doubt that the United States alone could by law establish exactly and permanently an equivalency" between gold and silver (U.S. House 1876, 29, see also 32). Senator Stewart (R-NV) agreed; he argued to President Harrison that the United States could remonetize silver alone, and stated that "There is no reason why the United States should allow England to longer dictate our financial policy. Financial independence is almost as essential to the prosperity of this country as political independence."⁹¹ In 1895, Charles Heber Clarke, Secretary of the Manufacturers' Club of Philadelphia made a similar argument. As LaFeber explains, Clarke "highlighted his speech by asking for an international monetary order system to replace the payments which now went through London. This statement was significant, for it implied that the United States now believed that it had sufficient power to assume control of international payments from Great Britain" (LaFeber 1963, 193).⁹² And William Jennings Bryan, who would be the

⁹⁰ Various schemes were advanced as to how this could be done. For example, Moreton Frewen, an expatriate Englishman who at one time was a cattle-rancher in Wyoming, thought that a duty on diamonds would pressure Cecil Rhodes to persuade Rothschild to support international bimetallism (Williams 1969, 369). Senator Lodge and Representative Reed proposed to link the tariff and currency issues together, by imposing discriminating duties upon goods from non-bimetallic countries (Dewey 1907, 23; Crapol 1973, 202-203).

⁹¹ Quoted in Williams 1969, 325. For a similar argument by a Representative from Kansas, see Williams 1969, 200.

⁹² That this belief was not limited to Clarke can be seen in the fact that many of the party platforms of the 1896 campaign called for the remonetization of silver by unilateral action. In addition to the Democratic platform which called for remonetization "without waiting for the aid or consent of any other nation" (Johnson and Porter 1973, 98), the National Platform called for remonetization "without consulting any other nation" (Johnson and Porter 1973, 100), the National Silver Platform called for remonetization "independently of any foreign power" (Johnson and Porter 1973, 103), and the People's Platform called for remonetization "without waiting for the consent of foreign nations" (Johnson and Porter 1973, 104). This is in contrast to the Republican Platform, which stated the party's opposition to the "free coinage of silver, except by international agreement with the leading commercial nations of the earth" (Johnson and Porter 1973, 108). (The National Democratic Platform of 1896 argued simply for the maintenance of the gold standard, while the Prohibition Platform and the Socialist Labor Platform did not address the currency standard.)

Democratic candidate in 1896, urged in 1895, "Let us restore silver and then let England adopt bimetallism because the United States has it" (quoted in Williams 1969, 384; see also 363).⁹³

Thus, two things were at stake in the "Battle of the Standards:" first, the extent to which the United States could challenge Great Britain, and second, the best way to do so. That Great Britain's economic strength lay behind and was reinforced by the gold standard, as well as the need of the United States to break that strength, was not in doubt. What was at issue was the best means for the United States to use in balancing against Great Britain's relative financial strength. Should the United States compete with Great Britain under the gold standard or go to a bimetallic standard on its own? Which was the best way for the United States to expand economically? The choice of standards was never presented as a choice between an expansionist economic policy and an internally-directed economic policy. Instead, each of these possible standards was said by its proponents to be *the* way of achieving economic expansion--of finding and keeping the foreign markets thought to be necessary for the survival of the United States (see Crapol 1973, 195; LaFeber 1963, 154).

The debate over the best means to counter the economic strength of Great Britain and expand economically came to head in the 1896 presidential campaign. The campaign centered on the question of whether free silver or protectionism was the best way to expand foreign markets, which was seen as necessary to restore prosperity and ease the social and political crisis (Williams 1969, 42).⁹⁴ McKinley won; reciprocity and

⁹³ Even some British thought that the United States could act alone if she chose: Lord Balfour stated that unilateral remonetization would "force bimetallism on the world whether Britain likes it or not" (quoted in Williams 1969, 392).

⁹⁴ Both the Democratic and Republican parties split over the issue of free silver at their national conventions. See Johnson and Porter 1973, 97-98, 101-104, 107-108. For more information on the campaign, see Cleveland 1933, 440-444; Prescott 1896; Williams 1969, esp. 42, 385-404; Crapol 1973, esp. 213-215; Terrill 1973, esp. 199; Jones 1964. In addition to the Democrats, the gold Democrats, the Republicans and the silver Republicans, there were four other parties that year, including the People's Party whose platform called for "the establishment of an economic and financial system which shall make us

protection were chosen as the way to take on Great Britain and bring about the necessary economic expansion (see Crapol 1973, 214-215; Williams 1969, 42, 385).

Possible Objections

In order to demonstrate that the United States balanced against the relative economic strength of Great Britain, I have had to show that the relative economic strength of Great Britain was perceived as a threat, and that policy options were advocated at least in part on the basis of their ability to counter that threat. In doing so, I have relied upon the statements and arguments presented by politicians and other individuals. This leads to a potential objection to the type of evidence I have presented: To what extent can we take the above evidence at its face value? After all, many of the above quotations are from politicians who stand to benefit from promoting the narrow interests of their constituents. How do we know all of the concerns about Great Britain cited above are not simply rhetorical—a way to convince or even scare people into supporting policies that were "really" preferred for other reasons?

In some ways this is an unanswerable question. There is no way to determine the "true" motivation behind all the words quoted above. Certainly, the popular antipathy toward Great Britain made attacks on the British an excellent rhetorical tool of which much use was made (see Allen 523-524; Pletcher 1962, 145).⁹⁵ But despite that kind of maneuvering, it is difficult to dismiss all of the concern expressed about England as

masters of our own affairs and independent of European control" and demanded the free and unrestricted coinage of silver (Johnson and Porter 1973, 104; see also Faulkner 1959, 200).

⁹⁵ A prime example is the trap which George Osgoodby set for the British minister Lord Sackville-West in 1888. Osgoodby, pretending to be a naturalized American of British background, wrote to Sackville-West and asked if he should vote for Cleveland despite the fact that Cleveland had been antagonistic toward Great Britain during a fisheries dispute (Crapol 1973, 162). Sackville-West wrote back endorsing Cleveland, and the Republicans made much of this "evidence" that the Democrats were hand-in-hand with the British (see Crapol 1973, 162; Cleveland 1933, 168; Volwiler 1940, 38; Williams 1969, 322; Rhodes 1919, 323-325; Dewey 1907, 125).

political posturing. First, it was not only Great Britain's relative strength that was feared. At different points during the period under study, concerns were expressed about the relative strength of other states as well.⁹⁶ The fact that concern about the relative economic strength of other states was also expressed suggests that the evidence presented above cannot be dismissed simply as politicians manipulating the popular antipathy toward Great Britain. Second, many different kinds of people, including politicians of both major parties as well as farmers and businessmen, expressed this concern. (This is especially evident in the work of Williams and Crapol.) Finally, political leaders sometimes took large political risks in supporting some of the policies under discussion.

There are many examples of this. In the fight over the inclusion of a reciprocity clause in the McKinley tariff bill, Harrison and Blaine knowingly risked a dangerous split in the Republican party, and consequently entered the 1892 Congressional elections seriously weakened.⁹⁷ The Democrats faced a similar intraparty fight over the tariff during Cleveland's administration, and as mentioned above both parties split over the silver issue in 1896.⁹⁸ President Hayes' veto of the Bland-Allison silver purchase act is another example where a president acted upon his beliefs instead of his short-term political interests (Garraty 1968, 262). Thus, political leaders clearly believed that there was something important at stake on these issues, and it is not clear why we should dismiss out of hand their explanations for what that "something" was.

Of course, the fact that these issues caused divisions in political parties does not mean that these issues were not used for political purposes (e.g. see Faulkner 1959, 110).

⁹⁶ E.g. Dewey 1907, 106; Williams 1969, 22-23, 209, 258; U.S. Senate 1874, vol. 2: 176-177, 333; LaFeber 1963, 246-247.

⁹⁷ That this could not have been undertaken lightly can be seen from the following excerpt from Harrison's letter to Blaine on January 17, 1889, in which he asked Blaine to be his Secretary of State: "I have another great purpose and duty in which I am sure you would cooperate with the greatest cordiality. It is to preserve harmony in our party. The continuance of Republican control for a series of presidential terms is, I think, essential to the right settlement of some very grave questions. I shall be very solicitous to avoid anything that would promote dissension" (Volwiler 1940, 45).

⁹⁸ See Cleveland 1933, 157-158; Williams 1969, 32; Terrill 1973, 114-115, 121-122; Dewey 1907, 241; Faulkner 1959, 157; Garraty 1968, 292.

Terrill in particular demonstrates that the tariff issue was used for political purposes; he argues that the tariff was a central issue for both parties, because they both believed that it was that issue which they could use to break the "political equipoise" that existed between the two parties. Terrill explains that "Not until after World War II did the two major parties vie for power on as equal terms as they did from 1874 to 1896. Six presidential elections brought six different White House occupants and four changes of party. The Republicans usually controlled the Senate, the Democrats the House" (Terrill 1973, 4). Tariff policy was seen as an issue that could generate support from a broad range of groups in society; "other issues were either too divisive, or they lacked the broad appeal necessary for breaking the political equipoise" (Terrill 1973, 9).

But recognizing that the tariff and currency issues were used for political purposes does not discredit the idea that there were real concerns about the relative economic strength of Great Britain (Williams 1969, 32). Those concerns were certainly not the only determinants of the United States' economic policy, but they did influence it. The relative economic strength of Great Britain was seen as a threat, economic expansion was seen as necessary for the United States, and the question of how to best counter that threat and achieve American economic expansion played a significant role in debates on economic policy.

This argument gains credibility to the extent that the occurrence of these sorts of arguments varies with the strategic setting of the state in question. In the next section, which examines the first part of the 19th century, I argue that the content of arguments made about economic policy in the United States do vary with changes in its strategic setting.

1800-1869

This section briefly examines arguments about the tariff made in the first part of the 19th century. Because I determined that the US balanced economically in the period from 1870-1896 by looking at economic policy debates, it is important to see if changes in the strategic setting of the United States are reflected in those debates. In the first part of the nineteenth century, the United States did face significant military threats, so its strategic situation differed in this period from the later period. Because military threats were dominant in the earlier period, I do not expect the United States to balance economically. This means that in this period economic policy positions on issues such as the tariff should not be justified by references to threats posed by the relative economic strength of Great Britain or other states.

The first part of this section is devoted to establishing that the strategic position of the United States did differ in this period: I argue that the US did face significant military threats in the period from 1800-1869. The second part of this section then examines arguments made about the tariff in this period, and argues that the content of those arguments did indeed vary from those made in the later period.

The overriding threat, 1800-1869

During this period the US did face significant military threats: in addition to the Civil War, it fought four wars with foreign powers (two undeclared wars with Barbary pirates, 1801-1805 and 1815; the War of 1812 with Great Britain; and the Mexican War, 1846-1848). These wars involved various kinds of threats: threats to American shipping in the Mediterranean, threats to "neutral" American commerce, threats to the meaning of American citizenship, and threats to the territorial integrity of the United States. Although the issue involved in these disputes—maritime and neutral rights, impressment,

and borders, did not have to be resolved by force (indeed, border disputes with Great Britain were settled without recourse to war, and the US attempted to resolve the other issues without resorting to arms), the conflict over these issues was in part the result of American military weakness and did eventually result in war.

For example, the piracy issue first became a problem with US independence, when the protection of Great Britain was withdrawn. Many states, including the United States, negotiated treaties with the pirates, but DeConde explains that "since the pirates exacted higher tributes from weak states, such as the United States, than from the strong, the terms were never satisfactory" (DeConde 1971, 85). The US resorted to force twice, first in 1801 and then again in 1815, when, with European aid, the Barbary pirate issue was resolved (see DeConde 1971, 85; Bemis 1965, 176-179).

The vulnerability of American trade during the Napoleonic Wars was also a result of American military weakness. With the imposition of rival blockades by Britain and France, the rights of neutral shipping ceased to exist; while American shipping to England continued, it did so under a system of British licensing. This was all made possible by England's control of the seas (DeConde 1971, 87-89). This issue, along with that of impressment, led to the War of 1812.⁹⁹ In his message to Congress dated June 1, 1812, Madison argues that

the conduct of [the British] Government presents a series of acts hostile to the United States as an independent and neutral nation. British cruisers have been in the continued practice of violating the American flag on the great highway of nations, and of seizing and carrying off persons sailing under it, not in the exercise of a belligerent right founded on the law of nations against an enemy, but of a municipal prerogative over British subjects....British cruisers have been in the practice also of violating the rights and the peace of our coasts. They hover over and harass our

⁹⁹ Bemis argues that "the question of neutral rights could not alone have caused the war of 1812." For the frontier interests, the war was a "way to put an end to British intrigues with the Indians" and for others the war was a way to gain control of Florida (Bemis 1965, 156). For further information on these issues see Bemis 1965, 138-158; Sears 1935, 105; Latané 1927, 123-143; see also *The War of 1812* by Donald R. Hickey, which is a reappraisal of the causes, conduct and consequences of the war.

entering and departing commerce. To the most insulting pretensions they have added the most lawless proceedings in our very harbors, and have wantonly split American blood within the sanctuary of our territorial jurisdiction....Under pretended blockades, without the presence of an adequate force and sometimes without the practicability of applying one, our commerce has been plundered in every sea, the great staples of our country have been cut off from their legitimate markets, and a destructive blow aimed at our agricultural and maritime interests....We behold, in fine, on the side of Great Britain a state of war against the United States, and on the side of the United States a state of peace toward Great Britain (*Messages* 1897, vol. II: 485-489).

Obviously, if the United States had been more powerful militarily, Great Britain would have had an interest in keeping her neutral; as Madison himself points out, not even the opportunity to foster a war between France and the United States could induce the British to modify their behavior (*Messages* 1897, vol. II: 487).¹⁰⁰

After 1820 or so, the United States focused on its internal development (Bailey 1950, 194; DeConde 1971, 146). In order to populate a country, though, land and defined borders are necessary, and here foreign powers once again became important. While the United States was able to peacefully resolve its border disputes with Great Britain, the US fought Mexico over its southwest border in 1846. US actions at this time were influenced by the fear of British and French involvement with Texas, as well as by a fear of the British activity in California.¹⁰¹

But of course during the middle of the century the main threat to the United States was internal, from the disagreement over slavery. The Civil War, from 1861-1865, was fought to prevent the secession of eleven Southern slave states; the Union victory was

¹⁰⁰ In fact, Britain did repeal the Orders in Council, although "five days too late" (DeConde 1971, 104; see Bemis 1965, 155-156). DeConde suggests that it was the importance of the American market, and the state of public morale in England, that led to the repeal; he argues that "the British considered American military power trifling" (DeConde 1971, 104).

¹⁰¹ See Bemis 1965, 215-244, esp. 238; Bailey 1950, 265-266; Latané 1927, 237-283; DeConde 1971, 187-189, 197.

seen as a demonstration of the military power of the United States.¹⁰² *Harper's Weekly* argued that:

The United States Government has now furnished Europe with an argument which every government understands. It has proved itself, by the most tremendous test, to be practically invincible. We are not surprised, therefore, to hear of the sudden and amazed respect for us which has suddenly arisen in the most hostile foreign circles (quoted in Bailey 1950, 389).¹⁰³

Thus it was not until the US had "proved its mettle" during the Civil War that it entered into a period of military security.

The policy debates

Given that the overriding threat faced by the United States was different in these two periods, the next question is whether the economic policy debates in these two periods reflect that difference. We have already seen that arguments about the tariff in the years 1870-1896 centered in part on usefulness of free trade and protection to counter the relative economic strength of Great Britain. The question here is whether arguments about economic threat are features of most debates on the tariff, or whether the occurrence of those types of arguments varies with the strategic setting of the state in question.¹⁰⁴

The next question that arises is how to compare the arguments made in these two periods. Thousands if not millions of pages of Congressional debates exist on tariffs alone; it is difficult to imagine how to conduct any kind of systematic, controlled analysis

¹⁰² Indeed, some argue that fear of the United States led to, or at least encouraged, the withdrawal of the French from Mexico (see DeConde 1971, 268; Bailey 1950, 387; Bemis 1965, 393; Latané 1927, 414-416).

¹⁰³ The original source is *Harper's Weekly*, IX, 418, (July 8, 1865).

¹⁰⁴ The comparison of economic policies in these two periods focuses on the tariff issue because the currency standard was not an issue in the earlier period.

of the type and frequency of arguments made in those debates. Luckily, there is a more concise presentation of the main lines of argument taken on national political issues, in the national party platforms.

The platforms presented by political parties in presidential campaigns provide a means through which it is possible to trace the effect of changes in the strategic setting of the United States on the arguments made in the political realm. In this case, it is possible to analyze the universe of cases, so selection bias is not an issue. And platforms can generally be expected to address the key issues of the presidential campaign, which in turn focuses on issues thought to be important to the country.

Although I am most interested in arguments about the tariff presented in the party platforms, I also took note of any discussion of other economic policies, foreign affairs, commerce, and, in particular, any mention of Great Britain. The latter is particularly important because one alternative explanation of the arguments about Great Britain cited above is that politicians and policy advocates were simply attempting to take advantage of the public antipathy toward Great Britain to sell their preferred policies. No doubt some political capital was made out of "twisting the lion's tail." If this accounts for the expressed concern about Great Britain's relative economic strength, we should see the same or similar arguments made in the early 19th century, when the public antipathy with Great Britain was as strong if not stronger.

While there are only a few references made to Great Britain in the party platforms of either period, the content and tone of the references which do occur vary radically. For example, in the first period, the Democratic platform of 1844 argued "That our title to the whole of Territory of Oregon is clear and unquestionable; [and] that no portion of the same ought to be ceded to England or any other power" (Johnson and Porter 1973, 4). The other subject which arises in reference to Great Britain in the earlier period is that of

impressment.¹⁰⁵ On neither issue, though, does it seem plausible to argue that politicians are attempting to manipulate the public antipathy towards Great Britain in order to gain support for their policies; the references to Great Britain in this era are straight-forward references to disputes between the United States and Great Britain.¹⁰⁶

Although references to the rights of naturalized citizens (which was central to the issue of impressment) continues to figure in the party platforms, Great Britain is also occasionally mentioned in connection with the economic issues of the day in the years from 1870-1896.¹⁰⁷ Thus, the Democratic platform of 1884 charges that "Republican rule and policy have managed to surrender to Great Britain, along with our commerce, the control of the markets of the world" (see Johnson and Porter 1973, 68), and the 1896 Democratic platform argues that "Gold monometallism is a British policy, and its adoption has brought other nations into financial servitude to London" (see Johnson and Porter 1973, 98).

But it is not just a question of what specific references are made to Great Britain; the whole focus of the discussion of economic issues has changed, as a comparison of the tariff planks from the two periods demonstrates. (Appendix Two contains the tariff planks presented in the platforms of American political parties from 1840-1912.)¹⁰⁸ The discussion of the tariff in the party platforms from 1840 to 1868 revolves mainly around the tariff as a source of government revenue, although there is some discussion of using the tariff to shape economic development. For example, the Democratic tariff plank of

¹⁰⁵ See the Democratic and Republican platforms of 1868 in Johnson and Porter 1973, 38 and 40.

¹⁰⁶ The Democratic platform of 1868 also contains a reference to throwing off "subjection to the British crown," but this occurs in an argument about state versus federal regulation of suffrage, and so seems simply to be a rhetorical flourish.

¹⁰⁷ Note that the 1872 Republican platform specifically mentions Great Britain in its discussion of impressment (see Johnson and Porter 1973, 47).

¹⁰⁸ My source for the party platforms is *National Party Platforms 1840-1972* compiled by Donald Bruce Johnson and Kirk H. Porter (Urbana, IL: University of Illinois Press, 1973). Johnson and Porter argue that the "serious business of platform making did not begin until 1840" (1973, 1); they therefore present the Democratic Platform of 1840 as the first national party platform. For a discussion of the post-1896 period, see Chapter Four.

the 1840, 1844, 1848, 1852 and 1856 platforms argue that "the government should not promote one branch of industry to the detriment of others."¹⁰⁹ In contrast, the Whig platform in 1844 declared its support for a tariff which discriminates "with special reference to the protection of the domestic labor of the country" (Johnson and Porter 1973, 9) and in 1852 the Whig platform argued that duties on imports should be levied "whereby suitable encouragement may be afforded to American industry, equally to all classes, and to all parts of the country" (Johnson and Porter 1973, 20).

This focus on the domestic consequences of the tariff begins to shift in 1856, when the Democrats connect tariff policy with foreign relations. The platform states that "there are questions connected with the foreign policy of this country, which are inferior to no domestic question whatever. The time has come for the people of the United States to declare themselves in favor of free seas and progressive free trade throughout the world" (Johnson and Porter 1973, 26). The 1856 Democratic platform also argues that "our geographical and political position with reference to the other States of this continent, no less than the interest of our commerce and the development of our growing power, requires that we should hold as sacred the principles involved in the Monroe Doctrine" (see Johnson and Porter 1973, 26). Here for the first time an interest is expressed about the economic policies of other countries, and it is asserted that the US has commercial interests in other countries (at least on the American continent) which deserve protection. But none of the other party platforms of that year (Republican, Whig, or the American/Know-nothing) discuss the tariff, and events would soon show the Democratic party to be premature in its declaration of the equal importance of foreign and domestic policy: The issue of slavery would soon assume precedence over all other issues.¹¹⁰

¹⁰⁹ Johnson and Porter 1973, 2, 3, 10-11, 16-17, 24.

¹¹⁰ The Republican platform of 1860 does discuss the policy of protection, and connects it to the independence of the country, though it is difficult to say whether this is commercial or military independence. The platform states:

After the Civil War attention turns back to the tariff (as well as other issues), and in 1868 the platform of the Democratic party also addressed the encouragement of industry. In its platform of that year it calls for "a tariff for revenue upon foreign imports, such as will afford incidental protection to domestic manufactures, and as will, without impairing the revenue, impose the least burden upon, and best promote and encourage the great industrial interests of the country" (Johnson and Porter 1973, 37).

So while there is some foreshadowing of the types of arguments that will be made in the later period, the arguments made about the tariff in the years 1840-1868 really focus on the domestic effects of the tariff, and do not demonstrate the same concern with economic issues generally or with the relative economic strength of the United States that we see in the later periods.

In the period from 1870-1896, the amount of attention paid to the tariff, to development and expansion, and to the relative economic strength of the United States in the party platforms dramatically increases. Platforms before 1880 still focus mostly on the domestic market, but almost all the platform planks which discuss the tariff link it to development and growth. By 1876 the Democratic platform is lambasting the present tariff, arguing that it

yields a dwindling and not a yearly rising revenue, [and] has impoverished many industries to subsidize a few. It prohibits imports that might purchase the products of American labor; it has degraded American commerce from the first to an inferior rank upon the high seas; it has cut down the values to American manufacturers at home and abroad; it has depleted the returns of American agriculture, an industry followed by half of our people; it costs the people five times more than it produces to the

That, while providing revenue for the support of the general government by duties upon imports, sound policy requires such an adjustment of these imports as to encourage the development of the industrial interests of the whole country; and we commend that policy of national exchanges, which secures to the workingmen liberal wages, to agriculture remunerative prices, to mechanics and manufactures an adequate reward for their skill, labor and enterprise, and to the nation commercial prosperity and independence (Johnson and Porter 1973, 33).

None of the other party platforms of that year address the tariff issue.

treasury, obstructs the process of production and wastes the fruits of labor; it promotes fraud, fosters smuggling, enriches dishonest officials, and bankrupts honest merchants (Johnson and Porter 1973, 50).

By 1880 foreign commerce has become an issue: The Republican platform of that year emphasizes that there has been an increase in foreign trade and a change from a trade deficit to a trade surplus. It claims that "all the industries of the country have revived; labor is in demand; wages everywhere have increased, and throughout the entire country there is evidence of a coming prosperity greater than any we have ever enjoyed" (Johnson and Porter 1973, 61). On the basis of these observations they argue that "the reviving industries should be further promoted, and that the commerce already increasing should be steadily encouraged....[and] that the duties levied for the purpose of revenue should so discriminate so as to favor American labor" (Johnson and Porter 1973, 61). And in 1888 the Democrats argue that "a fair and careful revision of our tax laws" will encourage American industry by assuring them of an extended market (Johnson and Porter 1973, 78). Thus the party platforms of these years demonstrate an increased concern with the effect of the tariff on the economic development of the United States.

Economic issues in general figure prominently in the party platforms from these years. Commerce and shipbuilding, for example, receives attention, beginning with the Republican platform of 1872 (Johnson and Porter 1973, 48).¹¹¹ And increasingly throughout this period the effect of American policies on the position of the US vis-à-vis other countries in the global economy are addressed. For example, the Independent Platform of 1876 argues that the sale of gold bonds to foreigners makes Americans " 'the hewers of wood and draweres of water' to foreigners" (Johnson and Porter 1973, 52); the Greenback National Platform of 1884 argues, "give our farmers and manufactures money

¹¹¹ There was some discussion of internal improvements to foster commerce in the platforms from the earlier period, but that discussion centered upon the federal versus state responsibility for those improvements, instead of the desirability or need for them. See the early Democratic platforms, the Free Soil Platform of 1848, and the Whig Platform of 1852 as examples.

as cheap as you now give it to bankers, and they can pay high wages to labor, and compete with the all the world" (Johnson and Porter 1973, 70); and the People's Platform of 1896 demanded "the establishment of an economic and financial system which shall make us masters of our own affairs and independent of European control" (Johnson and Porter 1973, 104).

We have already seen how the Democratic platform of 1884 argues that Republican policy managed to "surrender to Great Britain, along with our commerce, the control of the markets of the world." It also argues that "under twenty years of Republican rule and policy, our commerce has been left to British bottoms, and almost has the American flag been swept off the high seas," and goes on to

demand on behalf of the American Democracy, an American policy. Instead of the Republican party's discredited scheme and false pretense of friendship for American labor, expressed by imposing taxes, we demand in behalf of the Democracy, freedom for American labor by reducing taxes, to the end that these United States may compete with unhindered powers for the primacy among nations in all the arts of peace and fruits of liberty (Johnson and Porter 1973, 68).

The Republican platform of 1888 responds by stating that "We are uncompromisingly in favor of the American system of protection; we protest against its destruction as proposed by the President and his party. They serve the interests of Europe: we will support the interests of America" (Johnson and Porter 1973, 80). By 1892, the primary purpose of a protective policy was seen to be its ability to open up foreign markets, at least for the Prohibition Party, which argued in its platform that "tariff should be levied only as a defense against foreign governments which levy tariff upon or bar out our products from their markets, revenue being incidental" (Johnson and Porter 1973, 92), and the Republican platform of that same year argued that the policy of reciprocity "will eventually give us control of the trade of the world" (Johnson and Porter 1973, 93).

This review of the tariff planks in American party platforms suggests that the arguments presented on behalf of the tariff in the years 1870-1896 do vary from those presented in the first part of the century. This lends credence to the proposition that the arguments made in policy debates can reflect changes in the strategic setting of the countries, and thus lends support to the use of these debates of an indicator of balancing.

Conclusion

This chapter has demonstrated that the United States balanced in the economic realm in the period under study—that in the absence of significant military threats, it perceived Great Britain's relative economic strength as a threat, and designed policies to counteract that threat. Great Britain's greater commercial and financial strength was seen as a threat in a number of ways—for example, Great Britain's position in the world economy was seen as blocking the economic expansion believed to be necessary to end the social disturbances that threatened American political institutions, and its control of the commodity markets and the gold standard were seen as making the United States dependent upon Great Britain. And as we have seen, both free traders and protectionists, and both silverites and gold bugs, argued that their preferred policy was the best way to counter the threat posed by the economic strength of Great Britain and encourage economic expansion.

Stating that the US balanced against Great Britain in the economic realm does not imply that a particular type of economic policy was foreordained; tariff reform as well as protection, free silver as well as the gold standard were all seen as possible ways to counter British economic strength. Whether a state balances in the economic realm does not explain its economic policies. What it does do is to suggest that there is a propensity for conflict in the economic realm. The international economic arena is not, at least at all times, the positive-sum world liberal institutionalism assumes. At least in some

circumstances, concerns about relative economic strength arise among states, and those concerns will make cooperation difficult. The next case study, of Germany during the same time period, will help us begin to determine what these circumstances are.

Chapter Three Germany and the Dominance of Military Threats, 1871-1896

The last chapter demonstrated first, that during the years from 1870-1896 the United States faced no significant military threats, and second, that the United States perceived the relative economic strength of Great Britain as a threat and attempted to counter it. The examination of German policy during the years 1871-1896 will allow us to compare the United States with a state that faced a dominant military threat.¹ Although Germany faced the same economic hegemon as the United States, it did not react to Britain's relative economic advantage in the same way. While there is some concern expressed about Britain's relative economic strength during this period, it is consistently subordinated to the concern about Germany's military security.

To demonstrate this, I first examine the threats that Germany faced. In addition to the possible economic threat from Great Britain, Germany also faced significant military threats, particularly from some combination of France, Austria, and Russia. Germany's vulnerability to an attack from some combination of these states meant that Germany's energies were centered on countering those threats.

I then examine German policy towards Great Britain, and argue that it was primarily the military threats Germany faced that determined that policy. The military threats that Germany faced meant that German policy was concerned above all with preventing the formation of a preponderant alliance against it. For most of the period under study, British friendship, or at least tolerance, was key to Germany's ability to do this. This does not mean that Anglo-German relations were free of tension, and there were certainly occasions in Germany when anti-British rhetoric was used and when concern was expressed about Great Britain's relative economic strength. There was even a brief attempt to organize a continental league against Great Britain. But as we will see,

¹ The German case study begins in 1871 instead of 1870 because 1871 was the year of the founding of the German Empire: on January 18, William was proclaimed German Emperor at Versailles, and on April 16 the constitution of the German Empire was promulgated. As will be discussed in Chapter Four, both the US and German case studies end in 1896 because of changes in the strategic setting of the US, Germany, and Great Britain.

German policy towards Great Britain was always linked to the constellation of powers on the continent, and any concern about Britain's relative economic strength was subordinated to the concern about Germany's military security.

Finally, I examine German economic policies, and examine the extent to which either German tariff policy or German colonial policy was designed to counter international threats. I find that, to the extent that tariff policies were seen as useful in countering the threats Germany faced, they were seen as useful in countering general military threats: For example, it was argued that protectionism increased German self-sufficiency, necessary in times of war. Colonial policy was also used to increase military security, as it was a 'tool' Bismarck used to influence Germany's relations with other European powers. While Germany's colonial policy also had economic motivations, those motives never dominated German foreign policy, and colonial policy throughout the period under study was subordinated to the requirements of Germany's alliance policy.

The Overriding Threat

The main threat to German security in this period arose from the possibility of war (Rodd in Dugdale 1928, vii). Like the United States, at the beginning of the period under study Germany had just successfully demonstrated its military prowess by victory in war; it had defeated Austria in 1866 and France in 1871. But while the American victory was thought to increase its military security by demonstrating its power, the German victories were not seen the same way, because they left Germany with dissatisfied and potentially threatening foes. And unlike the United States, whose geographic position enhanced its security, Germany was in the middle of Europe, approachable by land on three sides should its recently vanquished neighbors, or other European powers, decide to attack.

The importance of the military threats Germany faced directed the attention of her foreign policymakers to the prevention of an alliance against it (Langer 1962, 16-17).² Prince Otto von Bismarck, who as Imperial Chancellor from 1871-1890 was in charge of foreign policy, explains, "We had waged victorious war against two of the European Great Powers; everything depended on inducing at least one of the two mighty foes we had beaten in the field to renounce the anticipated design of uniting with the other in a war of revenge" (Bismarck 1966, vol. II: 255). Germany's policy aimed at both preventing the formation of a preponderant alliance against it, and at preventing Germany from becoming dependent on any one country. In a discussion of Russian-German relations, Bismarck explains in his memoirs that "no Great Power can place itself exclusively at the service of another. It will always have to keep in view not only existing, but future, relations to the others, and must, as far as possible, avoid lasting fundamental hostility with any of them. That is particularly important for Germany, with its continental position, which is open to attack on three sides" (Bismarck 1966, vol. II: 238-9; see also 245-249).

Germany's policy operations were circumscribed by the fact that its wars with Austria and France had left those powers dissatisfied with Germany's position (Langer 1962, 16). Bismarck viewed France as the most implacable of the two, and, in fact, Germany concluded an alliance with Austria in 1879.³ The threat from France remained throughout the period under study, and much of German diplomacy was concentrated on preventing a French alliance with either Great Britain or Russia (see Carroll 1938, 89-90; Langer 1962, 16-17). The fact that Germany lacked direct interests in questions vital to the other powers (e.g. the Eastern question, Egypt) provided Bismarck with one of his main diplomatic tools; he used Germany's influence to support or thwart the aspirations

² In his memoirs, Bismarck reports that the precariousness of Germany's position also determined domestic policy: He explains, "I determined to regulate the movements of our home policy in accordance with the question whether it would support or injure the impression of the power and coherence of the state. I argued to myself that our first great aim must be independence and security in our foreign relations" (Bismarck 1966, vol. II: 62).

³ Bismarck 1966, vol. II: 255; Harvey 1938, 15-16; Langer 1962, 16.

of other powers in these areas in the service of his alliance policy. As the following quote from Bismarck suggests, he tried to use Germany's freedom of action on issues like the Eastern question to compensate for Germany's geographic vulnerability. He explains,

If Germany has the advantage that her policy is free from any direct interest in the East, on the other side is the disadvantage of the central and exposed position of the German Empire, with its extended frontier which has to be defended on every side, and the ease with which anti-German coalitions are made. At the same time Germany is perhaps the single Great Power in Europe which is not tempted by any objects which can only be attained by a successful war (Bismarck 1966, vol. II: 292; see also Dugdale 1928, 110 [III.403]).

In 1890 Count Leo von Caprivi became Imperial Chancellor.⁴ Despite this change in personnel, threats to Germany's military security, particularly that from France, were still the main guide to German foreign policy. Nichols reports that Caprivi's aim was to faithfully defend the Reich "against all enemies both external and internal. The main thing was the danger of war—a war on two fronts. Admiral von Tirpitz later wrote that every year Caprivi expected this war the next spring."⁵

One of the chief aims of German policy under Caprivi was again to prevent the formation of a hostile alliance against it, particularly between Great Britain and either France or Russia (Eliot in Dugdale 1929, x). A memorandum dated July 6th, 1891 testifies to the continuation of the concern with the threat of war from France or Russia; in it the German Foreign Minister, Baron Marschall von Bieberstein, argues that "we certainly must not blind ourselves to the fact that French policy was governed more than ever by thoughts of revenge, and that Russia...still continued to arm and thereby betrayed her intention of seeking to realize her schemes by force of arms" (Dugdale 1929, 83 [IX.63]).⁶

⁴ William II became the King of Prussia and German Emperor in 1888, and Bismarck resigned from the government in 1890.

⁵ Nichols 1958, 39; see also Harvey 1938, 87, Carroll 1938, 318; Langer 1929, 69.

⁶ Where relevant, cites to the Dugdale volume will include, in square brackets, the reference to the volume and page number of the original German document in *Die Grosse Politik der Europäischen*

Despite this German belief in the ever-present possibility of war, this period in European history was peaceful. As Taylor argues, "The Congress of Berlin made a watershed in the history of Europe. It had been preceded by thirty years of conflict and upheaval; it was followed by thirty-four years of peace. No European frontier was changed until 1912, except in two trivial wars [between Serbia and Bulgaria in 1885-1886 and between Turkey and Greece in 1897]" (Taylor 1954, 255). But the maintenance of peace does not imply the absence of conflict; Taylor himself argues that "national passions and the rivalries of states still existed," and that French and German enmity was irrevocable after 1867 and the Luxembourg affair (Taylor 1954, 256, 183).⁷ Although he concludes in retrospect that "it is difficult to believe that there was ever a serious danger of war in Europe on a great scale at any time between 1878 and 1913" (Taylor 1954, 256), that does not mean that the foreign policies which took seriously the potential for war were misguided.

But the reality of the possibility of war does not mean that the threat of war was never manipulated for political purposes. In his study of the role of public opinion in Germany's foreign policy, E. Malcolm Carroll provides many examples of how external threats were used and the press manipulated to generate support for government policies. For example, in his discussion of the 1880 army bill, Carroll explains that while

neither the memorandum that accompanied the army bill nor Moltke's supporting speech (March 1) claimed that an immediate threat existed....the official press was assigned the task of creating the impression of an immediate peril. While Bismarck privately assured France that the bill contained nothing to alarm her (for it was Russia's armaments that required counter-measures)...the *Norddeutsche* (February 12) cited the numerical superiority of the French army, the percent increase in France's

Kabinette, 1871-1914 : Sammlung der Diplomatischen Akten der Auswärtigen Amtes (edited by Johannes Lepsius, Albrecht Mendelssohn Bartholdy and Friedrich Thimme. Berlin: Deutsche Verlags gesellschaft für Politik und Geschichte m.b.H. 1922-1927). Thus the original German document cited here can be found in volume IX, page 63 of the *Grosse Politik*.

⁷ Germany prevented France from annexing Luxembourg in 1866-1867, and the London Conference of May 1867 guaranteed the neutrality of Luxembourg (see Carroll 1938, 31-41, Taylor 1954, 183).

military budget since 1870, and the chauvinist sentiments of Catholic and Monarchist journals to prove that the army bill could not rightly be charged with the responsibility of an arms race (Carroll 1938, 170; see also 89, 172, 191, 217).

But despite the occasional manipulative uses of the possible military threats, these threats were taken seriously in the years from 1871-1896, and Germany's foreign policy was in the main devoted to addressing the set of problems that those military threats created (Harvey 1938, 15-16). While, as we will see in the section on economic policies, occasional reference was made to possible economic threats, concern about those threats was consistently subordinated to the concern with military threats. As I will argue below, Germany's need to use Great Britain to limit or even decrease the military threats it faced was more important than German's need to counter any threat posed by Great Britain's relative economic strength.

Policy towards Great Britain

This section examines German policy towards Great Britain, and demonstrates that it was primarily shaped by the requirements of German alliance policy, not by a concern with Great Britain's relative economic strength. Because of the connection between German alliance policy and its policy towards Great Britain, to understand the latter it is necessary to examine German policy towards Europe. German policy toward Great Britain was not isolated but instead relations with Great Britain determined and were determined by its relations with the key European states—Austria, France and Russia.

At the most basic level, German policy towards Great Britain was a function of its vulnerability to military attack, because it was this vulnerability that focused the attention of Germany's leaders on alliance policy. Specifically, German leaders believed that they needed to prevent the formation of a preponderant alliance against Germany.

By offering its support to Great Britain on various issues and by occasionally encouraging disputes between Great Britain and other European powers, Germany hoped at a minimum to prevent Great Britain from joining an alliance against it and at a maximum to convince Great Britain to join in an alliance with it.

Since my purpose is not to provide a comprehensive account of German diplomatic relations during this period, but to examine the determinants of German policy toward Great Britain, the discussion that follows focuses on three particular episodes: the organization of German foreign relations from the founding of the Empire through 1875; the Eastern Crisis from 1875-1878, and the conclusion of the Dual Alliance with Austria and the approach to Great Britain in 1879. The analysis of each of these episodes will show how Bismarck's policy toward Great Britain was determined largely by the requirements of his general alliance policy. We will then examine the policy of Bismarck's successors, and see that although the details of foreign policy changed, the general determinants of German policy toward Great Britain remained the same through 1896.

In the years immediately following the establishment of the German Empire and the conclusion of the Franco-German war (1871), Bismarck was particularly concerned with the possibility of an anti-German alliance between Austria, under Count Beust, and France (Bismarck 1966, vol. II: 156-157).⁸ In order to prevent that alliance and isolate France, Bismarck hoped to improve relations with Austria. The possibility of such improvement was suggested by the fact that, after the German victory over France, even Beust "spoke sympathetically of the idea of German-Austrian friendship" (Langer 1962 19); Taylor argues that after Napoleon III surrendered to Germany at Sedan, "Francis Joseph gave up all hope of [Austria] recovering hegemony in Germany" and that "once Austria-Hungary accepted the new order in Germany she found security in alliance with

⁸ Beust, Austria's foreign minister and Chancellor from 1867-1871, had opposed Germany unity under Prussia in general and Bismarck specifically.

Germany, not against her" (Taylor 1954, 218 and 221). Relations between Austria and Germany improved with meetings between William and Francis Joseph, the emperors of Germany and Austria-Hungary, and their foreign ministers at Ischl, Gastein, and Salzburg in August and September 1871. Count Julius Andrassy, "who had said that Austria should 'offer her hand to Germany and show her fist to Russia" (Carroll 1938, 97), also participated in the meeting at Salzburg, and he replaced Beust as Foreign Minister in November 1871.⁹

Although Andrassy hoped for an alliance with Germany based

on the revolutionary programme of 1848—directed against Russia and with Great Britain as a third partner[Bismarck] was not to be caught for this combination: in part because he believed that Great Britain would never make a reliable ally, more because good relations with Russia were essential to his conservative system and to German security against France. Grudgingly and with suspicion, Andrassy had to acquiesce in the friendship of the three emperors (Taylor 1954, 218-219).

The basis for that friendship was laid in September 1872. Francis Joseph visited Berlin; apprehensive of the growing Austro-German friendship, Czar Alexander invited himself along. Although no political agreements were made, Austria and Russia were brought closer together (Langer 1962, 21-22).

The following May, William I went to St. Petersburg, and out of this meeting came a military convention between Germany and Russia.¹⁰ Austria was later asked to sign this convention but declined; instead, a more general document, the Schönbrunn Convention of June 1873, was agreed to by Austria and Russia. In it the powers promised only "to take counsel and work out a military convention if action became necessary" (Langer 1962, 24). It in turn was accepted by William I in October 1873, and

⁹ See Carroll 1938, 97; Langer 1962, 19-20; Taylor 1954, 218-219.

¹⁰ The St. Petersburg convention, signed on May 6, 1873, stipulated that two hundred thousand men were to be sent to the aid of the other party if it was attacked by another European power (Langer 1962, 23; see also Taylor 1954, 219-220; Carroll 1938, 100).

became the foundation of the League of the Three Emperors.¹¹ Thus, in the early 1870s, Germany was able to orchestrate its relations on the continent such that it did not really have need of Great Britain. While this does not mean that Great Britain was ignored, Langer reports that during these years "England came to be looked upon as a power of secondary importance in international affairs, especially after her acceptance of a very unfavorable award in the arbitration of the *Alabama* claims" (Langer 1962, 18).¹²

But the fragility of Germany's position and the importance of Great Britain was made clear in 1875, when rumors that Germany planned a preventive war against France seemed to set in motion the formation of an anti-German alliance. While Germany denied the rumors, it could not deny complete responsibility for them; Carroll states that "reports of large purchases of horses in Germany for the French army were followed by Bismarck's decision (March 2) of an embargo against their export" (Carroll 1938, 111-112; see also Taylor 1954, 225); this was followed by a press campaign in Germany that asked "Is war in sight?" (Taylor 1954, 225; see also Carroll 1938, 125). In addition to making generally approving remarks of preventive war, Bismarck "stated the circumstances that would justify it" in his diplomatic correspondence with Paris (Carroll 1938, 119). Although no doubt intended to intimidate France and perhaps fueled by concern about French army reforms and the failure of the *Kulturkampf* (Taylor 1954, 225; ed. note in Dugdale 1928, 1), these German maneuvers backfired. As Taylor reports, "Britain and Russia reacted with alarm, and began to coordinate their actions....Russia and

¹¹ See Langer 1962, 23-25; Taylor 1954, 218-221; Carroll 1938, 96-100. Headlam-Morley notes that the League of the Three Emperors put Germany in the middle, and meant that Bismarck had to be concerned with controlling the rivalry between Austria and Russia in the Balkans (Headlam-Morley in Dugdale 1928, xvi).

¹² Langer reports that common action and even an alliance between Germany and England was mentioned in 1870 and 1871 (Langer 1962, 17, 25-26) and he argues that both Germany and Austria took pains not to alienate or alarm the English (Langer 1962, 22-26).

Great Britain...both warned Germany; in doing so, they acted together for the first time since the days of Sleswick in 1850" (Taylor 1954, 226).¹³

Despite their own role in provoking the crisis, German diplomats went on the offensive (see Carroll 1938, 125). The German Ambassador in London, Count Münster, expressed his concern to Lord Derby, the British Foreign Minister, and reported to Bismarck on July 28, 1875, that he had explained that British "negotiations with other states and [its representation of] Germany as creating discord, necessarily created a belief among those who did not fully understand his good intentions that England was preparing a coalition against Germany" (Dugdale 1928, 18 [I.298]; see also pp. 9, 11).¹⁴

Ultimately, instead of creating conflict between Great Britain and Germany, this incident only increased German efforts to convince Great Britain of its benign intentions. The incident made clear that Germany could not afford to alienate England; this lesson was reinforced by the various diplomatic maneuverings which took place among the European states during the Eastern Crisis from 1875-1878.

The Eastern question was brought to the fore in July, 1875, by a revolt of the Christian population in Herzegovina. There were essentially two issues involved in the Eastern question—that of the straits of the Bosphorus and Dardanelles, which controlled access to the Black Sea and pitted Britain and France against Russia, and that of nationalities, which pitted Austria against Russia (Taylor 1954, 232). Germany's main

¹³ The *Kulturkampf* (1873-1883) refers to the German state's campaign against the Catholic Church (see Carroll 1938, 102 ff.; Langer 1962, 36 ff.; Taylor 1954, 223-225). On the French army reforms, see Langer 1962, 44.

¹⁴ In his memoirs Bismarck refers to the "myth of our intending to attack France in 1875" and argues that

so far was I from entertaining any such idea at the time, or afterwards, that I should rather have resigned than lent a hand in picking a quarrel, which would have had no other motive than preventing France from recovering her breath and her strength. A war of this kind could not, in my opinion, have led to permanently tenable conditions in Europe, but might have brought about an agreement between Russia, Austria, and England, based upon mistrust of us, and leading eventually to active proceedings against the new and still unconsolidated empire (192; see also 252-253).

One wonders how much of this analysis is in fact a lesson which Bismarck drew from the crisis.

interest in the crisis was the alignments which would result from it; this is evident in a memorandum written by Bismarck in June, 1877:

A French paper said of me lately that I suffered from '*le cauchemar des coalitions*.' This sort of bogey will for long—perhaps forever—be quite rightly feared by all German Ministers. Coalitions may be formed of the Western Powers, joined by Austria, against us, or, with more danger to us, one based on the union of Russia, Austria and France. A close rapprochement between any two of these may be taken advantage of by the third, to exercise grievous pressure upon us (Dugdale 1928, 54 [II.153]).

He hoped, as a result of the Eastern Crisis, to bring about a situation in which "all the Powers, except France, have need of us, and are removed from the possibility of coalescing against us by the nature of their relations toward each other" (Dugdale 1928, 55 [II.153]). Germany's primary interest was not in any particular resolution of the crisis per se, but in the prevention of an alliance that could be turned against Germany.¹⁵

Germany's diplomatic maneuvering during the crisis shows how its policy toward Great Britain was dictated by the needs of its alliance policy. One example occurs early on: At first, Austria took the lead in the attempt to address the crisis. As Taylor explains, "[Andrássy] first proposed that Austria-Hungary, Germany and Russia should instruct their consuls to try to settle the revolt on the spot" (Taylor 1954, 233). It seems likely that Bismarck welcomed this idea at first, because it would keep his two allies in the League of the Three Emperors working together. But either because Bismarck could foresee the "probable failure" of this attempt and the eventual division of Austria and Russia (Langer 1962, 76), or because France insisted on joining the consular mission and Bismarck came to fear a growing link between France and Russia (German editor's note in

¹⁵ According to Langer, "at the very beginning of the crisis [Bismarck] had called the attention of the Emperor to the advantageous aspect of the problem. The other powers would now, for a time, direct their attention and concentrate their policies on other questions than that of Franco-German relations. The dangers involved in general European complications might be exploited in the interests of Germany. That is, a constellation of powers might result of which Germany could take advantage to safeguard herself against France" (Langer 1962, 75-76).

Dugdale 1928, 20 [II.29]), Bismarck decided to move toward rapprochement with England in January of 1876. In his account of Bismarck's conversation with Lord Odo Russell, the British Ambassador to Germany, Bernhard Ernst von Bülow writes,

In promoting this conversation the Prince hoped to bring about an exchange of ideas if possible and thus to get into closer touch with Lord Derby. In this sense he addressed Lord Odo: We (Germany) were not directly concerned in the Eastern Question and had up to the present been content to place our influence disinterestedly at the disposal of our friends. He regretted that England, to whom our attitude towards the question was known, appeared unwilling to make use of it...The present Reform proposals only possessed a secondary interest for us, and we were prepared to endorse any upon which our friends were agreed....

I need scarcely add that the Imperial Chancellor started from his ever firm conviction that the English, *sua bona si norint*, possess no greater political interest on the Continent than the existence of a strong and peaceful Germany and the maintenance of good relations with her....Bearing in mind this axiom and also the eminently peaceful character of British policy in Europe, a certain increase of friendship between England and France over the Eastern Question might now offer security for the maintenance of peace, as France would be held back by the British love of peace (Dugdale 1928, 20-23 [II.29]).¹⁶

Thus we can see that Bismarck's policy toward England and toward the Eastern question were determined by Germany's military vulnerability and its need for allies, specifically the need to control France.

The Eastern Question was resolved for a time by the Congress of Berlin (June 13-July 13, 1878). Taylor's appraisal of Europe at time of the Congress suggests that it approaches Bismarck's ideal, quoted above; Taylor argues that a "new Balance of Power, centered on Germany, had come into existence" (1954, 254).¹⁷ The attempt of Germany

¹⁶ Bülow was head of the German Foreign Office from 1873-1879.

The German editor's note in Dugdale 1928, 144-145, argues that Bismarck was interested in a formal alliance with Great Britain at this time, and that "Lord Beaconsfield admitted without question in 1879 that Bismarck's efforts toward a nearer understanding with England at that time were destroyed by England alone" (Dugdale 1928, 145).

¹⁷ He goes on to argue that such a balance of power enmeshed Germany in the policies of other states. As Taylor states, "Now Germany attained full stature as a European Power—and, with it, full responsibility. She could no longer turn her back on the Eastern question or exploit it; instead, the Powers involved in the question could exploit her" (Taylor 1954, 253).

to respond to this new constellation of powers provides a third illustration of how Germany's policy toward Great Britain was determined by the requirements of its alliance policy.

The solution to the Eastern question reached at the Congress of Berlin had implications for German alliance policy because Russia was resentful of what it saw as Germany's lack of support; the Three Emperor's League was shattered as a result (Taylor 1954, 239-40, 248; Langer 1962, 96-99). The tensions with Russia continued after the Congress, and Bismarck began to fear either a war with Russia and/or the formation of a Russian-French-Austrian combination.¹⁸ Bismarck responded to these changes by taking steps to improve relations with Austria.¹⁹ After negotiations with Austria and a long struggle to convince William I to accept the alliance, a treaty was signed by Germany and Austria on October 7, 1879.²⁰ This was the first time that Bismarck was willing to undertake treaty commitments of a general nature (see Langer 1962, 173-179; Taylor 1954, 264).

Langer argues that this was a decisive change in Bismarck's policy, because it represented a turn towards Austria and England and a turn away from Russia (see Langer 1962, 165). Langer bases his argument on the fact that during this time, Bismarck also initiated discussions with England. As Langer explains it,

The details are not entirely clear, but there is some evidence in the sources that the position of England occupied the attention of both Bismarck and Andrassy from the very beginning. The Austrian minister argued that he could not accept an agreement which appeared in any way to be directed against France, because England would be estranged from such a policy. Bismarck saw the force of the argument and referred repeatedly in his conversations to the fact that the alliance with Austria would bring England to the German side, even though indirectly. How seriously the

¹⁸ Dugdale 1928, 62 [II.181]; Carroll 1938, 155-156; Langer 1962, 171-174.

¹⁹ Headlam-Morley in Dugdale 1928, xvi, xvii; ed. note in Dugdale 1928, 101; Langer 1962, 165, 176-177; Taylor 1954, 259-261.

²⁰ For Bismarck's struggle to convince William I, see Langer 1962, 177-185 and Taylor 1954, 259-261; for the negotiations between Andrassy and Bismarck, see Langer 1962, 182-183.

German chancellor regarded this aspect of the problem of security may be deduced from the fact that, even before he went to Vienna, he had Count Münster, the German ambassador at London, informed of the situation by the foreign office (Langer 1962, 185-186).

The instructions sent to Count Münster on September 16, 1879 state

An important factor in the decisions that we shall have to take here (Berlin) will be the attitude adopted by England. There is no need to explain that no direct German interests are necessarily stopping us from giving in to the wishes of Russia concerning our support of her Eastern policy. Our decision will be based absolutely on our special regard for our friendship for Austria-Hungary and Great Britain....But before we adopt any such policy, we must know what we may expect from England, supposing we become involved in discussions with our Eastern neighbor on this account (Dugdale 1928, 145 [IV.61]).

Confusion then resulted from the meeting between Münster and Disraeli, and what exactly happened is unclear.²¹ Langer blames Münster for the confusion, and argues that Münster went so far as to say that Bismarck wanted Disraeli's reaction to an alliance between Germany, Austria and England; Disraeli replied that "the most natural allies for England are Austria and Germany," but said that he had to be concerned about the French reaction (Langer 1962, 186). Münster's report of the conversation to Bismarck implies that it was Disraeli who first raised the possibility of an Anglo-German alliance (Dugdale 1928, 146 [IV.7]; German editor's note in Dugdale 1928, 145-146).

In any case, Disraeli stated that "if Prince Bismarck is willing to help us in the Orient, and there the interests of England go hand in hand with those of Austria, we will guarantee that France shall not move, in case such a policy were to involve Germany in a conflict with Russia. We will in that case keep France quiet, you may depend upon us" (Langer 1962, 187; Dugdale 1928, 147-148 [IV.7]). When Bismarck read this report, his note in the margin asked, "Is that all?"²²

²¹ Disraeli, the Earl of Beaconsfield, was British Prime Minister from 1874-1880.

²² Langer 1962, 187; Taylor 1954, 265; Carroll 1938, 161-162, see also 163. Taylor disagrees with Langer's representation of the Austro-German treaty as a turn toward England. He argues that

The problem was that Germany was unclear about Great Britain's answer to the central question, which, as the German Foreign Office explained to Münster, was: "What will England do, if we have trouble with Russia owing to our refusal to support Russian policy in the East merely out of consideration for the friendly Powers, England and Austria, and without any compelling interests of our own?" (Dugdale 1928, 148 [IV.10]; see also Langer 1962, 187). But Münster was instructed not to seek clarification "for the moment," and in fact Germany did not raise the issue again.

So why did Germany let the discussions with England lapse? Possibilities include the perception that a formal agreement was unnecessary; Bismarck's belief that the British parliamentary system made it a steadfast ally; Bismarck's realization that William I would never go along with the inclusion of England, because it would turn the Austro-German alliance decisively against Russia; and the possibility that the negotiations with England were intended to earn Austria's agreement to a general defensive treaty (see Langer 1962, 189-190; see also Taylor 1954, 265). Langer concludes that "something can be said for all the explanations that have been discussed above, but at bottom Bismarck's policy appears to have been determined by more immediate and simple considerations. He had sounded England because he feared the possibility of Russian action when the negotiations became known. But before any reply had been received from Münster, the situation had taken an unexpected turn."²³ In short, Russia had decided that it had need of

although Austria saw the alliance as reinforcing its ability to oppose Russia and thus side with Great Britain, Bismarck saw it as a way of separating Austria from Great Britain (see Taylor 1954, 263). Taylor goes on to argue that in his dissatisfaction with Great Britain's response, "Bismarck was really protesting against the inescapable fact that in any war against Russia Germany would carry the greatest burden. This fact barred an Anglo-German alliance in 1879 and on every subsequent occasion....It is not extravagant to suggest that, in turning away from the liberal west and towards despotic Russia, Bismarck had twinges of conscience and had to satisfy himself, every now and then, that nothing could be made out of the western alliance" (1954, 265).

²³ Langer 1962, 190-191; see also Taylor 1954, 266-270; German editor's note in Dugdale 1928, 144; Carroll 1938, 162. Headlam-Morley also ties the approach to England to Bismarck's concern about Russia. He states that the danger of war arose from France and from Russia; what Bismarck desired, therefore,

was to strengthen this coalition [Germany-Austria] in such a way that neither France nor Russia would dare to hazard the risks of war. What was more likely to secure that than some definite understanding with England?...If, as [Bismarck] constantly explained it, it was known in France that an attack on England would at once bring about a war with

Germany; this meant that the Eastern option and a reconstruction of the Three Emperors League became a possibility, and in fact it was renewed in 1881 (see Taylor 1954, 270).²⁴ England was no longer necessary for Germany.

Thus in this case we see that Germany's relations with Great Britain were largely determined by its relations with Russia. When tensions with Russia increased and League of the Three Emperors was shattered following the Congress of Berlin, Germany turned to Austria and began to explore the possibility of an understanding with England. But when it became apparent that it would be possible to revive the League of the Three Emperors, Bismarck's immediate need of Britain was alleviated and the Anglo-German discussions were allowed to drop.

The next question we need to address is whether the fundamentals of German policy towards Great Britain changed under his successors, Count Leo von Caprivi (Imperial Chancellor from 1890-1894) and Prince Clodwig Hohenlohe-Schillingsfürst (Imperial Chancellor 1894-1900).²⁵ Throughout most of Caprivi's term we see a similar pattern, in that the outlines of Germany's policy toward England were again determined by Germany's military insecurity and subsequent need for allies. Towards the end of Caprivi's term and throughout the rest of the period under study, however, there are signs of increasing strain between England and Germany, and in the years following 1896 the differences between England and Germany will come to dominate their relations.

Germany, that an attack on Germany would bring about a war with England, then peace would be secured. This is the burden of nearly all [Bismarck] writes (Headlam-Morley in Dugdale 1928, xvii).

²⁴ Austria-Hungary still preferred a Austro-German-British combination against Russia, but Gladstone's victory in the April 1880 election and the subsequent passivity of British foreign policy effectively removed that option (Taylor 1954, 268-269; see also Carroll 1938, 162-163).

Note that with its renewal a clause was inserted into the agreement, "by which the three Powers agreed to defend the Straits against any attempt by another Power to force a passage through them in contravention of the term of the Treaty of Paris.... We have then the three Empires agreeing to oppose any suggestion by the British Government that in case of a war with Russia, they should send their fleet into the Black Sea" (ed. note in Dugdale 1928, 107-108).

²⁵ William I died in January 1888. Frederick III, his son, then became Emperor. When Frederick III died on June 15, 1888, he was succeeded by his son, William II, who was Emperor until 1918.

When Caprivi came into office Germany was in the midst of negotiations with Russia, for the renewal of the Renewal of the Reinsurance Treaty, and with Great Britain, over colonial issues. The negotiations with Great Britain were carried to a successful conclusion, while the negotiations with Russia were dropped. These two developments together represent a turn in German foreign policy away from Russia and towards England. To understand this, it is necessary to examine the initiation of the negotiations under Bismarck.

The Reinsurance Treaty between Russia and Germany had been signed in June 1887, following Austria's refusal to renew the League of the Three Emperors.²⁶ The terms of the Reinsurance treaty stipulated that "Russia [was] to remain neutral unless Germany attacked France, Germany [was] to remain neutral unless Russia attacked Austria-Hungary. Germany renewed the promises of diplomatic support for Russia in Bulgaria and at the Straits which she had made in 1881 at the time of the League of the Three Emperors; she added new promises against Alexander of Battenberg and of moral support in case Russia seized the Straits herself" (Taylor 1954, 317).

In February 1890 Count Shuvalov approached Bismarck about renewing the Reinsurance Treaty; Bismarck readily agreed and procured the Emperor's consent (Langer 1962, 497-498; Langer 1929, 40). On March 17th Shuvalov returned from St. Petersburg with the powers to renew the Treaty for six years (Langer 1962, 499; Taylor 1954, 327) and on March 21 William II expressed to Shuvalov his willingness to renew the Treaty (Nichols 1958, 53-54; Langer 1962, 500-501).

But Caprivi had assumed the Chancellorship on March 20th, and it soon became clear that the Foreign Office opposed renewal of the Reinsurance treaty (Nichols 1958, 54). Among the reasons offered in opposition to the treaty were that it encouraged a

²⁶ It was due to expire on June 18, 1890.

general war; that it would antagonize England, Austria and Italy; that it was a violation of the intent if not the letter of the Triple Alliance; and that it conflicted with the Rumanian treaty.²⁷ Also involved in the decision to let the treaty lapse was Caprivi's belief that "he could not possibly carry on as Bismarck had done. He could not juggle with five glass balls at once, Caprivi said plainly to both Bismarck and to the ambassadors, but would do well to manage with only two" (Nichols 1958, 54). Thus, the Russian ambassador was informed on March 28th that Germany was unable to renew the Reinsurance treaty (Nichols 1958, 56-57; Taylor 1954, 328-329).

The origins of the negotiations with the British can be traced back to Bismarck in 1888. Dugdale argues that "Bismarck [began] looking for an ally to take Russia's place" in that year, and that "as Russia and France were drawing nearer together, his thoughts turned toward England" (ed. note in Dugdale 1928, 367). In January 1889 Bismarck instructed Hatzfeldt to convey to Lord Salisbury his

conviction that the surest way to obtain peace, which England and Germany equally desire, or even the respite required by us for arming with a view to the magnitude of the coming wars, will be the conclusion of a Treaty between England and Germany, binding both Powers for a limited period to combined resistance against a French attack (Dugdale 1928, 369-370 [IV. 400]).²⁸

He explains to Hatzfeldt that his idea

is that, if His Majesty assents, an Alliance should be concluded between the British and German Governments, binding them to mutual support, supposing that in the course of 1, 2, or 3 years, as the case may be, France

²⁷ See Dugdale 1929, 2-3 [VII.10]); Nichols 1958, 54-64; Taylor 1954, 327-329; Wood 1984, 283; Bennis 1955, 70. Germany had concluded a defensive alliance with Austria and Rumania against Russia in October 1883 (see Taylor 1954, 276-278). Taylor's account of the decision not to renew the Reinsurance Treaty emphasizes the desire for an alliance with England and the fear that the treaty would antagonize England if it were to become public (Taylor 1954, 328).

²⁸ Taylor argues that Bismarck's bid for an alliance with Great Britain was not intended seriously, but was a device used by Bismarck to dampen William II's enthusiasm for England (see Taylor 1954, 326-327). Langer agrees with Dugdale that the turn to England was motivated by concern about Franco-Russian friendship; he ties that concern to the modernization of the French military which began in 1888 and to the growing financial ties between the French and Russian governments (Langer 1962, 491-494).

should attack either of the two, and that this Treaty, which would be binding on Germany even without the Reichstag's consent, should be submitted to the English parliament for approval and publicly communicated to the German Reichstag (Dugdale 1928, 371 [IV. 400]).

Bismarck made it clear to Hatzfeldt that at this point he was soliciting Salisbury's opinion of the feasibility of the proposal, and stated that he did not expect an immediate reply.

In March Count Herbert Bismarck, Germany's Foreign Secretary, traveled to England to discuss several issues with the British Government. During the course of those discussions, Lord Salisbury reported that although an Anglo-German alliance was appealing, it was not possible for him to act on the suggestion at that time, because "it would cause the Parliamentary majority to collapse, carrying the Ministry with it" (Dugdale 1928, 374 [IV.404-5]).

Despite the failure of Bismarck's initiative for an alliance, Germany and Britain did make progress on colonial issues: During Count Herbert Bismarck's visit an agreement was reached on Samoa, and Chamberlain proposed the exchange of Heligoland for Angra Pequena (see Count Bismarck's report to Prince Bismarck in Dugdale 1928, 375-378 [IV. 406]).²⁹ Although nothing immediately came of Chamberlain's proposal, it was to bear fruit the next year, after increasing friction between Great Britain and Germany over Witu and Zanzibar led Lord Salisbury to propose arbitration in December 1889 (see Count Hatzfeldt's report to Prince Bismarck, December 22, 1889 in Dugdale 1929, 29-30 [VIII.6-7]). Germany agreed in January, and it was these negotiations that were interrupted by the transition from Bismarck to Caprivi. As mentioned above, in this case the

negotiations were taken up in May by the Caprivi administration and carried to a successful conclusion in the so-called Heligoland Agreement of

²⁹ The Anglo-German agreement on Samoa was followed by a three power (the United States, Germany and Great Britain) Conference on Samoa which resulted in the Samoa Act of June 14, 1889.

Bismarck had raised the subject of Heligoland with the British in 1884 (see Langer 1962, 293-294; Dugdale 1928, 170-177).

July 1, 1890. By this agreement Germany rounded out her colony in East Africa, gained an adjustment of frontiers in Southwest Africa..., gave up her claims to Witu, Somaliland, and Uganda, and exchanged her rather dubious claim on Zanzibar for the island of Heligoland off her own North Sea coast (Nichols 1958, 59).³⁰

What is important for us in these developments is the increased importance that England gains for Germany. Wood argues that "the new German government was thinking of turning from friendship with Russia to alliance with Great Britain and in July 1890 the Anglo-German agreement over Heligoland and East Africa gave some encouragement to those hopes" (Wood 1984, 283; see also Taylor 1954, 328-329).³¹

Even if the Heligoland agreement was not intended as a first step towards an alliance, its conclusion on the heels of German decision to let the Reinsurance Treaty lapse did suggest a reorientation of German policy away from Russia and towards Great Britain. Bismarck had been pursuing the negotiations with the British and the Russians simultaneously, and as such was maintaining some freedom of maneuver.³² That freedom was lost with the decision to drop the negotiations with Russia, suggesting that Germany would be more dependent upon Great Britain in the future.

Nothing beyond the Heligoland agreement resulted from the Anglo-German rapprochement of 1890, but it still caused concern in France and Russia, and the French undertook an effort to detach Italy from the Triple Alliance. This in turn prompted an early renewal of the Triple Alliance in May, 1891 and renewed overtures to Great Britain

³⁰ Nichols argues that "a rapprochement with England was apparently being sought by Germany to forestall any weakening of Italy (whose main interests were in the Mediterranean) and to encourage her continued enthusiasm for the Triple Alliance" (Nichols 1958, 59).

Obviously the treaty has implications for Germany's colonial ambitions; this aspect of Caprivi's foreign policy, as well as his trade treaties, will be discussed in Section III.

³¹ Developments in the colonial field, and the interplay between those developments and European relations are discussed in Section III below.

³² Langer argues that "though Bismarck was undoubtedly gratified by the improvement of relations with England, he certainly did not desire to see German policy oriented exclusively in that direction," and that pains were taken to assure the Russians that cooperation would be targeted at the French (Langer 1962, 495).

in an effort to get increased British support for Italy.³³ Again, although no agreement was reached between England and the Triple Alliance or even between Britain and Italy, it was believed in France and Russia that England was more closely associated with the Triple Alliance than before (Langer 1929, 170-172; Wood 1984, 284). This impression was strengthened by the visit of the Kaiser to England, July 4-13, 1891. Indeed, Nichols argues that this visit demonstrated "the solidarity of interest of England and the Triple Alliance" (Nichols 1958, 123, see also 124). The weight given to this visit by the Germans can be seen in the following communication from Count Hatzfeldt, the German ambassador in London, to Chancellor Caprivi, dated July 21, 1891:

Whilst one should not over-estimate the political significance of the British public's reception [of the Emperor] nor infer from it that public opinion would permit British policy to be actively employed in the interests of the Triple Alliance, without questions being asked, there remains the pleasing fact that a British Cabinet which, like the present one, considers it to the country's advantage to support the peace policy of the three powers, will, when the time comes, no longer be checked to the same extent as hitherto by the personal prejudices of the public and its anxiety that England's friendship with us might draw her into war-like adventures (Dugdale 1929, 136 [VIII.66]).

The reaction of the French and the Russians was predictable, and they took what was widely seen as the first step toward an alliance with the visit of the French fleet to

³³ See Nichols 1958, 121 ff.; Taylor 1954, 331-333; Langer 1929, 148-160; Langer 1951, 7-21.

Cronstadt in late July.³⁴ This visit was followed by the conclusion of an Franco-Russian entente on August 27, 1891.³⁵

The conclusion of the Franco-Russian alliance represents the end of one period of European history and the beginning of a period of transition that continued through 1896. It is during these years that one can see the beginnings of Anglo-German estrangement. With the return of Gladstone to power in the summer of 1892, Anglo-German relations began to cool (see Nichols 1958, 272-279; Taylor 1954, 333-342), and Germany and Great Britain were further estranged as a result of the Franco-British conflict over Siam in the summer of 1893.

The British and the French had agreed to maintain Siam as a buffer zone between the French in Indo-China and the British empires in India and Burma. But, as Taylor explains, before an agreement to that effect had been signed, "a report reached London that the French had ordered British warships to withdraw from Siamese waters. Rosebery believed that war was imminent and lost his nerve. William II happened to be in England, and Rosebery appealed to him for German backing" (Taylor 1954, 343). For a brief moment the conversion of the Triple Alliance into a 'Quadruple Alliance' seemed to be in the offing. But then Great Britain announced that the information Britain had

³⁴ See Langer 1929, 175-186; Nichols 1958, 124; Taylor 1954, 334; Harvey 1938, 84-5. The French fleet visited Great Britain on its return, and the enthusiastic welcome it was given caused some concern in Germany (see Nichols 1958, 268). The response of its diplomats abroad was to quiet those concerns; Count Metternich, the Chargé d'Affaires in London, even managed to put a pro-German spin on it: In a letter addressed to Chancellor Caprivi, dated August 26, 1891, he argued

Quite recently the Conservative Press has spoken in favor of the policy of the Triple Alliance with quite an un-English warmth of feeling, and the whole of England has just now shown unmistakable sympathies with His Majesty the Emperor and the policy followed by him. The well-known traditional trend of the British public in favor of maintaining a neutral attitude in foreign politics as long as possible, causes it to view its somewhat open partisanship for the Triple Alliance as an exceptional act of boldness, which it has committed, but is now occasionally afraid of. It has therefore been glad to use the French visit as a pretext for giving expression to its neutral attitude in foreign politics in a natural manner (Dugdale 1929, 139 [VIII.71]; see also pages 137-138).

³⁵ See Taylor 1954, 331-345; Langer 1951, 21-23; Wood 1984, 283-285; Nichols 1958, 61-62, 124, 271-272, 282 and 284. A military convention to supplement the political agreement was agreed to in August 1892, but it was not officially approved by both governments until January 1894 (see Taylor 1954, 337-345; Langer 1951, 31-48).

received was mistaken, and the crisis passed.³⁶ While the crisis itself was quickly over, its effect on Anglo-German relations was more long-lasting: The English resented what they saw as a German attempt to force them into the Triple Alliance (see German editor's note in Dugdale 1929, 236), and the German perception of a lack of resolve on the part of the British increased their distrust and prompted a subsequent attempt to turn back to Russia (Nichols 1958, 284-287; Carroll 1938, 322-324).

In August 1895 Great Britain sought Germany's support in the Near East, but a meeting at Cowes between Lord Salisbury and the Kaiser divided their countries still further (Langer 1951, 199-201 and 209-210).³⁷ And of course there was the famous Kruger telegram of 1896; although part of a policy to force Great Britain to join the Triple Alliance, it only succeeded in dividing the two countries further apart.³⁸

This section has demonstrated that in the years 1871-1896 German policy towards Great Britain was largely dictated by its military insecurity and consequent need for allies. While at the end of the period we begin to see signs of strain in Anglo-German relations, at no time in the period under study were German relations with Great Britain governed by a fear of Great Britain's relative economic strength. The next section examines German economic policies, and finds that German tariff and colonial policies largely confirm the story told by German policy towards Great Britain.

³⁶ See Taylor 1954, 343-344; Nichols 1958, 279-282; Dugdale 1929, 236-249.

³⁷ Note that Prince Clodwig von Hohenlohe-Schillingsfürst replaced Caprivi as Imperial Chancellor in November, 1894.

³⁸ Langer 1951, 232-243; Carroll 1938, 370-371; Taylor 1954, 364-366; Louis 1967, 24-25; Bennis 1955, 72, 171-172; Butler 1967, 202-212; Dugdale 1929, chapters XXV and XXVI, 365-409. Langer argues that one of the most important effects of the telegram was on the British public, and he notes that there was a

deluge of writings on German competition which poured from the press in 1896. Ever since the publication of Williamson's *British Industries and Foreign Competition* in 1894, efforts had been made to arouse the country to the realization of the German trade menace, the invasion of the home market by German goods and the loss of foreign markets. These efforts had met with only indifferent success, but they had created a certain amount of ill-feeling and distrust. The Kruger telegram episode therefore served as a match to set off the explosion of popular feeling (Langer 1951, 244).

The development of the Anglo-German rivalry after 1896 will be addressed in Chapter Four.

The Role of Economic Policies in Countering the Perceived Threat

In this section I examine German economic policies, particularly tariff policy and colonial policy. Although the review of German diplomatic policy above did not reveal much if any concern with Great Britain's economic strength, it is still possible that German economic policies were designed with an eye towards countering that strength. So in this section we investigate the extent to which Germany tried to use its economic policies to counter possible international threats; to the extent that it did so, we are interested in the kind of threats (military or economic) that those policies were designed to counter. As in the US case, we are concerned less with explaining the adoption of this or that particular policy than we are in understanding the possible role of international factors in shaping economic policy.

Tariff policies

Commercial relations with Great Britain were governed throughout the period under study by the Anglo-German commercial treaty of May, 1865. Harvey explains, "This treaty provided for reciprocal and unconditional most-favored nation treatment, without any tariff provisions except a mutual engagement not to prohibit or impose duties on the export of coal. The most-favored-nation clause was made applicable to British colonies and possessions, that is to say, the Zollverein goods were not to pay higher duties in the colonies than those of the mother country or any other country" (Harvey 1938, 136). This treaty remained in effect until 1897 (Bruck 1938, 119; Clapham 1961, 320), which suggests that throughout this period there was little commercial conflict between Great Britain and Germany. This is supported by Harvey's analysis; he argues that commercial relations between the two countries were mutually satisfactory, because the British "followed a consistent free trade policy throughout the

period" and because "Germany's tariffs were lower than those of any other great power," were "not subject to frequent change, and were administered, at least as regards British exports, without the arbitrary action and delay that so often impeded trade between other countries" (Harvey 1938, 136-137).

Nevertheless, there are two significant changes to German tariff policy in the years under study—the adoption of a protectionist tariff in 1879, and the free trade treaties of the early 1890s. It is worth examining these changes to see whether commercial policy was used by Germany to counter possible international threats, and if so, what sorts of threats those policies were seen as countering.

In order to understand these changes, it is useful to begin with the Prussian free trade treaty with France. Although it was signed in 1862 and thus falls outside the period under study, it is important because it initiated Germany's move towards free trade in the 1860s. The motives behind the treaty were largely political, not economic; this is evident in Bismarck's declaration to the Reichstag that "the treaty was meant to be a weapon for use against Austria" (Dawson 1904, 22; see also 46).³⁹ Henderson explains that "[Bismarck] had realized that a low Zollverein tariff would effectively prevent Austria from pressing forward with her plans to enter the German customs union and to challenge Prussia for the economic leadership of Germany" (Henderson 1975, 217). Tariff policy was thus a tool to keep Austria out of the Zollverein and thereby assure Prussia's primacy in it (Harvey 1938, 11, 55-56; Perris 1910, 19).

The German policy of free trade continued, with the conclusion of other treaties and the reduction of iron duties in 1873; in 1875 it was decided to abolish them completely as of January 1, 1879 (Dawson 1904, 25; Henderson 1975, 213).⁴⁰ But the

³⁹ The treaty did not originate with Bismarck, but when he came into office he was responsible for getting it through parliament (Dawson 1904, 21).

⁴⁰ The German Empire was founded in 1871 with the defeat of France; on Article 11 of the Treaty of Frankfurt, which addressed Franco-German trade relations, see Harvey 1938, 13-16. The Anglo-German trade treaty of 1865 was mentioned above; a commercial treaty with Italy was concluded that same year.

depression which had begun in 1873 continued to worsen, and Kitchen argues that by 1876 the effects of the depression were such that "both the Kaiser and Bismarck were convinced that something would have to be done for the iron and steel industries" (Kitchen 1978, 151). The free-traders lost one of their champions with the resignation of Martin Friedrich Rudolf Delbrück, the President of the Imperial Chancellery, in June 1876, but they were still able to defeat two protectionist measures in 1877 (see Henderson 1975, 215).⁴¹ Despite that success, the tide had turned against free trade. Further personnel changes (Otto van Camphausen, the free-trade finance minister, resigned in 1878) allowed "the Chancellor [Bismarck] to take the helm into his own hands, and more than the helm, for he made himself henceforth responsible for Germany's policy in every detail, both at home and abroad....For many years to come Bismarck literally was the state" (Dawson 1904, 60; see Henderson 1975, 216-220). It was not long before changes in Germany's economic policy were evident; in December, 1878, Bismarck announced that the government would be submitting a new tariff to the Reichstag (Henderson 1975, 216). The new tariff was approved in July 1879.⁴²

While Dawson cautions against seeing the protectionist tariff of 1879 as a departure, arguing instead that it should be seen as a return to the German tradition of protection (Dawson 1904, 26), it is evident that the 1879 tariff represented a change in recent policy.⁴³ Many explanations have been offered: Chief among these is that financial necessity drove the new policy. As Clapham explains, "The Empire, as distinguished from its component states, lived on indirect taxes and needed money for a

⁴¹ Dawson argues that the free-trade policy "was the work of three Prussian ministers, Martin Friedrich Rudolf Delbrück, Otto Camphausen, and August von der Heydt" (Dawson 1904, 25).

⁴² For details, see Henderson 1975, page 220.

⁴³ Henderson explains that the tariff

had a free list which included most raw materials (except oil, tallow and timber), all scientific instruments, as well as sea-going vessels and ships plying on the inland water ways. Import duties were imposed upon a wide range of industrial products, the rates varying according to the quality of the goods concerned....Many of them were the same as those levied in 1865 before the reductions, made as a result of the Franco-Prussian commercial treaty of 1862 had come into force....The new import duties on agricultural products were also low (Henderson 1975, 220).

number of social, political and military objects....The demand for protection of manufactures [was] used [by Bismarck] for political ends."⁴⁴ Other factors thought to be involved include the change in Germany's position from a grain exporting to a grain importing country and the increased competition in agriculture, especially from the United States;⁴⁵ the drain put upon the economic life of Germany by the war combined with the Depression which hit in 1873 (Dawson 1904, 28); the turn to protectionism by France, Austria and Russia (Henderson 1975, 218; see also Harvey 1938, 76, 80);⁴⁶ the increasing influence of protectionist pressure groups (Henderson 1975, 216); the need for prosperity to counter the social democratic threat (Kitchen 1978, 145, 152); and finally, nationalism (Dawson 1904, 37). According to Perris, "Both in the speech from the Throne in February, 1879, and in Bismarck's speeches in the Reichstag, the provision of new sources of revenue for the Imperial Government...was moved as the first object [of the proposed tariff] and the 'preservation of the home market for national production' as the second" (Perris 1910, 19).

Clearly there is no mention of Great Britain and its relative economic strength here. But some of these factors sound like they could involve economic balancing: If the German move to protectionism was inspired by the increased competition in agriculture from the United States and the turn to protectionism by France, Austria, and Russia, then it might appear that Germany's protectionist policy was meant to counter an economic threat from these states. And, to be sure, there were occasional concerns expressed about Germany's competitive position in the international economy; arguments were made about whether a policy of protection would help or hurt it.⁴⁷ Furthermore, protection in

⁴⁴ Clapham 1961, 211; see also Dawson 1904, 49 and 53; Henderson 1975, 218-221; Kitchen 1978, 153, 167; Bruck 1938, 112-113.

⁴⁵ Harvey 1938, 80; Kitchen 1978, 158, 163, 145, 149; Henderson 1975, 216.

⁴⁶ Germany's adoption of a protectionist tariff in 1879 is also seen as setting off a protectionist response in other countries. See Dawson 1904, 78-79; Perris 1910, 20.

⁴⁷ For example, Bismarck argues in 1885 that the tariff of 1879 " 'has in general been attended by beneficial results for our economic life,' and that the country's 'economic development has been diverted from a false course into one which enable energetic and discerning effort to compete successfully with other countries both in the home and foreign markets' " (Dawson 1904, 87; see also 183).

the US was also seen as a way to address social unrest and to preserve the home market. So why, despite these similarities, do I argue that the US balanced economically and Germany did not?

The difference is that in the United States these sorts of arguments about competitiveness and social unrest were tied to arguments about threats posed by the economic dominance of Great Britain. In the German case no such link was made; to the extent that arguments about trade policy were tied to arguments about international threats, they were tied to arguments about the military threats which Germany faced (see Kennedy 1980, 50-51).

For example, the increased competition from the US and the protectionist policies of France, Austria, and Russia were seen as posing a problem for Germany, not because German feared the economic strength of these states per se but because economic competition from the these states was seen as threatening Germany's self-sufficiency, necessary in case of war. Indeed, Harvey argues that

German tariff policy was directed towards two aims not always consistent, namely, the general economic development of the Empire, and the maintenance of sufficient wheat growing to make it possible for Germany to dispense with foreign wheat in case of war. Connected with the latter was the feeling of the desirability of strengthening the farm laborer and peasant classes as a bulwark against revolution and because these classes provided the best soldiers.⁴⁸

The importance of industry to Germany's war-fighting ability was also used as an argument for the tariff (Henderson 1975, 213-214; Kitchen 1978, 145; Western 1965, 80). Finally, within even the revenue motives for the tariff there is a military connection: Kitchen explains that Bismarck's financial reforms,

further reduced the budgetary rights of the Reichstag, and as military expenditure was by far the largest item in the Reich budget, this meant that

⁴⁸ Harvey 1938, 16; see also Clapham 1961, 213, 220-221; Henderson 1975, 214; Bruck 1938, 114.

in effect the Prussian army was almost exempt from the scrutiny of Parliament. The army as the bastion of aristocratic, Prussian and ultra-conservative principles was thus one of the main beneficiaries of the protective tariffs of 1879 (Kitchen 1978, 172).

This suggests that, to the extent that German economic policy was seen as a means of countering international threats, it was the ability of economic policy to increase German self-sufficiency, and therefore its ability to counter military threats, that was important.

This interpretation is supported by what Harvey refers to as "Bismarck's sharp distinction between the economic and political aspects of foreign affairs" (Harvey 1938, 22-23, see also 67-68). Harvey argues that Bismarck tried to keep economic and political relations separate, to prevent economic conflicts from disrupting political affairs.⁴⁹ This subordination of economic to political concerns meant that economic tools could occasionally be used for political ends (but see Meyer 1955, 58). As discussed earlier, tariff policy was used to keep Austria out of the Zollverein, and Kitchen argues that Bismarck used tariff policy "to strengthen the authority of the government and his own personal rule. Protection was a means to that end, and the real or perceived need for protective tariffs was not itself a sufficient cause of the major changes in the direction of policy that Bismarck instigated in the late 1870s. The uncertainties and anxieties of the depression years were exploited by Bismarck for his own political ends" (Kitchen 1978, 172). What is important for us is that those political ends, to the extent that they were international, involved countering military threats and not economic threats.

The protectionist trend continued for the remainder of Bismarck's tenure in office; the tariff was revised upwards in 1885 and 1887; despite this need for upward revision, Bismarck claimed the policy of protection was a success (Dawson 1904, 85, 87, 95; see

⁴⁹ Harvey 1938, 19-20; Carroll 1938, 339; Dawson 1904, 45. As an example, Harvey points to the conclusion of the Austro-German alliance in 1879, at the same time that "tariff relations were in a state just short of a tariff war" (Harvey 1938, 65).

also Henderson 1975, 221).⁵⁰ As noted above, Caprivi replaced Bismarck as Imperial Chancellor in 1890, and a change in trade policy soon followed: The protectionist trend in German policy was reversed by a set of tariff agreements that came to be known as the Caprivi treaties. Treaties were concluded in 1891 with Austria-Hungary, Italy, Belgium and Switzerland, in 1893 with Serbia and with Rumania, and in 1894 with Russia. Harvey explains that "these treaties had certain common features. They all provided for reciprocal lowering of duties, all contained the unconditional most-favored-nation clause, and ran for fairly long periods, ten years being the longest" (Harvey 1938, 23). Despite this change in trade policy, however, the subordination of economic policy to political policy continued, and there was still little notion of using economic policy to counter possible economic threats.

For example, the trade treaties formed part of Caprivi's larger alliance policy.

Carroll explains that

after rejecting the use of diplomatic pressure to check the Franco-Russian rapprochement, Caprivi doubtless hoped to achieve a gradual improvement in Germany's position by avoiding such friction as would hasten the union of her neighbors and alienate England. Not content with this passive policy, Caprivi negotiated commercial treaties with Austria, Italy, Switzerland, and Holland (1891) for the reduction of tariff barriers. His purpose was not only to strengthen the Triple Alliance and to open wider markets for her expanding industries, but also to improve Germany's diplomatic relations with her neighbors (Carroll 1938, 320-321).

This interpretation is supported by the arguments made by Caprivi when he presented the trade treaties with Austria-Hungary, Italy and Belgium to the Reichstag in December, 1891. In his address to the Reichstag, Caprivi argues that "when we conclude such an alliance of peace, we cannot carry on a commercial war with our allies."⁵¹

⁵⁰ The commercial treaty with Spain concluded in 1883 was an exception to the protectionist trend (see Dawson 1904, 85).

⁵¹ Quoted in Perris 1910, 21; see also Caprivi 1894, 179; Harvey 1938, 23, 68; Nichols 1958, 68, 148, 292; Dawson 1904, 115; Kitchen 1978, 208. Evidently this argument was effective in generating support for the treaty (Kitchen 1978, 209).

In addition to the fear that unresolved economic differences would disrupt the Triple Alliance, Caprivi's speech contains several other arguments for the trade treaties.⁵² He begins by noting the size of Germany's trade deficit and the necessity of correcting it. Increased export markets were needed for German industrial goods.⁵³ While some lowering of the tariff on agricultural goods was necessary to open up markets to German industrial goods, Caprivi stressed that the Government was not eliminating the agricultural tariff, and he emphasized the importance of protecting agricultural: He states that "the existence of the state is put in question if it is not in a position to live from its own resources" and that "I am unshakably convinced that in a future war the feeding of the army and of the country can play an absolutely decisive role."⁵⁴

Caprivi's argument that "We must export. We must export goods or we must export men. The home market is not enough" can also be connected to concerns about military strength.⁵⁵ The size of a country's population was a source of military power, so exporting men was seen as an unpalatable option.⁵⁶

Other explanations besides alliance policy have also been made for this change in trade policy. Increased international competition and protectionism are again offered as explanations, and there were also domestic reasons for the change in policy.⁵⁷ Clapham, for example, argues that the decrease in corn (grain) duties made by the treaties were "part of a general policy of conciliation towards the masses of the towns" (Clapham 1961, 211, see also 212). Dawson seems to agree, noting that in 1891 grain was scarce in Germany;

⁵² Caprivi's speech has been translated from the German for me by Rob Pirro and Julia Schmidt Pirro. Detailed accounts of the speech can be found in Nichols 1958, 146-149, and in Dawson 1904, 109-115.

⁵³ Kitchen 1978, 208-209; Dawson 1904, 111, 114; Nichols 1958, 146.

⁵⁴ Quoted in Nichols 1958, 147, see also 146; Caprivi 1894, 172; Harvey 1938, 22; Dawson 1904, 112-113.

⁵⁵ Quoted in Henderson 1975, 221; see Caprivi 1894, 177; Nichols 1958, 148; Kitchen 1978, 208-209.

⁵⁶ The need for recruits for the army was also used against the treaty, in that anything that harmed the peasants was harming the class from which the army recruited its soldiers (Kitchen 1978, 211).

⁵⁷ On the former, see Meyer 1955, 61-62; Harvey 1938, 23; Dawson 1904, 106, 108; Henderson 1975, 221; Bruck 1938, 113-114.

the harvest had failed, prices increased drastically, and people went hungry (Dawson 1904, 98). Perris quotes Caprivi as stating that German grain duties had become a danger to the state, as they formed a reason for popular agitation (Perris 1910, 21).

Other commercial treaties soon followed, and they too had political motives. It was hoped that the treaty with Russia would serve Germany's alliance policy by weaning Russia from the French.⁵⁸ "The treaty, [Caprivi] declared on February 27 [1893], was intended to constitute 'a bridge for the friendly intercourse of two great nations. It is in this connection a project of unusual importance' " (quoted in Nichols 1958, 303-304). Caprivi argued that the treaty would encourage peace, and would establish "a strong, powerful new wire" to St. Petersburg (quoted in Nichols 1958, 304).⁵⁹ Nichols reports that the Kaiser supported the treaty because he hoped that it would break the Franco-Russian connection, and because he believed that without the treaty, there would be war in three months (Nichols 1958, 304-305).⁶⁰

Thus, throughout the period under study, economic concerns were subordinated to political concerns. To the extent that tariff policy was seen as a means to counter international threats, it was used to counter the military threats Germany faced, either by increasing Germany's ability to be self-sufficient in war or by supporting Germany's alliance policy. Because the ability of German commercial policy to counter a potential

⁵⁸ This hope was shared by Great Britain: The German Ambassador in London, Count Hatzfeldt, reported to the German Foreign Office on February 27th, 1894 that Lord Rosebery thought that there might be a "cooling off" of the Franco-Russian friendship because of the Russo-German commercial treaty (Dugdale 1929, 262 [IX.129]).

While the treaty may have helped to improve Russo-German relations, it did not disrupt the Franco-German rapprochement. Indeed, the Franco-Russian military convention was completed during the trade agreement negotiations (Kitchen 1978, 211-212; Nichols 1958, 307).

⁵⁹ Of course, this treaty also had other motives, including the need for export markets for Germany's industrial markets. Nichols notes that the Russo-German tariff war was doing more harm to German industry than it was to Russian agriculture, and that "the Russian market for German industrial products was already in danger of being captured by French and English competition" (Nichols 1958, 305; see 304-305 on the support of industrial and commercial circles for the treaty).

⁶⁰ While the political motives of these treaties were widely known, they did not earn universal approval. Nichols reports that the *Kreuzzeitung* argued that the Kaiser was attempting to "buy peace," and declared that "We must rip up the trade treaties with Austria and Italy, if necessary with sword in hand! Better an honorable battle for life and death than this living starvation" (Nichols 1958, 291).

economic threat does not appear as a driving force behind Germany's tariff policy, I conclude that German did not use its tariff policy to balance in the economic realm.⁶¹

Colonial policy

In this section we examine German colonial policy. I argue that although there were obvious economic motivations for Germany's colonial activity, and although there was a sense of rivalry with Great Britain and other European powers in the colonial realm, colonial policy was continually subordinated to the requirements of German European and alliance policy. In the main, colonial policy was a tool used to influence the constellation of powers in Europe, and was not focused on countering a threat posed by Great Britain's relative economic strength.

Germany's first acquisition of colonies occurred in April 1884, when Bismarck declared Angra Pequena in Southwest Africa under German protection. Before this, Bismarck had severely limited the extent of state involvement in the colonial field (Dugdale 1928, xix); one of the reasons given for this was Bismarck's fear that colonial activity would lead Germany into conflict with other European powers (Carroll 1938, 179; Henderson 1975, 224).⁶² So what changed in the years 1883-1885—why was Bismarck suddenly willing for the German state to become involved?⁶³

⁶¹ It is interesting to note that at the end of the speech presenting the trade treaties to the Reichstag in 1891, Caprivi describes a future in which European states may need to band together because "it will be necessary for them to stake all their strength on an economic struggle for existence" (quoted in Nichols 1958, 149). He argues that "it is not ruled out that between the states a kind of warfare might come, in which no shots are fired, in which they have legal paragraphs and tariff positions in hand" (Caprivi 1894, 179). This era of economic conflict among states was still in the future, however.

⁶² Turner argues that Bismarck resisted colonial ventures because the German navy was not strong enough to defend them and because they would "widen the parliamentary parade ground" by increasing the government's financial dependence upon the Reichstag" (Turner 1967, 53).

⁶³ German policy on Cameroon is cited by Turner as further evidence of the change in Bismarck's colonial policy (see Turner 1967, 61 ff.).

I argue that the change in Germany's colonial policy reflected a change in Germany's alliance strategy, not a change in the priority given to colonial activity. In general during the period under study, Germany either used colonial issues to win favor with Great Britain or to try to divide Great Britain from the other European powers. Which strategy it followed depended upon the state of its relations with the other European nations. The end of the Anglo-French entente in 1882 changed the constellation of powers in Europe, and Germany moved from the first of these strategies to the second.

At first German policy continued its generally pro-British tilt. This can be seen in a memorandum on the general policy of Germany towards the Egyptian Question which was prepared for Crown Prince Frederick in September 1882 (Dugdale 1928, 160-161 [IV.34]). It was explained to Crown Prince Frederick that

When England occupied the Suez Canal (in the second half of August, 1882), thus greatly perturbing public opinion in every country, the reserved attitude of Germany insured that the British Government suffered no embarrassment due to this action. Germany's interest in the Suez canal was not political, but purely commercial, and the German Government had no occasion for anxiety concerning the future of the Canal, as its existence and the free use of it was, both politically and commercially, a matter of vital interest for England. Here also, therefore, we refused to support the efforts made in certain quarters, to drive the British Government with its back to the wall by diplomatic demands for an explanation of its intentions (Dugdale 1928, 161 [IV.34]).

This policy of support for England was maintained throughout all of 1882; Carroll reports that "in December 1882, explaining to Prince William the current friendliness toward England, [Bismarck] said that it was necessary 'to prevent an alliance between France and England and to divide them if possible. This is the key to German policy' " (Carroll 1938, 188).⁶⁴

⁶⁴ Carroll goes on to report that

England met the danger of European complications while engaged in Egypt by friendly advances to both France and Germany. The *Times* assured France of England's desire to consider her interests, since an "Anglo-French alliance" was more important than Egypt, but the Prince of Wales spoke to the Crown Prince, who at once informed Bismarck, of a growing feeling in England that a close association with Germany would be the most

But as it became clear that the "temporary" British occupation of Egypt would not be short-term, it was no longer necessary for German policy to encourage a division between Great Britain and France, because the Anglo-French entente collapsed at the end of 1882. Langer explains,

Till this time the two powers had usually felt a certain community of interest as against the coalition of the Three Emperors. The western European block was now dissolved. For twenty years a fierce antagonism replaced the former cordiality. The result was a foregone conclusion. The eastern combination and its leader, Prince Bismarck, were in a much stronger position than before, while both France and England were obliged to shift for themselves and make the best terms possible with their opponents. The German chancellor can hardly be burdened with the responsibility for the rupture of the Anglo-French entente. That he took advantage of it cannot be held against him (Langer 1962, 282; see Taylor 1954, 289-291).

This change in Anglo-French relations changed the possibilities for Bismarck's alliance policy, and was a necessary prerequisite for his attempt to unite the Continent against England in 1884-1885. More immediately, it allowed Bismarck to try and improve relations with the French. Taylor comments that

Bismarck's precautions against France were more justified than those of his successors; they were also more skillful. Far from trying to isolate France, he tried instead to draw her out of the isolation which she had imposed upon herself. He said to Courcel, the French ambassador, in 1882: 'I want appeasement, I would like to be reconciled. We have no sensible motive for seeking to do you harm; we are rather in the position of owing you reparation.' He made much of the French at the congress of Berlin [1884], accepting without demur the conditions they laid down for attending; and after it, he assured them, with perfect truth, that the object of his system of alliances was to prevent a war between Austria-Hungary and Russia rather than to guard against French revenge. He offered the French more positive consolation: he would support them everywhere except on the Rhine, a policy he applied when they took Tunis (Taylor 1954, 282).

effective guarantee of peace....[Bismarck] pledged Germany's and Austria's friendship, but he declined an alliance with thanks because there could be no guarantee of its permanence under the British parliamentary system and because it would endanger his good relations with Russia and France. No conceivable developments in Egypt, in his opinion, would be so disadvantageous as a permanent offense to British nationalist sentiment (Carroll 1938, 188-189).

The French were receptive, at least at times. Taylor reports that

Gambetta, at one moment the advocate of alliance with England and Russia, at others believed in French-German reconciliation....He, and Ferry after him, seriously considered meeting Bismarck; and such a meeting would have been a clear symbol that what Bismarck called 'the good days before 1866' had been restored. Since 1877 there had been hardly a breadth of ill-temper between Germany and France. But good relations were not enough. Bismarck needed cooperation—an entente, if not an alliance—in order to keep France away from Russian temptations; and cooperation in international affairs is best achieved at the expense of someone else. Egypt give this opportunity. Germany and France could cooperate against England. France would be forced into dependence on Germany, as Austria-Hungary had been forced by fear of Russia in the Balkans; and Bismarck would be free to work of his long-standing resentment against the British (Taylor 1954, 291).⁶⁵

But why turn from the British at all? One possibility is what Taylor obliquely refers to as Bismarck's "long-standing resentment of the British." Certainly Bismarck had not been happy with Great Britain's delay in resolving issues involving Fiji, and resented what were perceived as British attempts to limit Germany's colonial activity.⁶⁶ Furthermore, there was on the German side a constant concern that, given the opportunity, the British would use the Germans to 'pull its chestnuts out of the fire,' and that the British were not sufficiently appreciative of the services that Germany rendered it.⁶⁷ Bismarck also feared that France, no longer checked by the friendship of Great Britain, would turn to Russia (Taylor 1954, 291).

But how does this tie into colonial policy? One explanation, offered by Taylor, is that Bismarck created a dispute with Great Britain in the colonial sphere in order to cement the rapprochement with France. It is also possible that the end of Anglo-French entente and the easing of relations between Germany and France provided enough

⁶⁵ Léon Gambetta was Prime Minister or Premier of France from 1881-1882; Jules Ferry was Premier from 1880-1881 and from 1883-1885.

⁶⁶ On the former, see Carroll 1938, 178, Turner 1967, 57; on the latter, see Dugdale 1928, 224-225 [IV.50]; German editor's note in Dugdale 1929, 297.

⁶⁷ Stengers 1967, 344; Dugdale 1929, 279 [VIII.397]; Dugdale 1929, 272 [VIII.329].

diplomatic space that Germany was able to pursue a colonial policy that its previous need of Great Britain had prevented. Certainly a wide range of explanations have been offered for the change in Bismarck's colonial policy, embodied in his declaration of a protectorate over Angra Pequena.

What we know for sure is this. In November 1882 Adolf Lüderitz asked the German government for consular protection for a trading establishment he planned to set up in southwest Africa (Turner 1967, 57). Germany responded encouragingly, but decided to inform London in February 1883 because it might "now...exercise rights of sovereignty in those regions or intend to grant protection" (quoted in Turner 1967, 57). Turner explains that the dispatch to London went on to disavow "any interest on the part of the German government in 'overseas projects' and indicated it 'would be only too happy to see England extend her efficacious protection to the German settlers in those regions.' The dispatch added that Germany 'naturally reserved the right to grant such protection herself if the settlements in question lay outside England's influence or the influence of another friendly power' " (Turner 1967, 57; see also Langer 1962, 292). Evidently the British interpreted the February 1883 inquiry as a request for continued or expanded British protection of the German traders in the area, and they responded evasively.

In the meantime Lüderitz succeeded in signing a treaty with a Hottentot chief which gave Lüderitz control of much of the coast of Southwest Africa (Smith 1978, 35), and "on August 18, 1883, [Bismarck] instructed the German consul in Cape Town to accord Lüderitz assistance and extend consular protection to his establishment at Angra Pequena" (Turner 1967, 59). Lüderitz's agents then "hoisted the German flag" (Langer 1962, 292). In the face of British dismay at these actions, Bismarck inquired in September as to the territorial claims of England. As Langer explains, London replied that "the English government regarded any claims to sovereignty over areas between

Portuguese territory in the north and the territory of Cape Colony on the south as an infringement of England's legitimate rights" (Langer 1962, 292; see also Smith 1978, 35). Germany then asked what the basis of the British claim was; this inquiry was directed to the colonial office and then to the Cape.

By the time the Cape government finally responded, on May 29, 1884, with a recommendation to annex all territory as far as Walfish Bay, including Angra Pequena, Bismarck had already extended German protection to the Lüderitz settlement (Langer 1962, 292-293). Although he notified the German embassy in London of this, Turner argues that the terms of the notification were unclear and that Lord Granville did not realize German policy had changed from one of consular protection to Reich protection (Turner 1967, 70). On that same day in April when Bismarck extended protection to the Lüderitz settlement, Bismarck proposed to Courcel "the establishment of a League of Neutrals against England, on the model of the Armed Neutrality of 1780" (Taylor 1954, 295).⁶⁸

What brought about this change in Bismarck's colonial policy? The explanations offered range from the possibility that Bismarck was constrained by domestic politics to embark on colonial adventures to the possibility that colonial policy was used by Bismarck as a tool in either his domestic or foreign policy.⁶⁹ Taylor's explanation is an example of the latter. As mentioned above, he argues that Bismarck pursued an active

⁶⁸ Interpretations of the Angra Pequena incident vary widely. Some historians see the Angra Pequena incident as a result of miscommunication and blundering (e.g. Turner 1967, 62; Carroll 1938, 178); others argue that Bismarck muddied the waters deliberately in order to provoke a crisis with the British (e.g. Taylor 1954). Other interpretations, including perhaps Bismarck's, viewed Britain's behavior as indicating a desire to keep Germany out of the area. There is also a question about whether Bismarck intentionally misled the British; Turner and Taylor both argue that he did so in April while others argue that he did not (see Turner 1967, especially 71). For Taylor, Bismarck's deception was designed to provoke a quarrel with England; for Turner, it was to gain the time necessary to take similar action elsewhere before the British could prevent it, a strategy made necessary by the German belief that the British "were unwilling to allow the Germans a fair chance in the colonial field" (Langer 1962, 293; see also Taylor 1954, 295; Turner 1967, 71).

⁶⁹ On the former see Headlam-Morley in Dugdale 1928, xxii, xix-xx; but see Carroll 1938, 11 and 217; Smith 1978, 30-31; and Taylor 1954, 293.

colonial policy in 1884 because differences with Britain would help cement the German rapprochement with France.⁷⁰ He also argues that a foreign policy crisis was always helpful when facing Reichstag elections, and that Bismarck hoped that it would help to inhibit the effect of Frederick William's anglophobic tendencies (Taylor 1954, 292-293).⁷¹ Henry Turner challenges Taylor's argument about France in his contribution to the edited volume *Britain and Germany in Africa: Imperial Rivalry and Colonial Rule*. Turner argues, first, that there is no manifest reason why an isolated France should be a problem for Germany, since Germany had just completed treaties with Austria-Hungary, Russia and Italy;⁷² that Bismarck believed that true Franco-German rapprochement was unlikely and that it therefore would have been a weak foundation for Germany's foreign policy; that Germany's attempt to "placate" France began at least in 1878, but that that attempt was never seen as requiring an anti-British coalition before; that Egypt would have been a far easier means of provoking a quarrel with the British, if that was Bismarck's goal; and finally that Taylor's argument "fails to accord with the documentary record and the Chancellor's words and actions" (Turner 1967, 48-50). Turner argues instead that Bismarck "simply changed his mind and decided that there must be German overseas possessions. This is not to say that Bismarck suddenly became an ardent imperialist....He acted...only in order to avert what he feared might be the damaging [economic] effects of not doing so" (Turner 1967, 50; see 50-51).⁷³

In fact, there are at least three variants of the economic explanation of Bismarck's colonial activity. The first, illustrated by Turner, focuses on the possibility that colonial

⁷⁰ The British seemed to share this view (see Louis 1967, 7, Taylor 1954, 303).

⁷¹ On the British-French antagonism as a reason for Bismarck's change in policy, see Smith 1978, 28 but see also Carroll 1938, 179-180; on the Crown Prince see Carroll 1938, 179; and on domestic motivations see Turner 1967, 51-52; Kitchen 1978, 197, 225-226; Bismarck to Count Münster in Dugdale 1928, 189 [IV.96]; Smith 1978, 30-33 and 121; and Stengers 1967, 2. Headlam-Morley argues that a fear of British-Russian rapprochement also lay behind the policy (in Dugdale 1928, xxi).

⁷² The Triple Alliance between Austria, Germany and Italy was concluded in 1882; the League of Three Emperors with Austria, Russia and Germany had been renewed in 1881.

⁷³ Of course, it is also possible to challenge Turner's explanation as he has challenged Taylor's; For example, Stengers points out that "To sustain such an interpretation...one has to discard as verbal smoke screens some of Bismarck's own...definite declarations" (Stengers 1967, 338).

markets would become important economically, and two trends—the turn towards protection in the late 1870s and early 1880s, and the increase in the colonial activity of the other European powers, combined to suggest that access to the markets of Africa and Asia required the establishment of colonies. The general "dynamics of the highly competitive European state system" meant that Germany could not afford to ignore this possibility as long as other European states were pursuing it (Turner 1967, 51-51, 53; see also Kitchen 1978, 195).

The second economic explanation of German colonialism focuses on colonialism as an aspect of Germany's general economic strategy. Martin Kitchen's analysis is an example; he argues that colonialism, like protectionism, was motivated by the crisis of overproduction. He states, "German imperialism in the age of Bismarck was a response to the economic and social problems caused by the great Depression....the state began a deliberate policy of anti-cyclical intervention in which the careful stimulation of foreign trade played an important role" (Kitchen 1978, 194; see also 195-196, 180, 182 and 225). He concludes that "Bismarck's imperialism was not dictated by the exigencies of foreign policy or by his own profound imperialist longings, as some historians have suggested, but resulted from the economic problems of an expanding capitalist economy that found itself in a chronic crisis of over-production and which was looking for a way out of this lengthy depression" (Kitchen 1978, 196).

The third focuses on the role of powerful economic interests inside Germany using the state to promote their particular economic interests. For example, one of the explanations reviewed by Woodruff Smith argues that colonial organizations presented arguments to both business and government, and business in turn sought support from the government for colonial ventures.⁷⁴

⁷⁴ Smith 1978, 7, 13-16, 21-22, 26, 29, 120, 125, 128-129; see also Turner 1967, 54-55; Henderson 1975, 225; Carroll 1938, 174, 177 but see Carroll 1938, 339; Smith 1978, 27, 121.

The important question for us is whether any of these explanations of German colonial policy suggest that it was intended to counter any international threats, particularly a threat posed by Great Britain's relative economic strength. There is evidence of a definite sense of competition with the British—according to Turner, “While Bismarck’s imperialist venture was not anti-British in origin, Britain was nevertheless a vital factor in the shaping of the new colonial empire....Bismarck’s haste was dictated by the fear that the British would forestall him if he did not act promptly, a fear largely unfounded, but not entirely so, as events in the Cameroons demonstrated” (Turner 1967, 80-81; see Dugdale 1928, 131 [III.413]).⁷⁵

Woodruff Smith argues that those sorts of concerns—about access to areas of the world under direct or indirect British control—date back to the period before German unification (Smith 1978, 7). Smith goes on to explain that colonial groups “established during the 1870s were the vanguard of the movement calling for an ‘export offensive,’ a deliberate government sponsored policy of economic expansionism and imperialism in competition with the British” (Smith 1978, 20-21). Bismarck himself was not above using anti-British slogans when it served his purpose.⁷⁶

So although we have not found much evidence of a perception of economic threat, which is crucial to the notion of economic balancing, there does seem to be some sort of anti-British dynamic in German colonial policy. However, that dynamic never came to dominate German colonial policy, and even in the colonial realm, German policies were dictated by the concern with its military security, and in particular, by its need for allies within Europe. To see this, it is necessary to look at the connection between German colonial policy and German alliance policy.

⁷⁵ On Cameroon, see Turner 1967, 54 ff., Smith 1978, 35-36.

⁷⁶ See Kitchen 1978, 197; Taylor 1954, 292-293; Headlam-Morley in Dugdale 1928, xxv; editor's note in Dugdale 1928, 182.

Two such interconnections have already been mentioned: First, Bismarck's shift in policy occurs after the Anglo-French entente has come to an end and while Bismarck is wooing the French. Second, at the same time that Bismarck announces the establishment of the German protectorate over Angra Pequena he proposes a continental league against England to the French. What happens next?

The first thing to note is that if Bismarck's policy was designed to provoke a quarrel with the British, it failed; the British recognized the German settlement in southwest Africa on June 21, 1884.⁷⁷ But this British action did not initiate a rapprochement between Britain and Germany; instead, negotiations between Germany and France were begun in Paris in August 1884. The British and the French had continued to disagree over Egypt (Langer 1962, 298-299; Taylor 1954, 295-296), and "in August Bismarck demanded recognition of all the territory between the boundary of Cape Colony and Portuguese West Africa" (Taylor 1954, 296). Furthermore, Bismarck had not given up the idea of cooperation against England: General von Schweinitz reports that Bismarck stated in July that he hoped "to revive the continental system of Napoleon I—though, of course, this time the Berlin decrees would have a difference significance" (Taylor 1954, 296; Langer 1962, 301).⁷⁸

Langer reports that

It was in pursuance of this idea that he negotiated with the French in August, his object being to lay the bases for close cooperation in the further treatment of the Egyptian and colonial questions. Ferry accepted the German proposals almost immediately, and on August 24 Baron de Courcel, the French ambassador at Berlin, was back in the German capital with the approval of his government for the program of cooperation. The two powers were to act together in securing freedom of commerce in west Africa, as well as in the solution of the Egyptian question. The entente was complete and signified a great rapprochement, as Hohenlohe remarked. Bismarck received Courcel on August 26, at Varzin. The conversation

⁷⁷ Taylor 1954, 195; Langer 1962, 300; see Carroll 1938, 196-198.

⁷⁸ General H.L. von Schweinitz was the German ambassador in St. Petersburg from 1876-1893.

before long took a general turn, the chancellor declaring that he had long desired a rapprochement with France, but that mutual distrust had thus far prevented its realization. Courcel was evasive and the subject was dropped. The entente remained, for the present, a specific understanding relating to African and other colonial questions (Langer 1962, 301).⁷⁹

But there were other powers in Europe besides France, and a meeting of the Austrian, German, and Russian emperors occurred in September. Bismarck took pains to reassure the French ambassador that the League of the Three Emperors was not directed at France; in the same meeting he brought up the idea of a maritime league against England.⁸⁰

Germany and France cooperated in bringing about the Berlin conference on the Congo (see Taylor 1954, 297; Langer 1962, 304) and they also worked together against England on the issue of Egyptian debt (see Langer 1964, 304-306). But the limited range of agreement between France and Germany also began to show, as the actual results of the Congo conference demonstrated. Taylor comments that it was the Germans and the British who prevailed on trade matters in the Congo, and Carroll reports that during this period the Germans and the French became increasingly suspicious of each other (Carroll 1938, 206 ff.).⁸¹

But Bismarck continued to pursue colonial differences with England, this time over the partition of New Guinea (Carroll 1938, 207; Taylor 1954, 297). Carroll suggests that Bismarck's purpose at this time was to oust Gladstone from office (Carroll 1938, 207); Taylor argues that, since the Reichstag election was over, it is clear in this case that Bismarck's policy was motivated by relations with France and not domestic concerns (Taylor 1954, 296). By March 1885, however, Bismarck's strategy seems to change: Langer reports that Bismarck decided to patch things up with England, and

⁷⁹ At this time Hohenlohe was the German ambassador in Paris.

⁸⁰ See Taylor 1954, 296; Langer 1962, 301-302; Carroll 1938, 200-206.

⁸¹ On the shared Anglo-German interests in free trade, see Taylor 1954, 297; Langer 1964, 306; Louis 1967, 9-10.

Herbert Bismarck's visit to London seemed to produce the desired effect. Indeed, Lord Granville declared to the House of Commons on March 12th, "If Germany is to become a colonizing power, all I say is 'God speed her!' She becomes our ally and partner in the execution of the great purposes of Providence for the advantage of mankind" (quoted in Langer 1964, 308).

Still to come, however, was what Taylor has called "the most effective display of continental solidarity against Great Britain between Napoleon I's continental system and the Nazi-Soviet pact in 1939" (Taylor 1954, 300). On March 30th a Russian victory at Pendjeh threatened Afghanistan and therefore, in British eyes, India. The British wished to counter the Russians with a strike at the Black Sea. However, this required access to the Straits, and Germany mobilized the other Great Powers to come together and warn "the Turks that it would be a breach of treaty obligations to open the Straits to the British. The Turks were glad of the excuse to escape trouble, and evaded the British request" (Taylor 1954, 300). So despite the effort in early March to improve relations with the British, later that month Bismarck was still ready to take advantage of an opportunity to unite the other powers against Great Britain.

The Franco-German entente continued despite the fall of Ferry in March, 1885, with Bismarck raising new questions about East Africa in May (Taylor 1954, 301). Then in June Gladstone fell and was replaced by Salisbury, and in September, with a revolution in eastern Roumelia, the Anglo-German enmity came to a decisive end. Taylor argues that the reopening of the Eastern question meant that Austria required the support of England; Germany therefore could no longer afford to alienate the British, even to try to gain the French, and "the continental league vanished almost before it had begun."⁸²

⁸² Taylor 1954 301; see Headlam-Morley in Dugdale 1928, xiv; chapter XIV of Dugdale 1928, 207-216.

Thus, although as discussed above it is difficult to pinpoint the motivations behind Bismarck's reversal on colonial policy, when one looks at the years 1883-1885, the record overall does seem to indicate that Bismarck's primary concern was the European balance of power.⁸³ The attempt to organize a Continental League against England is not an exception to the general argument made here—that German policy was dominated by Germany's military insecurity and consequent need for allies. Instead, it represents an attempt by Bismarck to change the foundation of his alliance policy, a change initiated not by any perceived increase in the threat from England but by the end of the Anglo-French entente. The end of the attempted Franco-German entente and the Continental League can also be found in Europe: Whether one dates the end of the Franco-German entente and thus of the continental league to the fall of Ferry or to the reopening of the Eastern question, it is a change in the European situation, not a change in the threat posed by Great Britain or in German domestic politics, that seems to be decisive. This also accords with Bismarck's own statements. In December 1889, for example, he stated that "my map of Africa lies in Europe" (quoted in Langer 1963, 493).

The subordination of colonial questions to European questions continued under Caprivi (Carroll 1938, 294). As discussed above, when Caprivi came into office, Germany and Great Britain were in the midst of negotiations on Heligoland. In 1889 Bismarck had launched an effort to improve relations between the two countries (see the discussion in Section II above; Langer 1964, 493); this included negotiations on their colonial differences. Although these negotiations were interrupted by the transition from Bismarck to Caprivi, they were resumed under Caprivi and agreement was reached in July, 1890. Nichols argues that "although the cession of Heligoland was suggested by England, the driving force in the quick conclusion of the agreement seems to have come from Germany. Caprivi thus documented for the benefit of the English his disinterest in

⁸³ Eliot in Dugdale 1929, x; Wood 1984, 230; Kitchen 1978, 226; Turner 1967, 80; Taylor 1954, esp. 293.

further colonial expansion, and the Kaiser got Heligoland, which he had long desired."⁸⁴ Again, the European situation and military security took priority (Nichols 1958, 59).⁸⁵

Caprivi's indifference to colonial activity was so marked that Carroll argues that it was the main cause of public dissatisfaction with his foreign policy, and in fact Hohenlohe, Caprivi's successor, argued in his first speech to the Reichstag that the popular desire for expansion was too strong to be ignored (Carroll 1938, 347, 348).

As was mentioned above, in the years 1895 and 1896 Anglo-German relations began to undergo a change. The threat from England began to be emphasized by some groups (Smith 1978, 161), and in October 1895, Sir Edward Malet, the British ambassador to Germany, announced that there would be war between the two countries if Germany continued to interfere in southern Africa.⁸⁶ In 1896 William II wrote to Hohenlohe,

Here we are, saddled with large colonial possessions, which have become a heel of Achilles to the Germany which hitherto has been unassailable by England, since they bring us continuously into complications, smaller or greater, with her, which is sure to advertise sooner or later our complete impotence on the water. Our trade is waging a life or death struggle with that of England, and our Press boasts loudly of this every day, but the great merchant navy which sails all the seas under our flag is quite helpless before the 130 British cruisers, to which we proudly oppose four (Dugdale 1929, 471).⁸⁷

But while we can thus begin to see in these years the roots of the Anglo-German estrangement and conflict which would come to increasingly characterize European

⁸⁴ Nichols 1958, 59; see Dugdale 1929, chapter 11, pp. 24-30, 36, 40, 37-38; 1928 377, 353. Note that the conclusion of the Heligoland treaty itself provides evidence of the dominance of Germany's military concerns over colonial issues; the German diplomatic documents relating to the negotiation of the treaty refer again and again to the fact that the possession of Heligoland was "by far the most serious matter in the whole negotiation" for reasons of military security (Dugdale 1929, 37 [VIII.17-18]; see also 36 [VII.16], 38-39 [VIII.19]).

⁸⁵ Louis argues that this priority on the part of Bismarck and Caprivi was clear to Lord Salisbury (17).

⁸⁶ Louis 1967, 24; Butler 1967, 201-202; Langer 1951, 228-229.

⁸⁷ A prime example of just such a complication arose from the Kruger telegram (see Taylor 1954, 365).

politics, it does not become dominant until later (see Turner 1967, 81-82; Eliot in Dugdale 1929, xvii).

Conclusion

In this chapter I have argued that the dominant threat which Germany faced in this period was a military threat, and that the occasional concern expressed about the economic strength of Great Britain was consistently subordinated to concerns about military security. I have shown that Germany's policy towards Great Britain was shaped by the military threats Germany faced and in particular, by the need for allies to counter those threats. Furthermore, we have seen that Germany's economic policies were also influenced by the military threats that Germany faced, not by the possible threat from Great Britain's relative economic strength. To the extent that arguments about Germany's tariff policies linked those policies to international threats, they were linked to the military threats Germany faced and the need to safeguard or improve Germany's self-sufficiency. And, as we have seen, both tariff policy and colonial policy were tools used in Germany's alliance policy. I thus conclude that Germany did not balance economically against Great Britain.

Chapter Four Historical Postscripts

Two parts of the historical story remain to be told: The first is Britain's side of the story, important not only for the sake of completion but also in order to understand the lack of acute conflict between the US and Great Britain in the years from 1870-1896. The second is the story of what happened after 1896; changes in the strategic setting after that year affected the threats faced by all three states under study; the US entrance onto the world stage meant that it faced both economic and military threats, while Great Britain and Germany each began to assume the role of the other's primary rival. A brief analysis of this period thus explains why 1896 is the endpoint of the case studies.

Great Britain from 1870-1896

Despite the fact that the United States perceived the relative economic strength of Great Britain as a threat and tried to counter it during these years, relations between Great Britain and the United States were relatively calm and peaceful. In his study of Anglo-American relations, H.C. Allen refers to the years from 1872-1898 as the "Quiet Years." Although balancing does not necessarily lead to conflict and may in fact be a means of avoiding it, American efforts to increase its relative strength vis-à-vis Great Britain may still be expected to lead to tension between the two states. I argue that there are three primary reasons why minimal conflict was generated by these American efforts.

First, as I argued in Chapter One, when states face both military and economic threats, military threats will take precedence. While the military threats faced by Great Britain were perhaps not as severe as those faced by Germany, British foreign policy was dominated by possible military threats, especially threats to India. Second, as the debates on economic policy show, policymakers in Britain generally saw free trade as their best strategy regardless of the policies pursued by other states. In some sense, free trade was

seen in Britain as a "defense dominant" strategy. This belief in the dominance of free trade meant that there was little cause for conflict in the economic realm; to the extent that the policies of other states diverged from free trade, this was seen as imposing costs on themselves more than on Great Britain. Third, to the extent that there was concern in Great Britain about the increasing economic competition which characterized these years, it was the competition from Germany, not from the United States, that drew the most attention.

The dominance of military threats

During the period under study the security of Great Britain itself was largely taken for granted, and British foreign policy was most concerned with safeguarding the British Empire (see Kennedy 1981, 72-73).¹ Europe as a whole had a diminished importance for Britain during these years, although Britain did maintain a basic interest in preventing the emergence of a single hegemon in Europe (Lowe 1967, vol. 1: 8-9; Kennedy 1981, 73). According to Taylor, "Most Englishmen had...accepted Cobden's declaration that events on the Continent were not their business; whatever happened, Great Britain and her trade would not be endangered...British policy was conditioned solely by extra-European interests" (Taylor 1954, 283-284).

Because of this, Britain's main enemies were identified as such by the threats they posed to the Empire, and especially to India: France became a threat because of its opposition to British policies in Egypt, which was important because it "lay athwart that line of communications to Britain's eastern empire which the newly established Suez Canal had opened up" (Kennedy 1981, 89; Hayes 1978, 15, 22). British influence at

¹ There was, however, an invasion scare in 1888; see Lowe 1967, vol. 1: 151-152; Kennedy 1981, 98.

Constantinople was important for the same reason, although in this case it was Russia who became a threat. Paul Hayes explains, "The decay of formerly strong Muslim-dominated states (Turkey, Persia and India) had slowly compelled Britain to assume greater responsibility in an area stretching from Egypt to Afghanistan and had brought her face to face with two other major powers, Russia and France" (Hayes 1978, 4, see also 15; Lowe 1967, vol. 1: 22 ff.). British policy towards other European powers, and in particular, Germany, was largely driven by the British need for support for its policies towards Egypt (see Hayes 1978, 11; Kennedy 1981, 91-92; Bourne 1970, 135-136).²

As we saw in chapter three, there were occasional colonial difficulties with Germany, but those difficulties did not mean that Germany was seen as posing the same kind of threat as Russia or France. Louis argues that "on the whole..., neither the British press nor the Foreign Office, though objecting to Bismarck's way of empire building, regarded his colonial schemes as a challenge to British commerce or power. Commercially, the British tended to see Germany as a free-trading nation. Strategically, they recognized 'the comparatively insignificant naval power of the [German] Empire.'"³

Interpretations of the reaction of the general public to German colonial demands vary widely. Hayes argues that "public reaction to Germany's demands was immediate and hostile. In December 1884 pressure for building new ships to protect British interests became so intense that an extra £5.5 million was voted. The government was forced into annexing Bechuanaland, St. Lucia and parts of New Guinea in order to appease public wrath at the truckling to Germany" (Hayes 1978, 25). In contrast, Stengers argues that it was the lack of "colonizing mania" and jingoism in Britain that allowed the British government to accept Germany's moves into the colonial realm (Stengers 1967, 340).

² As we saw in chapter three, this need was recognized and manipulated by Germany; this is also evident in a letter from Count Münster to Bismarck, dated September 27, 1879 (Dugdale 1928, 146 [IV.7]).

³ Louis 1967, 3. The quote about German naval power is from the *Times*, August 27, 1884.

While Stengers sees Gladstone's 1885 speech welcoming Germany as colonial power as the embodiment of this British attitude (Stengers 1967, 340), Hayes sees its as revealing the depth of British humiliation, and it is to that humiliation that Hayes attributes the growth of British imperialism in future years (Hayes 1978, 24-25). Kennedy offers a possible resolution of these different positions; he argues that "at times, the newspaper 'war' had seemed to indicate that relations between the two peoples had seriously deteriorated....Much of this abuse on the British side occurred, however, when it appeared likely that Bismarck was teaming up with the French to undermine their countrymen's trade in the Niger and Congo basins....For the British press, as for the Cabinet, it was difficult to spend too much time abusing the Germans when other powers posed a greater danger" (Kennedy 1980, 182). During this period, in short, "Germany was a nuisance, but Russia was the traditional enemy, and France a possible foe: no one in Whitehall yet thought of the possibility of an Anglo-German war. The same was true, incidentally, at the *Wilhelmstrasse*" (Kennedy 1980, 182).

In contrast, war with France or Russia was a real possibility: French and British troops clashed in the Sudan (Bourne 1970, 160-161) and a war between those two states appeared briefly on the horizon in Siam, while in 1880 Queen Victoria stated that "she (Russia) is our *real enemy* and Rival—the only one perhaps (and she believes it) we *Have*" (quoted in Lowe 1967, vol. 1: 93). The rivalry between Britain and Russia almost erupted into war in Afghanistan. In response to the Russian victory over the Afghans at Pendjeh on March 30, 1885, the British mobilized their forces in India and Gladstone requested a credit for eleven million pounds.⁴ British action against Russia was forestalled, however, when the other Great Powers warned the Turks against opening the Straits to British.⁵

⁴ Taylor 1954, 298-300. On Afghanistan, see Lowe 1967, vol. 1: 72-93; Bourne 1970, 141-146.

⁵ Taylor argues that "once the Russians were convinced that the Straits would remain closed and the Black Sea secure, they lost interest in being able to threaten the British in Afghanistan;" a compromise was reached and war was avoided (Taylor 1954, 300-301).

The British concern with military threats can also be seen in the attention paid to the navy during these years. Although naval issues would assume a greater importance in the early 20th century, it was during the years under study that the British learned that its control of the seas could be challenged.⁶ Lowe argues that

the whole pattern of British strategical thinking—what there was of it—was bound up with the problems of seaborne commerce and a far-flung empire dependent upon the sea for commerce and defense.... Since Trafalgar it had been an unquestioned assumption in England that she should control the seas: 'Its Credit and its Navy,' Selborne told the Cabinet in 1901, 'seem to me to be the two main pillars on which the strength of this country rests and each is essential to the other' (Lowe 1967, vol. 1: 4-5).

The first naval alarm came in 1884 when the *Pall Mall Gazette* revealed in the "Truth About the Navy" that the British had only a slim numerical advantage in ships over the French. The response was a "£5.5 million program that included money for two first-class 'ironclads' and five armored cruisers."⁷

Britain also undertook to increase its security through the First and Second Mediterranean Agreements, concluded in 1887. These agreements embodied the shared interests of Austria, Italy and Great Britain in the preservation of the status-quo in the Mediterranean. The second agreement was more explicit than the first, and stated the powers' determination to maintain "the freedom of the Straits, Turkish authority in Asia Minor, and her suzerainty in Bulgaria."⁸ These agreements did not substitute for naval increases, but in fact made them more important because the British needed a strong navy to reassure Germany and Rome that they could be counted on even without a full-scale alliance (Lowe 1967, vol. 1: 147-149).

⁶ See Kennedy 1981, 33-34. On the naval issue see Woodward 1935,; Kennedy 1980, esp. 415-431; Friedberg 1988, 135-208.

⁷ Friedberg 1988, 146; see also Kennedy 1980, 182; Kennedy 1981, 33.

⁸ Taylor 1954, 321; see also Lowe 1967, vol. 1: 94-120, Taylor 1954, 310-315 and 319-322; Hayes 1978, 37-39; Bourne 1970, 147-149; Kennedy 1981, 98.

Lowe goes on to explain that the "gradual recognition of some degree of commitment to a naval war in the Mediterranean in 1888 in turn forced a serious review of the capacity of the existing fleet to carry out its obligations" (Lowe 1967, vol. 1: 150). The finding that existing forces were insufficient against the French let alone against what seemed to be the increasingly likely combination of France and Russia, combined with the French invasion scare and concern on the part of the public and Queen Victoria, led to a review of British preparedness and eventually to the 1889 Naval Defense Act.⁹ This program committed Britain to the production of ten battleships, forty-two cruisers, and eighteen torpedo boats over the next five years, and established the Two-Power Standard, which committed Britain to maintain a naval superiority over the next two largest fleets combined.¹⁰

But even this building program did not suffice for long. By 1891 Britain seemed again to be falling behind France and Russia; Balfour warned that "a war against France and Russia combined might end in our losing command of the sea, and with the command of the sea, our National Existence" (quoted in Lowe 1967, vol. 1: 147). The situation was made worse by a sharp increase in French and Russian building rates in 1891 and, given Russia's growing influence at Constantinople, the possibility that the Russian Black Sea fleet would be able to gain access to the Mediterranean (Lowe 1967, vol. 1: 163). Hayes states that "in early 1892 reports from the Admiralty and the War Office painted a very gloomy picture of Britain's strategic position in the Mediterranean" (Hayes 1978, 47). Despite these reports, however, Salisbury was not ready to abandon the Mediterranean, and a rebuttal by the Foreign Office was presented to the Cabinet in the summer of 1892

⁹ On the possible combination of France and Russia, see Lowe 1967, vol. 1: 150, Kennedy 1981, 99; Friedberg 1988, 147; on the French invasion scare see Lowe 1967, vol. 1: 151; and on the concern of the public and the Queen see Friedberg 1988, 147.

¹⁰ Friedberg 1988, 147-148. It is interesting to note that when faced with the choice of arms or allies, Britain maintained its preference for a "free hand" and chose to maintain a relative power advantage through its own efforts, despite the relatively greater monetary expense of that option over forming an alliance (see Kennedy 1981, 99; Kennedy 1980, 197; Lowe 1967, vol. 1, 150-153; Taylor 1954, 347). See also Lowe 1967, vol. 1: 164-165 on the role of the Mediterranean agreements in Salisbury's strategy and Lowe 1967, vol. 1: 172 on the political constraints which were seen as barring an alliance in 1893.

at the same time as the reports from the Admiralty and the War Office (Lowe 1967, vol. 1: 163-164). But there was not time for the Cabinet to act before Salisbury's government fell; it was replaced with a Liberal Government with Gladstone as Prime Minister and Rosebery as Foreign Secretary.

The visit of a Russian squadron to Toulon in 1893 and the subsequent discussion of the stationing of a Russian squadron in the Mediterranean were public manifestations of the progress in Franco-Russian relations, progress which resulted in the conclusion of a secret alliance in 1894 (Taylor 1954, 344-345). With the Toulon visit, the possibility that Britain would have to take on both France and Russia could not be ignored; as Taylor explains, "Hitherto they had assumed that they could pass the Straits in case of war with Russia; and a squadron had been kept more or less permanently in the Aegean. Leaving it there after the Toulon visit was simply what Rosebery called 'a policy of honor.' It could never risk an action" (Taylor 1954, 347-348; see Lowe 1967, vol. 1: 172). The British response was a new program of naval building to add a minimum of seven battleships by 1898. Gladstone's opposition to this 'militaristic' policy led to his resignation in March 1894 and his replacement by Rosebery.¹¹

Thus, Great Britain faced what were seen as serious threats to the security of its Empire from various European states during these years, as is made evident in its foreign and military policies. That fact helps to explain the lack of acute conflict between the United States and Great Britain; the greater threats that Britain faced elsewhere meant that its relations with the United States were less important.

In his study of Anglo-American diplomatic relations, Mowat attributes the lack of conflict between the United States and Great Britain to fortune. He argues that

the Disraeli (or Beaconsfield) Government, which lasted until 1880, was one of the strongest that had been in Great Britain for years. It had an

¹¹ Hayes 1978, 31; Lowe vol. 1, 1967, 172; Taylor 1954, 348; Bourne 1970, 152.

active domestic, colonial, and foreign policy. Europe was 'difficult'; the Eastern Question was very pressing—there were hostilities in the Balkans from 1876 to 1878, and the Congress of Berlin in the latter year came at the end, not merely of a Russo-Turkish War, but of a Russo–British war crisis. It was therefore fortunate that the relations of Great Britain and America did not require a great deal of the attention of the Foreign Office (Mowat 1925, 222).

But it is not obvious that Britain's relations with the United States did not require attention. There were a significant number of issues unresolved between the two countries, and, as Kennedy notes, it was not clear that they could be settled harmoniously: "Quarrels with the United States in the Western hemisphere, over such disparate matters as the Bering Sea seal fisheries and the Sackville West Affair, suggested that Anglo--American relations were still cool—and might, indeed, worsen" (Kennedy 1980, 191).

This suggests that there was a potential for conflict in the Anglo-American relationship. And as we saw in chapter two, relations with Great Britain were a priority of the United States. But relations with the United States were not a priority for Great Britain because it faced greater military threats elsewhere. While the possibility of a war with Great Britain was occasionally mentioned in the United States, Mowat notes the "curious fact that on the British side of the Atlantic war was seldom or never mentioned in this period. The Foreign Office knew that the two Powers might any year be involved in hostilities, but the British public never seriously thought war likely."¹² Overall, the threats that Britain faced elsewhere limited the attention and resources it could devote to conflicts with the United States. As Hayes argues, the "difficulties encountered by Britain in the Mediterranean, the Near East, Africa and India, in these years imposed

¹² Mowat 1925, 247. Bourne argues that the "resolution of the Central American Question [in 1859 and 1860] marked the end of any idea of a direct confrontation with the United States on her own continent" (Bourne 1970, 89).

limitations upon the exercise of her power elsewhere. Nowhere was this more obvious than in relations with the United States" (Hayes 1978, 57; see also 19-20).

The increasing power of the United States also affected Britain's interest in good relations. Allen reports that

Disraeli, with that deep insight which so impressed Bismarck, was very sensitive to the strength of America, which, he said in 1872, was 'throwing lengthening shadows over the Atlantic' and creating 'vast and novel elements in the distribution of power,' and from 1874-1878 his Foreign Secretary, Lord Derby, (formerly Lord Stanley), was assiduous in the cultivation of good relations with the United States.¹³

One example of this is found in Britain's handling of the *Alabama* claims, especially in the Treaty of Washington, in which Great Britain and the United States agreed to arbitrate the dispute.¹⁴ It was recognized even in the United States that "nearly all of the concessions were made on the British side" (the *New York World* as quoted in Allen 1955, 515), and Bennis reports that "many in Great Britain felt that the outcome was a national humiliation" (Bennis 1955, 160; see also Kennedy 1981, 79). Bourne argues that the British willingness to settle was both a signal of the British retreat in the face of American power and of the priority of European affairs.¹⁵

So far we have seen that Great Britain faced serious military threats, and that those military threats meant that the British had little time and few resources to devote to relations with the United States. The military threats faced by Britain also tended to overshadow British economic relations, although economic strength and military power

¹³ Allen 1955, 522-523. As we will see in more detail in the section on the changes in the strategic situation after 1896, Britain tended to react to the growing power of the US not with alarm but with conciliation. The hypothesis advanced here is that this can be explained by the greater threats which Great Britain perceived elsewhere, though I hope in a future project to explore in more detail the process of perception which led Britain to identify Germany as a threat and the United States as friend and potential ally.

¹⁴ For the details of the dispute, see Allen 1955, 478, 486-488, 506-519; Dulles 1965, 16, 62; Grant in *Messages* 1897, vol. IX: 3987-3988.

¹⁵ Bourne 1970, 95-96, see also 93-95; Kennedy 1981, 262.

were closely connected in this era, and economic relations did gain prominence when they touched on strategic interests.¹⁶

The dominance of free trade

In addition to the military threats faced by Great Britain, the prevalence of *laissez-faire* ideology helps to explain Britain's passive foreign economic policy in general and the lack of conflict with the United States in particular. The first instinct of the British government was to stay out of the economic realm, and because it did not see the protectionist policies of other states as a threat, they gave Britain little reason to overcome that first instinct and implement activist economic policies.

Great Britain's evolution towards free trade took place over a number of years. Grain duties were abolished in 1846, while 1860 "saw the end, for all practical purposes, 'of all duties on manufactures' " (Brown 1943, 2; see Fuchs 1905, 3-15; Eichengreen 1991, 1-2). Brown describes the policy of Great Britain as follows: "The essence of the position was this: no *protective* duties, that is to say, no duties on imported goods which competed with goods at home; but only pure *revenue* duties, that is, duties on goods *not* made at home" (Brown 1943, 2).

During the 1860s Great Britain presided over the spread of free trade to Europe, through a network of commercial treaties, including the Anglo-French Commercial Treaty of 1860 and treaties with Belgium in 1862, Italy in 1863, Prussia and the Zollverein in

¹⁶ On the connection between economic strength and military power, see Kennedy 1981, esp. 1, 19-20, 22, 25, 28; 1920, 306-320; 464-465. On the overlapping of economic and strategic interests, see Kennedy 1981, 61; Platt 1968, xx-xi and 12-15, 32-33; 353-359, 367.

The Irish question often overshadowed economic issues during these years (see Brown 1943, 44, 62, 65-66, 71, 84, 85, 147) and as well as foreign relations (see Hayes 1978, 31; Kennedy 1981, 94). Taylor argues that the general election of April 1880 "was the only one ever fought on issues of foreign policy until the election of 1935" (Taylor 1954, 268). For more on the interaction of domestic and foreign affairs, see Kennedy 1981, 47-49; Kennedy 1980, 192.

1865, and Austria in 1865 (see Fuchs 1905, 17-33). But unlike Europe, where most countries embraced free trade only briefly, the British belief in it was steadfast; Kennedy observes that "even the coming of the so-called Great Depression in the 1870s did not shake the ingrained attitudes of the political nation" (Kennedy 1981, 25).¹⁷ This was because, as Brown explains,

There was a wide-spread belief that, whatever the circumstances in which a nation found itself, whatever policies were adopted in other countries, whatever the political outlook might be, free trade was always right and protection, in the words of John Bright, "a stupid and impossible proposition." When, after the collapse of the commercial treaty system of the sixties, it dawned upon Britain that other nations were by no means prepared to abandon protection, the belief persisted....When retaliation was demanded against protectionist France, the *Times* was unmoved. "Protection, as we well know, brings its own punishment," said a leading article. "We are safe, therefore, in leaving its adherents to the stern teaching of facts. *Nature will retaliate upon France whether we do so or not.*"¹⁸

It was this attitude to which I was referring when I characterized free trade as a 'defense dominant' strategy in the eyes of the British. In his discussion of the security dilemma, Robert Jervis argues that if the defense has an advantage over the offense, the chance of a conflict (especially an arms race) is decreased (Jervis 1978, 188). This is the case because a defensive advantage dampens the cycle of action-reaction that can occur among states. For example, say state A increases its arms by 10%, which state B perceives as a threat. If the defense has the advantage, state B can increase its arms by less than 10% and still maintain its security. That lesser increase serves to lessen the threat that state B's increase may pose to state A. I argue that the belief in free trade that

¹⁷ In an earlier work, Kennedy attributes the British faith in free trade to the position of dominance it had achieved; he argues that dominance and the influence Britain gained from its commercial superiority "helps to explain later why the British believed that there was no good reason to alter their commercial practices and fiscal policies even during the Great Depression, whereas the instinctive German reaction was to protect what they had already attained from the competition of commercially stronger rivals" (Kennedy 1980, 44; see also Eichengreen 1991, 2; Platt 1968, 95). See Landes 1965, 472 for a brief summary of the turn to protection in other European countries.

¹⁸ Brown 1943, 3; italics his. The quote from Bright is taken from the *Birmingham Daily Post*, September 14, 1881. The *Times* quote is from September 2, 1881.

prevailed in Britain had a similar effect in lessening the likelihood of conflict, especially conflict resulting from an action-reaction cycle. It served to dampen the possibility of economic conflict by holding that no matter what policies were enacted by other states, Britain's best and most effective response was no response at all—the maintenance of its free trade policy.¹⁹ In other words, free trade was seen as Great Britain's dominant strategy—it was Britain's best response no matter what other countries did, which meant that during these years Britain overall had a very passive, non-interactive foreign economic policy.²⁰

Despite the tenacity with which most of Britain clung to free trade during these years, the increased economic competition Britain faced did have some effect. Overall the British attributed the economic challenges they faced not to any problems with their free trade strategy but to the 'unfair' trade practices of other nations. This attitude, and the ultimate faith in *laissez-faire* and free trade which lay behind it, can be seen in the movement for "Fair Trade," in the evolution of government policy towards overseas trade and finance, and in the Merchandise Marks Act of 1887.²¹

Although Britain as a whole—including government officials, business, and labor—generally backed free trade throughout this period, there were those who favored changes in Britain's free trade strategy.²² Brown argues that questions about free trade were being

¹⁹ There are two interrelated possibilities here. Britain's belief in free trade may have affected both its strategy—how it decided to respond to the action of other states, and its perception of threat. By the latter I mean whether Great Britain believed that the actions of other states would negatively affect the outcome of its policies—whether Great Britain would be worse off in a world in which it was the only free trade state than it would be in a world made up of free trade states. For the most part, Britain does not seem to have perceived the protectionist policies of other states as a threat, so that it had no need to respond to them. In addition, it believed that a free trade strategy was Britain's best bet regardless of the policies of other states.

²⁰ Although not at issue here, it appears that this British belief was not necessarily accurate: The non-interactive nature of British economic policy may have limited the efficacy of that policy (see Fuchs 1905, 29; Platt 1968, 144–145). Oye 1992 makes a related point when he argues that discriminatory economic policies were actually a force for liberalization in the 1930s.

²¹ The Merchandise Marks Act will be discussed in the section on economic competition and Germany.

²² e.g. Brown 1943, Eichengreen 1991, esp. 8–13.

raised as early as 1856, though "the great forward movement of protectionism did not start until the 70s, and that after the middle of the decade" (Brown 1943, 4, 8; see Fuchs 1905, 188-210). At that point, however, "Protection was part of Britain's table talk" (Brown 1943, 9). Brown argues that the protectionist movement in the last part of the nineteenth century is significant because of the role it played in laying the groundwork for Joseph Chamberlain's tariff reform movement of the early twentieth century.²³ For us, what is interesting is the way that the strength of the belief in free trade influenced the tactics, and ultimately insured the defeat, of the protectionist movement during the years under study.

In terms of tactics, those who argued for a change in Britain's commercial policy were very careful about how they presented themselves. One of the main organizations which argued for tariff reform called itself the "National Fair Trade League." Founded in 1881, it aimed to increase trade by allowing Great Britain to retaliate against the protectionist policies of other nations (Brown 1943, 27, see also 22-23; Fuchs 1905, 195-196). But even with the "fair trade" slogan, this position was seen as too protectionist by those who advocated countervailing duties against bounty-fed sugar. Brown explains that "the claim was frequently made, by planters and refiners alike, that their campaign for countervailing duties had nothing to do with Fair Trade. They argued that their object was to restore *real* free trade by 'neutralizing' the effects of foreign bounties and thus creating conditions of equal competition" (Brown 1943, 41, see also 53; Fuchs 1905, 88-93). The strength of the belief in free trade can also be seen in Brown's comment that even "when one demanded a tariff,...one frequently did so in the name of free trade, not Fair Trade or protection" (Brown 1943, 53).

Despite the attempts to sell their proposals as 'real' free trade or Fair Trade, the protectionist movement had little success in the last part of the nineteenth century

²³ See Brown 1943, 1; see also Eichengreen 1991; Friedberg 1988, 51 ff.

(Eichengreen 1991, 3, 12-13). The protectionist program "fared rather poorly" in the election of 1880 (Brown 1943, 23), and though it may have been more successful in the election of 1885, it was overshadowed by the issue of Home Rule in 1886 (Brown 1943, 65). Although Lord Salisbury made occasional pronouncements that hinted at a policy of retaliation, there was no change in government policy on this score, and Salisbury's most blatantly protectionist speech was followed by the return of Gladstone to office (Brown 1943, 60, 77, 79-81). In 1888 a change in policy on sugar was attempted, when Great Britain entered into the Sugar Convention of August 30th, 1888. The Signatories to the Convention agreed to a prohibition on bounty-fed sugar, and the government in Britain justified it as an attempt to stop unfair trade practices (Brown 1943, 45). However, the uproar in Britain was so great that the Government was forced to withdraw the bill (see Fuchs 1905, 95-99).

In addition to arguing for a move away from unilateral free trade, there was also a call during these years for a change in Britain's economic policy towards the Empire.²⁴ This aspect of the protectionist movement was perhaps more popular than the others; as Brown comments, "To ask for protection for particular industries was one thing; but to ask for it as a means of binding the Empire together was quite another" (Brown 1943, 101, 12-13; Fuchs 1905, 205). With the Colonial Conference of 1887 the question of imperial preference began to take center stage, due in large part to the actions of the colonies (see Brown 1943, 95 ff.; Fuchs 1905, 339-345). The movement for imperial preference did make some headway during the last part of the nineteenth century; both the Associated Chambers of Commerce and the Conservative Party voted in favor of imperial preference in 1891 (Brown 1943, 78-79; see also Fuchs 1905, 347-374; Drage 1911). However, no action was taken by the Government.

²⁴ See Brown 1943, esp. 27, 22-23, 85-128; Fuchs 1905, 330-338; Tyler 1938; Tryon n.d.; Drage 1911.

As we saw above, economic strength and military power were tightly connected in this era, making it difficult to separate the economic from the military motives behind economic policies. The movement for imperial preference is a good example of this. One of the arguments for imperial preference was that Britain's dependence upon imported food would make it vulnerable in times of war (see Brown 1943, 61, 89); also at issue was the cost of defending the empire (see Drage 1911, 41-42).²⁵

In addition to tariff policies, *laissez-faire* ideology also influenced British policy towards overseas trade and finance. In his study of *Finance, Trade and Politics in British Foreign Policy*, D.C.M. Platt argues that "the central fact in the relationship of H.M. Government to overseas trade was the continued popularity of Free Trade. *Laissez-faire* and Free Trade remained the instinctive official attitude towards trade until as recently as the early 1930s" (Platt 1968, 81). But this should not be taken to mean that the increased competition which characterized international economic relations during the years under study had no effect on British policy (see Kennedy 1981, 29-30). Platt argues that two distinct periods can be distinguished: in the first period, extending until the mid-1880s, "British predominance in overseas markets remained substantially unchallenged," and "H.M. Government's reaction to British trading and financial interests overseas was governed by the traditions of *laissez-faire*, Free Trade, and non-intervention in the internal affairs of sovereign states....The legitimate functions of government ended...with the opening of markets, the maintenance of treaty rights, and the protection of British

²⁵ This overlapping of economic and military motives for closer imperial ties makes it difficult to sort out the role, if any, of economic threats. For example, the following quote from the June 18, 1891 edition of the *Times* in favor of Imperial Federation could be an example of an argument for economic balancing:

[Imperial federation] is the great task which lies before the British statesmanship of the future. With the colonies massed around us we can hold our own in the ranks of world Powers.... Without them we must sink to the position of a merely European Kingdom—a position which for England entails slow but sure decay (quoted in Brown 1943, 87-88).

But because of the overlapping motives, it is impossible to tell to what extent this call for imperial union is motivated by the belief that it will increase economic strength *per se*, as opposed to the belief that economic strength is necessary for military power. As explained in Chapter One, this was why it was necessary to find a military secure state in order to study the question of economic balancing.

subjects" (Platt 1968, 81 and 359; see also 361-362). But this first period came to an end when the "scale and intensity" of foreign competition increased and "foreign diplomatic pressure applied unsparingly on behalf of national trading and financial interests made it impossible for H.M. Government to stand aside" (Platt 1968, 366; see 40, 98, 103).

During the second period the British Government was more active, but the actions it took were largely defensive (Platt 1968, 362). For example, in 1885 the British Ministers at Tokyo and Peking were instructed by Lord Salisbury "to support British commercial interests where foreign diplomats were interfering to their detriment" (Platt 1968, 59). Among the recommendations made in a 1886 memorandum by James Bryce, Under-Secretary of State to Lord Rosebery, were those arguing for "increased activity by Diplomats and Consuls in affording information and help to Englishmen seeking to do business abroad" and "action (firm but cautious) by Diplomats in remote countries in counteracting the pressure used by the Representative of other States to push the mercantile interests of their countrymen."²⁶ But this change in British policy did little to change the fundamental orientation of British policy. As Platt explains, "*Laissez-faire* was under pressure [in the second period], but it was under pressure not to transform itself altogether into an active policy of official promotion and intervention on behalf of British trade and capital, but to adapt itself to the obligation to secure 'fair' treatment, equal favor and open competition overseas" (Platt 1968, 83; see also 101, 363).

The prevalence of *laissez-faire* ideology in Britain thus contributed to a passive economic policy and acted to decrease the likelihood of economic conflict between Great Britain and the US or any other state.

²⁶ Platt 1968, 414; see the extracts from the memorandum reprinted in Platt 1968, 403-415 and 59-60.

Germany's economic challenge

Finally, the lack of conflict between the United States and Great Britain can also be explained by the economic rivalry between Great Britain and Germany. During these years Germany and not the US was seen as Britain's leading challenger in the economic realm; to the extent that Great Britain was motivated to respond to the economic policies of other states, it was almost always Germany that was singled out.²⁷ This should not be surprising; as Platt explains, "German unification had created the conditions under which rapid industrial development could take place, while at the same time releasing the energies which this development required. Germany in the early '80s was only just beginning her industrial transformation, but the development was astonishingly rapid" (Platt 1968, 81; see Appendix One).

The reference to Germany as an "economic challenge" instead of as an "economic threat" is deliberate. In Chapter One, I argue that if a state perceives the relative economic strength of another state as a threat, and if its economic policies are selected at least in part on the basis of their ability to counter that threat, then that state is balancing in the economic realm. But there is little to suggest that the British perceived German economic strength as a threat, and in what little there is it is difficult to separate out the military threat from the possible economic threat.²⁸ As we saw above, the doctrine of *laissez-faire* suggested that the protectionist policies of other states did not require a response from Great Britain, and to the extent that Britain did act in the economic realm, it was to maintain free and fair competition, not to respond to any threat posed by that competition.

²⁷ This does not mean that US economic policies were ignored: Brown reports that the *Times* called the McKinley tariff an "act of unfriendliness...hardly less decided than the Berlin and Milan decrees of Napoleon" (Brown 1943, 75; the quote from the *Times* is from October 13, 1890; see also Brown 1943, 84). For the most part, however, the policies of the US did not attract attention until later. Hoffman dates one of the earliest warnings about an economic challenge from the US to 1897 (Hoffman 1933, 259), and *The American Invaders*, F.A. Mackenzie's book which warns of an American industrial invasion, was first published in 1902.

²⁸ See above, especially footnote 19.

The German challenge began to attract attention in Britain in the early to mid 1880s (Hoffman 1933, 224; Kennedy 1980 55, 56). Brown argues that, for Britain, "the cheapening of steel in the '80s 'meant the scrapping on a wholesale scale of the greatest iron industry in the world' and marked the emergence of Germany as an industrial rival of the first importance."²⁹ As Hoffman reports, in 1886 the Royal Commission appointed to examine the cause of the depression in trade and industry noted "that the severity of competition was 'especially notable in the case of Germany,' that German business enterprise and perseverance were being felt in every part of the world, and that in the actual production of commodities the British had now but few, if any, advantages over them."³⁰

The existence of the German challenge was explained, not by reference to Germany's economic system, which might have undermined *laissez-faire* and free trade, but by the "unfair" trade practices of the Germans (Kennedy 1980, 56; Landes 1965, 555).³¹ The British response therefore concentrated on countering these practices. We saw above how British diplomats were instructed, beginning in the mid '80s, to support British economic interests abroad when they were "threatened by the diplomatic action of other Powers" (Platt 1968, 82). Another example of the British attempt to halt unfair trade practices is the Merchandise Marks Act of 1887 (Brown 1943, 45).

As Kennedy explains,

There were complaints about shoddy German produce being shipped via London all over the world with British trademarks and labels upon them.

²⁹ Brown 1943, 140; the quote is from L.C.A. Knowles (1921), *The Industrial and Commercial Revolutions, in Great Britain during the Nineteenth Century*. London, G. Routledge and Sons, 143.

³⁰ Hoffman 1933, 73. The quote is from the *Report of the Royal Commission on Depression of Trade and Industry*. vols. 9-11, Reports of Commissioners, 1886, section 75. See also Hoffman 1933, 74-101; Kennedy 1980, 41-58.

³¹ Of course there was also some recognition of the role that German industry and salesmanship played (see Kennedy 1980, 56; Hoffman 1933, 73-101). and in 1896 E.E. Williams identified Germany's protective system as a cause of Germany's economic success in his book *Made in Germany* (Williams 1897, 140-143).

The outcry over this provoked a diplomatic *démarche* to the German government, which had consistently declined to be a signatory to the international convention on this subject; and it led, in 1887, to the much tighter Merchandise Marks Act—or the 'Made in Germany' measure, since its chief intention was to compel German manufactures to state the true country of origin upon their wares.³²

Attention continued to focus on Germany, as Ernest Edwin Williams's *Made in Germany*, most of which was serialized in the *New Review* in 1896, makes clear (Henderson 173; Hoffman 1933, 244). Williams argued that "Germany has entered into a deliberate and deadly rivalry with [Great Britain], and is battling with might and main for the extinction of [British] supremacy" (Williams 1897, 8). He gives fraudulent business practices as well as German productivity and protective policies as part of the reason for German success (see Williams 1897, 55, 41-44, 130-163).

Despite actions like the Merchandise Marks Act and the public attention the German economic challenge attracted, it is important not to exaggerate either the challenge posed or the British reaction. Kennedy notes that "the British found more to complain about the tariffs of third powers, which were usually far higher than those of Germany," and that Germany's preference for free trade in its colonies dampened the potential for conflict in the colonial realm.³³

The larger strategic setting must also be taken into account. At the same time that the German economic challenge was dominating that from the US, the military threats Britain faced dominated the economic challenge. Great Britain was to some extent dependent upon Germany in this period, especially in regards to Egypt. Concessions in

³² Kennedy 1980, 56-57. Both Kennedy and Fuchs note that the measure largely backfired (Kennedy 1980, 57; Fuchs 1905, 108; see also Williams 1897, 136-140). Fuchs also notes that the Act "became a theoretical bone of contention between the Free Traders and Fair Traders in England." He argues that the Fair Traders saw the Act a "breach of the principle of Free Trade," while Free Traders thought that it was consistent with that principle (Fuchs 1905, 107). Kennedy notes that some free traders did criticize the measure (Kennedy 1980, 57).

³³ On the British reaction to the tariffs of third powers, see Kennedy 1980, 57, see also 58; see Brown 1943, 75 on the reaction to the McKinley tariffs. On Germany's preference for free trade in the colonies, see Kennedy 1980, 183; see also Louis 1967, 3; Harvey 1938, 144; but see Platt 1968, 364.

the colonial realm were made to gain Germany's good will (Kennedy 1981, 97; Hayes 1978, 22, 41) and it is probable that any concerns about German commercial policy were similarly subordinated.

While *laissez-faire* ideology and the dominance of military threats explain the lack of economic conflict between Great Britain and Germany, those reasons plus the greater challenge posed by Germany account for the lack of conflict between Great Britain and the United States. This suggests that balancing is more likely to lead to conflict when the perception of threat is mutual and when the threat in question is at the top of the agendas of all the states involved.

The Emergence of New Threats in the Years Following 1896

The beginning date of the US and German case studies—1870 and 1871—were relatively easy to justify. In the American case, 1870 is a reasonable starting point after the Civil War, while the German case begins with the founding of the German Empire. It is less easy to determine a suitable ending date. Although there are changes in the strategic situation of Germany, Great Britain and the United States that make their position in, say, 1910 different from their position in 1880, the gradual nature of the evolution in the strategic setting makes it difficult to pinpoint a year which cleanly divides the two periods. I have chosen 1896 as the endpoint of the case studies for two reasons. First, changes in the relative economic position of Germany, Great Britain and the United States meant that by this time Great Britain no longer enjoyed the clear relative economic strength it had earlier. This means that our expectations about who should balance against whom in the economic realm are less clear. Second, two events occur in 1896 that represent the changes that were occurring in the military-strategic setting. The first, the Venezuelan boundary dispute, brought talk of war with Britain to the front pages of

American newspapers; the peaceful settlement of that conflict, however, began a process of British-American reconciliation. The second event, the Kruger telegram, can be seen as beginning the process whereby Germany and Britain grew more and more estranged from each other.³⁴ Thus, the years around the turn of the century witness a reorientation in the alignments of the states in question: As the interests of the United States began to expand beyond its borders, it loses the security afforded by its geographic isolation and has to be concerned with military threats. At the same time, as the United States ventures onto the world stage, it discovers the interests it shares with Great Britain, and any economic threat still posed by Great Britain fades into the background.³⁵ During these same years, Germany and Great Britain grow further and further apart, as Germany's determination to become a world power leads to tensions with Great Britain. Finally, with the rising threat from Germany and continued problems in other parts of the

³⁴ Kennedy argues that "this double crisis was full of meaning. Britain had given an indication of some sort that it recognized American political predominance in the western hemisphere; and it had clashed with Germany for the first time on an issue—the supremacy of southern Africa—which London, at least, regarded as vital" (Kennedy 1981, 108).

³⁵ Again, the question arises as to whether these strategic changes are reflected in the arguments made about the tariff in the US. As can be seen from the tariff planks reprinted in Appendix Two, the arguments made about the tariff do change. During the years from 1900-1912, the Democratic party focuses almost exclusively on the domestic consequences of the tariff, especially on the high cost of living and the rise of trusts and monopolies, both of which it blames on the tariff. Little or no concern with foreign trade is evident, and there is no hint of a perceived threat from Great Britain. While the Republican party continues in this period to emphasize the consequences of the tariff for foreign commerce, the tone of the discussion has changed. As with the Democrats, there is no mention of a threat from Great Britain; instead, the Republicans celebrate the positive balance of trade achieved under Republican rule (e.g. the platform of 1900) and the great wealth of the United States. The 1908 Republican platform declares that "under the guidance of Republican principles the American people have become the richest nation in the world. Our wealth today exceeds that of England and all her colonies, and that of France and Germany combined" (Porter and Johnson 1973, 157).

The Republican party makes only two references to Great Britain in its tariff planks during these years—that just quoted about America's greater wealth and, in the 1904 platform, the statement that "when the only free trade country among the great nations agitates a return to protection, the chief protective country should not falter in maintaining it" (Porter and Johnson 1973, 138-139).

The discussion of the tariff in the years from 1900-1912 is thus mixed, with the Democratic platforms focusing on the domestic consequences of the tariff and the Republican platforms emphasizing foreign commerce and the relative wealth of the United States; the platforms of the other parties fall in between.

It should be noted that the emergence of possible military threats onto the American agenda is not reflected in the tariff planks during these years; no military consequences of tariff policy are discussed.

world, Great Britain during these years comes to appreciate that isolation has its drawbacks, and begins to seek the support of other states, especially the United States.³⁶

The loss of Britain's economic predominance

During the years under study Britain's reign as the leading industrial state began to end. As Friedberg comments,

It is obvious that the fifty years before World War I marked a critical turning point for Great Britain. Whereas in 1870 only England and Belgium could be described as highly industrialized, by 1900 this was no longer the case. The new German nation, the United States, and, to a lesser extent, France, Russia, and Japan were all embarked on a course of sustained, modern economic development. With the passage of time the vast gap that had once separated Britain from all its competitors narrowed and, in some cases, disappeared altogether (Friedberg 1988, 24).

Musson observes that "by the end of the century Britain had clearly lost her industrial leadership of the world," and reports that the United Kingdom's share of world manufacturing production was sharply declining: "In 1870 it was 31.8 per cent, but by 1886-1900 it had fallen to 19.5, whereas that of the United States had grown from 23.3 to 30.1 per cent, and that of Germany from 13.2 to 16.6 percent" (Musson 1959, 208-209).³⁷

Great Britain still dominated world trade, but by 1890 the United States had surpassed Great Britain in the annual production of steel, pig iron, and coal.³⁸ As for Germany, Woodruff Smith argues that "by the 1890s Germany was an economic giant

³⁶ The first alliance commitment made by Great Britain was with Japan in 1902, but its first preference was for an alliance with the United States. See Kennedy 1981, 116; Allen 1955, 557; Lowe 1967, vol. 1: 232.

³⁷ Opinions differ on exactly when the British decline began; see Kindleberger 1996, 125, 137-141.

³⁸ On trade, see Tables One to Four in Appendix One, Friedberg 1988, 24; on production see Tables Twelve to Fifteen in Appendix One; Friedberg 1988, 25.

with the world's most advanced technology and with a more efficient business structure and a higher reinvestment rate than Britain, whose volume of international trade Germany was beginning to approach" (Smith 1978, 119; see Henderson 234-242; Kennedy 291 ff.; Landes 1965, 553). Williams' *Made in Germany* provides a contemporary view of the change in the relative positions of Germany and Great Britain that was taking place.

This emergence of multiple poles in the economic realm—or, as David Landes has put it, the "shift from monarchy to oligarchy, from a one-nation to a multi-nation industrial system" (Landes 1965, 475, see also 467-468)—suggests that the identification of threats in the economic realm would become more difficult (see Waltz 1979, 168, 170). With the emergence of multipolarity in the economic realm, it is no longer clear who threatens whom. This does not mean that states will no longer balance in the economic realm, but that it becomes more difficult to predict who will balance against whom. Furthermore, there were other changes taking place which affected the relation between the economic and military threats facing these states: for Great Britain and Germany the two types of threats came to reinforce each other, while in the case of the US the extension of its interests led to the emergence of possible military threats at the top of its agenda.³⁹

The Kruger Telegram and the estrangement of Great Britain and Germany

The Kruger telegram and the reaction to it in both Great Britain and Germany made palpable the transformation in Anglo-German relations that was underway. Although various agreements would be made between the two states in the next several years, and attempts at alliance would be made as late as 1901, by 1902 Germany was

³⁹ Other factors, such as an increase in gold production and the general economic improvement which began in 1896 probably contributed to the decreased salience of economic threats (see Faulkner 1959, 61, 209-210, 319; Cashman 1988, 319).

seen as 'the' enemy in Great Britain. The feeling was mutual; Bernhard von Bülow, who believed that "he had to eliminate Britain's global predominance in order to secure Germany's 'place in the sun,' " was Secretary of State from 1897-1900 and then Imperial Chancellor from 1900-1909.⁴⁰

In December 1895, a group from Cape Town under the leadership of a Dr. Jameson launched a raid to overthrow the Transvaal Republic. The raid was "a complete fiasco" (Bourne 1970, 162). It became an issue in Anglo-German relations because of a telegram the Kaiser decided to send Paul Kruger, the President of the Transvaal, congratulating him on his success in repulsing the invaders.⁴¹ While in Germany the response to the telegram was "an almost unanimous and ecstatic approval" (Carroll 1938, 372), in Great Britain the response was alarm and dismay: Bennis reports that "the Kruger telegram was looked upon in Great Britain not only as 'unfriendly' but as an 'ingeniously worded insult,' 'a deliberate affront' to the British, 'a piece of gratuitous insolence' " (Bennis 1955, 172, see 171-172).⁴²

The timing of the Jameson Raid and Kruger telegram were not auspicious: since 1895 the British press had been focusing on the economic competition with Germany and, as Langer explains, "by 1896 Germany had been singled out in the popular mind as Britain's most dangerous trade rival. In January of that year the report of a British commission disclosed that Britain's leadership in the supply of iron and steel was passing, and it explained the advantages which the German industry had over their own. This report, coming almost simultaneously with the Kaiser's telegram to President

⁴⁰ See Kennedy 1980, 242-248 and Bourne 1970, 180-181 on the change in British sentiment towards Germany during the years 1900-1902. The quote about Bülow is from Kennedy 1980, 227.

⁴¹ See Bourne 1970, 162 and editor's note in Dugdale 1929, 365-366 for a description of the origins of the raid. For the text of the telegram, see Dugdale 1929, 387 [XI.31].

⁴² On the public reaction see Carroll 1938, 470-377; Taylor 1954, 365-366; Langer 1951, 234, 240-246.

For more information on the Kruger telegram, see Langer 1951, 232-243; Taylor 1954, 364-366; Louis 1967, 24-25; Butler 1967, 202-212; Dugdale 1929, 365-409; Kennedy 1980, 220-222; Hayes 1978, 78-79; Carroll 1938, 362-277.

Kruger, caused great excitement, which was increased by a book, *Made in Germany*, published in the same year."⁴³

Despite this excitement, no further conflict developed at this time. But the incident did have deeper ramifications: Kennedy explains that

This quarrel caused the official planners in the High Command to consider for the first time whether an Anglo-German war was a possibility, and in March 1896 steps were taken to prepare an operations plan against Britain. The details of this scheme are not especially significant, but the fact that it was drawn up at all *was* very important, for it marks the first time that part of the German 'Official Mind' began to see the British as potential enemies, rather than as uncertain friends or devious neutrals (Kennedy 1980, 218).

A similar thought process must have gone on in the minds of British leaders, for this was the first time that Germany had infringed upon one of Britain's strategic interests (Kennedy 1980, 220; Lowe 1967, vol. 1: 215; Hayes 1978, 79). It has also been argued that the crisis over the Jameson Raid and Kruger telegram encouraged the calls for an expansionist *Weltpolitik* (Kennedy 1980, 221) and convinced German leaders that a fleet was required if they were to exercise influence in world (Harvey 1938, 150; Hoffman 1933, 207-208).⁴⁴ Although none of this ruled out Anglo-German reconciliation or cooperation, and indeed several agreements and alliance attempts were made by the two states in the following years, in practice the year 1896 marked the beginning of the period in which Germany and Great Britain would each be the other's main rival.⁴⁵

⁴³ Bennis 1955, 175, see also 173-177; Kennedy 1980, 218; Langer 1951, 244-246; Taylor 1954, 366. There were also suspicions in Britain about German economic aspirations in the Transvaal. See Hoffman 1933, 205-208.

⁴⁴ On *Weltpolitik* and especially its anti-British connotation, see Kitchen, esp. 231-236; Smith 1978, 174-179; Meyer 82; Stengers 1967, 343-344.

⁴⁵ Among the agreements made between the two states were the August 30, 1898 agreement over the Portuguese colonies of Angola and Mozambique (Hayes 1978, 81-82; Kennedy 1981, 112; Carroll 1938, 405-408; Lowe 1967, vol. 1: 213; Bourne 1970, 165-166); the agreement on Samoa (Louis 1967, 27); and the Yangtze agreement of October 1900 (Lowe 1967, vol. 1: 238-250; Kennedy 1981, 115; Bourne 1970, 167-168).

On the various alliance attempts, see Hayes 1978, 80-87; Kennedy 1981, 111-112, 115; Carroll 1938, 423-425; Allen 1955, 557, 559, 604; Lowe 1967, vol. 1: 232; Bourne 1970, 168-169.

The Venezuela incident

In late 1895 and early 1896 a conflict developed between the United States and Great Britain which was seen, in the United States at least, as bringing the two countries to the verge of war.⁴⁶ The cause of the conflict was a boundary dispute between Venezuela and British Guiana (see Allen 1955, 532-533; Dulles 1965, 135-138). The Venezuelans appealed to the US as early as 1876 (Allen 1955, 533), but it was not until 1887, after repeated British refusals of arbitration, that Venezuela broke off relations with Great Britain and appealed to the US to intervene (Faulkner 1959, 215). Secretary of State Gresham took up the matter in 1894 with little result; his successor, Secretary of State Olney, then sent a note to the British government, arguing that Great Britain was depriving an American state of the right and power of self-government "by advancing her boundary line against a weaker power and then refusing to arbitrate it, which was thus a violation of the Monroe Doctrine" (Allen 1955, 535; Dulles 1965, 138-139). The British took four months reply, and then proceeded to dismiss all the American arguments: Salisbury refused to arbitrate the disputed territory and rejected both the Monroe Doctrine's standing in international law and the applicability of the Monroe Doctrine to the Venezuela boundary dispute (Allen 1955, 535-536; Dulles 1965, 139-140).

The next development was Cleveland's message to Congress, on December 17, 1895. In his message Cleveland reasserted the Monroe Doctrine in general and its applicability to the Venezuela dispute in particular (*Messages* 1897, vol. XIII: 6088-6089). He also requested funds for an inquiry into the boundary dispute. Then, as Faulkner describes, "he practically informed Congress in advance what the results of the study would be" (Faulkner 1959, 215). Cleveland stated that "When such report [of the commission] is made and accepted it will, in my opinion, be the duty of the United States

⁴⁶ On the possibility of war, see Dulles 1965, 141-143; Rhodes 1919, 448; Campbell 1978, 41; and Faulkner 1959, 216. Allen reports that Civil War veterans and others came forward and offered to fight (Allen 1955, 537).

to resist by every means in its power, as a willful aggression upon its rights and interests, the appropriation by Great Britain of any lands or the exercise of governmental jurisdiction over any territory which after investigation we have determined of right belongs to Venezuela" (*Messages 1897*, vol. XIII: 6090). Cleveland thus threatened to go to war to enforce the boundary of Venezuela.⁴⁷

Cleveland's message and the public outbursts which accompanied it shocked the British. Dulles reports that "aroused by the possibility of a war which even the Colonial Secretary...now called an absurdity as well as a crime," some 350 members of the House of Commons signed a memorial calling for the arbitration of any dispute with the United States (Dulles 1965, 143; see Allen 1955, 538-539; Rhodes 1919, 450).⁴⁸ Voices in the United States also started speaking out against the possibility of war (Dulles 1965, 143; Allen 1955, 537-538). And then on January 3, 1896, the Kruger telegram was sent. While Allen argues that the British would have agreed to arbitration in any case, there is little doubt that their interest in doing so was increased by the Kruger telegram.⁴⁹ According to Allen, the telegram

not only so enraged public opinion in Britain as to banish all thought of Venezuela, but put the border dispute in its proper perspective; when 'Yankee Doodle' was cheered and 'Die Wacht am Rhein' hissed in London, it demonstrated clearly how utterly different was popular feeling towards the two countries. Most important of all, and perhaps most influential at the summit of affairs, it called unmistakable attention to that isolation of Britain in the world, which no longer seemed splendid so much as dangerous, and apprehension of which was to be the key to British diplomacy in the years ahead (Allen 1955, 538).

⁴⁷ On the dispute, see Faulkner 1959, 215 ff.; Allen 1955, 531-541; *Messages 1897*, vol. XIII: 6087-6090; *Messages 1897*, vol. XIII: 6064; Dulles 1965, 134-148; DeConde 1971, 330-335; Bailey 1959, 479 ff.; Perkins 1968, 13-19; May 1961, 33-55; Bourne 1970, 170-171; Campbell 1978, 11-47.

⁴⁸ Neale reports that Salisbury did not think a war with the United States was inconceivable in the next few years (Neale 1966, 109).

⁴⁹ On the role of the Kruger telegram, see Dulles 1965, 144; Mowat 1925, 267; Kennedy 1981, 107-108; Perkins 1968, 18; May 1961, 49-50; Campbell 1978, 34.

The British Government now agreed to cooperate fully with the commission set up by the U.S. Congress to investigate the dispute, and "Salisbury expressed publicly his appreciation of the naturalness and propriety of American interest in Venezuela under the Monroe Doctrine" (Allen 1955, 539). Eventually an agreement on arbitration was reached (Allen 1955, 539-540, Dulles 1965, 144).

The significance of the Venezuela incident lies not in the resolution of that conflict itself, but in what the incident revealed about the transformation that was taking place in both the American role in the world and in Anglo-American relations.⁵⁰ Hayes argues that when "stripped of its rhetoric,...[Cleveland's message to Congress] indicated a determination by the United States to increase its influence in countries where Britain had reigned supreme since the days of Canning" (Hayes 1978, 57-58), and Dulles argues that "the stand taken in the Venezuela dispute...marked a dividing line in the evolution of American foreign policy. It strengthened the forces of nationalism, encouraged further naval expansion, and revealed that America was prepared to act as a great power" (Dulles 1965, 145).

It also initiated the rapprochement between the United States and Great Britain which was to take place over the next decade.⁵¹ While it is difficult to isolate all the

⁵⁰ Indeed, there was little contemporary interest in the boundary settlement that was reached (Dulles 1965, 144).

⁵¹ Hayes 1978, 102. Signs of the growing Anglo-American friendship include the general arbitration treaty negotiated but not passed in 1897 as well as other attempts in 1904 and 1911 (see Dulles 1965, 146-147; Mowat 1925, 321, 333; Allen 1955, 541-545, 626-627; Perkins 1968, 26-29, 235, 252-257, 275-276; May 1961, 52-53, 60-65; Bemis 1965, 422; DeConde 1971, 397-399; Bailey 1959, 491-492, 589-591); the settlement of the Isthmian canal question (see Mowat 1925, 285; Allen 1955, 550, 596-598, 600-603; Hayes 1978, 104; DeConde 1971, 376-383; Bailey 1959, 534-535; Perkins 1968, 173-185; Campbell 1978, 48-88; Bourne 1970, 174-175); the settlement of the Alaskan boundary (Campbell 1978, 89-126; Mowat 1925, 287 ff.; Allen 1955, 598-600, 609-614; DeConde 1971, 400-403; Bailey 1959, 554-558; Perkins 1968, 106-107, 162-172); the shared interest in the open door in China (Mowat 1925, 290; Latané 1927, 568-570; DeConde 1971, 360-369; Bailey 1959, 526-528; Perkins 1968, 212-216); the fisheries (Mowat 1925, 307-310; DeConde 1971, 403-404; Bailey 1959, 585-586); Roosevelt's handling of the Morocco incident (Allen 1955, 619-620; DeConde 1971, 393-396); the shared attitude toward the Russo-Japanese War (Allen 1955, 615; Perkins 1968, 221-228); the Boundary Waters treaty (Mowat 1925, 322); the passivity of the British in the Spanish-American War (Allen 1955, 556, 559, 572-586; Bourne 1970, 172-173; Mowat 1925, 319; DeConde 1971, 345; Bailey 1959, 511-512; Perkins 1968, 31-63; May 1961, 220-225; Neale 1966; Campbell 1978, 127-155 and 187-188) and the passivity of the United States

factors that led to this rapprochement, three underlying factors can be singled out. First was simply the emergence of the United States onto the world stage. Allen argues that "with America's awakened interest in the outside world, there were far more points of contact between the two nations, but this in fact led to a greater rather than a less degrees of understanding, partly because British imperialism at the turn of the century had an instinctive feeling of sympathy towards the novel American brand, but very much more because Britain was increasingly anxious to secure her rear by friendship with her great neighbor" (Allen 1955, 549; see also 562). As the US grew in interests, its economic relations with Great Britain became less conflictual. Perkins describes "an abrupt change" in Anglo-American economic relations after 1898, stating that after that date

the two countries seldom viewed themselves as competitors for specific colonial or underdeveloped markets. Instead, they considered themselves allies. Before a wildly cheering audience in Boston in April 1898, a young and ambitious Republican orator, [Albert J. Beveridge], declared..."Fate has written our policy for us; the trade of the world must and shall be ours. And we will get it as our mother country has told us how....If it means Anglo-Saxon solidarity; if it means an English-American understanding upon the basis of a division of the world's markets...the stars in their courses will fight for us and countless centuries will applaud" (Perkins 1968, 72-73; see also 120-130).

Lying behind the broadened interests of the US was the wealth and power which made them possible; those same factors made it attractive as an ally. Viscount James Bryce commented that "in this age, more than any preceding, wealth means power, offensive power in war as well as financial power in peace....The Republic is as wealthy as any two of the greatest European nations, and is capable, if she chooses, of quickly calling into being a vast fleet and a vast navy."⁵²

in the Boer War (DeConde 1971, 399-400; Bailey 1959, 525; Perkins 1968, 89-97; Campbell 1978, 203-204). For a general discussion, see Kennedy 1981, 118-119; Kennedy 1980, 265; Perkins 1968.

⁵² Quoted in Allen 1955, 550, see also 551, 518; Dulles 1965, 149; May 1961, 6. On the increase in American naval power, see May 1961, 7, 11.

At the same time that the US was expanding in power and interests, Great Britain's relative power was decreasing. This relative decline served as a constraint on both the interests which British could pursue and the ways in which it could pursue them.⁵³ As Britain's relative decline became apparent, and old threats such as that from Russia remained even as new threats such as that from Germany appeared, Britain began to end its isolation by pursuing both friends like the United States and allies like the Japanese.⁵⁴

A final factor in the rapprochement of the US and Great Britain was the rise of Germany, which Henry Adams argued "frightened England into America's arms" (quoted in Mowat 1925, 273; see also Perkins 1968, 241-272). At the same time that British concern about Germany was increasing, Americans were also coming to see Germany as a threat. Allen explains that "despite the sporadic efforts by the German government to win her friendship, [the United States] was almost as convinced as Britain of the danger of Germany's aspirations. German hostility during the Spanish-American War made plain what sustained differences over such issues as that of Samoa had long indicated, and Admiral Dewey could declare outright in 1899 that America's next war would be with Germany" (Allen 1955, 559-560). While American suspicions of Germany arose mostly from worries about German intervention in the Caribbean and Latin America (Dulles 1965, 225; Perkins 1968, 186, 191), Allen argues that the German naval program also aroused American suspicions (Allen 1955, 561, 607-608), and as early as 1905 some

⁵³ Hayes argues that the concessions Britain made in the Venezuela incident are an example of this (Hayes 1978, 57-58). For more on Britain's decline and how it affected relations with the US, see Perkins 1968, esp. 156-160; for an analysis of how Britain handled its relative decline see Aaron Friedberg's *The Weary Titan*. Kennedy (1981, 110) discusses the debate on isolation versus alliance.

⁵⁴ On the United States, see Allen 1955, 525, 557, 563; Bourne 1970, 169-170; Perkins 1968, 8-9; Campbell 1978, esp. 186 ff. On the Anglo-American economic relationship, see Vale 1984. On the alliance with Japan see Allen 1955, 557; Kennedy 1981, 116-117; Bourne 1970, 175-178. It is important to remember that at least until 1901 Britain also considered cooperation with Germany, though the two states were never able to come to an understanding.

Americans were already concerned about the possible German domination of Europe (Perkins 1968, 267, see 267-270).⁵⁵

Thus during the years after 1896 dramatic changes took place in the strategic environments of the major states. First the emergence of multipolarity in the economic realm meant that who posed a threat to whom became less clear. Second, relations between the US and Great Britain improved: The emergence of the US onto the world stage meant that military threats rose to the top of its agenda; at the same time it discovered the interests it shared with Great Britain. Great Britain's relative decline, meanwhile, meant that Britain was interested in developing its friendship with the US; at the same time, Britain's decline dictated a contraction in the scope of British interests which allowed it to accommodate the US. Finally, for Great Britain and Germany the economic rivalry which had characterized their relations for some years became reinforced by the perception of a mutual military threat. For none of these states, then, were economic threats the dominant threat faced in the years following 1896.

⁵⁵ Note that Kolko warns against putting too much emphasis on the German threat as the glue which held the US and Britain together (Kolko 1976, 41).

Chapter Five Conclusion

The case studies show that in some circumstances, in particular, in the absence of significant military threats, states balance in the economic realm. But the finding that states sometimes balance in the economic realm raises more questions than it answers. This chapter addresses the most important of those questions, examining first, the conditions under which states balance in the economic realm, second, the use of balance of power theory to understand state behavior, and finally, the implications of economic balancing for current international politics.

Economic Balancing

Chapter Two demonstrates that the United States balanced against the relative economic strength of Great Britain from 1870-1896. But what implications and conclusions can we draw from that finding?

The most obvious question to follow from that finding addresses the conditions under which we should expect states to balance in the economic realm. States are said to balance in the economic realm if they perceive the relative economic strength of other states as a threat and take action designed to counter that threat. Thus, one of the key questions to arise out of the finding that states balance in the economic realm concerns the conditions under which states perceive the relative economic strength of other states as a threat.¹ In Chapter One, I identify two factors that I expect to influence threat perception in the economic realm: the existence of an imbalance of economic strength, and the absence of significant military threats. A third factor, ideas and ideology, is suggested by the case studies.

¹ As mentioned in Chapter One, a further question which needs to be explored relates to the factors which influence how a state decides to respond to a threat.

In this project I use an imbalance in economic strength as a potential indicator of threat. Because I do not examine the policies of states which do not face an economic imbalance, on the basis of the case studies presented here we cannot conclude anything about whether an imbalance in economic strength leads to balancing behavior. Certainly balance of power theory expects that to be the case, and I use that expectation as an indicator of where to look for cases of economic balancing.²

As chapter two demonstrates, the United States did perceive the relative economic strength of Great Britain as a threat during the years 1870-1896. Great Britain's financial strength was seen as a threat primarily because it was used to maintain the gold standard and the consequently the advantages that Great Britain was seen as gaining under that standard. In the commercial realm, Britain's dominance, especially of merchant shipping, was seen as limiting American exports, and Britain's dominance of the world commodity markets was seen as allowing Britain to determine the price at which American goods were sold abroad.

These threats to particular American economic objectives—e.g. the sale of more goods abroad and the establishment of a bimetallic currency standard—were seen as posing a more general threat, in that they threatened to block or limit American economic expansion. That expansion was seen as necessary for the survival of American political institutions.³

So we have one particular example of a state that perceived the relative economic strength of another state as a threat. Is there any reason to think that this may be a more

² Although Waltz's balance of power theory aims to explain only the trend towards rough balances of power in the international system—to explain systemic outcomes, and not the balancing behavior or foreign policy of states, I argue that Waltz's balance of power theory implies that an imbalance of power will be perceived as a threat and that states will balance as a result.

³ This suggests that one way economic threats affect the security of a state—or at least of particular regimes and institutions—is through their ability to generate domestic unrest.

general phenomena? That relative economic strength in and of itself, and not because of its connection to military power, may be important to states in general?

The concept of "threat," at its most basic, involves the idea of doing harm; in game theoretic terms, one can think of one player posing a threat to another when she has the ability to negatively affect the other player's payoff.⁴ According to this understanding of threat, almost any interaction between two actors carries the potential of threat within it; the most dramatic instance of this is a constant-sum game, where one's player gain is the other player's loss.⁵ Note that threat can come into play over time: If relative gains in one round can be used in the future to the advantage of the possessor and the disadvantage of others, then differences in the payoffs of the players will pose a threat (see Powell 1991).

In the US case, several factors contributed to the perception of Great Britain's relative economic strength as a threat. Because the years examined in the case studies were generally years of depression, economic relations often took on the appearance of a constant-sum game.⁶ But while the experience of the depression may have influenced the American perception of an economic threat, the British experience suggests that an

⁴ In most cases this interaction provides a potential threat, giving one player the ability to attempt to influence the other player. In that case, the question of whether a player intends to use that potential may come into play. In the case of a constant-sum game, however, intent is irrelevant; one player's gain is by definition the other player's loss. The question of intent will be examined in more detail below.

⁵ We can distinguish between situations of cooperation and situations of conflict according to whether the participants help or hurt each other, where cooperation occurs if the participants can work together and achieve a better outcome than they can achieve on their own, and conflict occurs when their interaction results in a worse outcome. To distinguish between conflict and competition, however, we need to think more about threat. One possibility is to think of placing competition and conflict on opposite ends of a continuum, where the placement of two states on that continuum depends on the pervasiveness of threat (is threat present in all their relations with each other, or just in one or two areas?), on the importance of threat (are vital or minor values threatened?), on the degree of threat (how much influence does one actor have over the payoff of the other?), and on the perceived intentionality of the threat posed.

⁶ Whether a "true" depression occurred in these years has been hotly debated. There was certainly a decline in the world price level, but most other economic indicators show an upward trend. See Friedman and Schwartz 1963, 15-134; Higgs 1971, esp. 18-21; Musson 1959, esp. 199-202.

economic downturn is not sufficient to cause the perception of an economic threat.⁷ Furthermore, the United States also perceived Great Britain as being able to use its relative economic strength to structure the international economy and its economic relations with other states to its advantage and to the disadvantage of others.

This suggests that if one recognizes that states, to a greater or lesser extent, structure their economic relations (at the most basic level, by creating markets), then there is no reason to believe that the American case of balancing will be unique. Although the influence of military threats is not clear, arguments from the South about the North's ability to structure the international economy to its advantage and their disadvantage (e.g. Krasner 1985a) and from Europe and Japan about the relative advantages gained by the US under the Bretton Woods system (e.g. Spero 1990, esp. 43-44; Calleo 1987, 82-108), certainly suggest that relative economic strength has been seen as allowing its possessor to gain advantages and to disadvantage others by influencing the structure of international economic relations.⁸

The other factor thought to affect the likelihood of balancing in the economic realm is the presence of military threats. In Chapter One I argue that there is a hierarchy of threats: that military threats generally assume prominence over economic or other types of threats. Because of this, I expect that when significant military threats are absent, economic threats will rise to the top of states' agendas and states will balance in the economic realm. When significant military threats exist, however, I expect state policymakers to focus on countering those military threats. Military threats are thus assumed to be more "important" or "serious" than economic threats.

⁷ As will be addressed below, this highlights the important role that ideas play in shaping one's understanding of the situation one is in.

⁸ Whether governments have lost (some of) their ability to do this will be addressed in the section below on the current era of international politics.

The case studies provide support for this argument. In the US case, we saw that arguments about the threat posed by the relative economic strength of Great Britain were much more common in the period from 1870-1896, when the US enjoyed freedom from military threats, than they were in the earlier period. The variance across the American and German cases also provides support for the dominance of military threats. Although both the US and Germany faced the same economic hegemon, Germany also faced a significant military threat. Chapter Three demonstrates that the energy and attention of German leaders were focused on countering the military threats Germany faced; Germany's foreign policy, including its policy towards Great Britain, was dictated by Germany's need for military allies.⁹ To the extent that Germany's economic policy was shaped by international considerations, it was shaped by military threats and the need for allies, not any threat posed by Great Britain's relative economic strength.¹⁰

There are thus reasons to expect economic balancing to be a more general phenomenon, and to the extent that military threats have diminished in significance for the major powers in the current era, we should expect economic balancing to take place. (The implications of this for international conflict and cooperation will be addressed below.) More broadly, though, this suggests that we need to think more carefully about the connections between economic strength and military power.

⁹ An underlying assumption here is that states prioritize the threats they face. I do not mean to imply by this that states necessarily conduct a thorough review of all the threats they face and evaluate their relative importance. Indeed, in his study of Britain's response to relative decline in the years 1895-1905, Aaron Friedberg argues that Britain's assessment of its position relative to other states was "fragmented, both intellectually and bureaucratically" (Friedberg 1988, 280). However, states typically face limited resources, and in deciding how to allocate those resources, judgments are made about what interests are most vital and what threats are most serious. Trade-offs among different policy goals are commonly made. Bismarck's subordination of Germany's colonial policy to the requirements of his European policy is a good example.

¹⁰ While it is also possible that a difference in the economic relations between the United States and Great Britain, on the one hand, and Germany and Great Britain, on the other, account for the difference in balancing behavior, the results of the US comparison over time makes this less likely (see Chapter Two). In the section on the German economic position in Appendix One, I briefly discuss some of the differences in the position of the United States and Germany.

My argument is based on very simple assumptions about the relation between economic strength and military power: that economic strength is a source of military power, and that therefore when military threats exist, economic policy will be directed towards increasing military power. Gowa's (1989) and Gowa and Mansfield's (1993) work on polarity and free trade is based on a similar understanding of the relation between economic strength and military power. They examine how the military conflicts between states shape their economic relations—not only by inhibiting economic relations among military rivals but also by encouraging economic cooperation among states who face a common military foe.¹¹

But the relation between economic strength and military power may vary over time. Steve Weber and John Zysman, for example, have argued that a change has occurred in the relation between commercial and military technologies (Weber and Zysman 1992). While previously commercial applications were "spun off" from military technology, they suggest that we may now be entering into an era when technologies "spin on" from the economic arena to the military arena. This implies that, to the extent that military threats remain significant for the major powers, economic strength may become an even more important source of military power than it has been in the past.

We also need to think about how economic and military threats interact. During the years 1870-1896, the US was free from military threats and the threat from the relative economic strength of Great Britain dominated its agenda. Both Germany and Great Britain faced serious military threats during these years, however, and their foreign policies focused on countering those threats. Anglo-German relations after 1896 suggest that economic and military threats can interact in ways other than subordination and domination. In the period after 1896, the economic and military threats each of these

¹¹ On a related note, see Michael Mastanduno's *Economic Containment: CoCom and the Politics of East-West Trade*, which examines the Western allies attempt to use East-West trade as a strategic weapon.

states posed to the other seem to have been reinforcing, increasing the sense of threat that both Germany and Great Britain felt (see Kennedy 1980). This suggests that conflict between states may increase in intensity as the pervasiveness of the threat posed by a state grows; that different types of threats may interact and reinforce each other when they are posed by the same state.¹²

Finally, the research presented here suggests that ideology and ideas may influence threat perception and thus the balancing behavior of states. The impact of ideology can be seen most clearly in the case of Great Britain, where the belief in free trade seems to have constrained the perception of economic threats and increased the passivity of British economic policy, possibly to Great Britain's detriment (see Fuchs 1905, 29; Platt 1968, 144-145). A belief in mercantilism would operate in the opposite way, making the perception of economic threats more likely and indicating the necessity of responding to the economic policies of other states. This indicates that an understanding of when states balance in the economic realm requires an understanding of the role of ideas and ideology. It is important to note that while this need may be especially apparent in the economic realm, it exists in the military realm as well.¹³ Examples of this include not only perceptions of the offense-defense balance or the differing perceptions of the Soviet threat, but also the rival understandings of nuclear weapons which have existed among policymakers, academics, and the public at large.¹⁴ Further research is needed to explore the role of ideas in the process of threat perception.

¹² This kind of reinforcement may have taken place among the ideological, economic, and military threats in the Cold War between the United States and the Soviet Union.

¹³ I argue that it is more obvious in the economic realm because the base of consensual knowledge about that realm is smaller. While conflicting opinions may exist about the existence of, and appropriate responses to, threat in the military realm, the possible existence of threat per se is not contested, as it is in the economic realm. Furthermore, the severity and immediacy of threats in the military realm may mean that the range of possible beliefs in that realm is more constrained than it is in the economic realm.

¹⁴ For an analysis of the effect of nuclear weapons which emphasizes the role of ideas, see Weber 1992.

This study has established that states do balance in the economic realm, and has argued that they are more likely to do so in the absence of significant military threats. It has presented evidence that an imbalance in economic strength can lead to the perception of threat, and suggests that ideas and ideology are also important determinants of threat perception. The next section examines the more general lessons that can be learned from this application of balance of power theory.

Balance of Power Theory Revisited

One of the hopes expressed in Chapter One was that this application of balance of power theory to the economic realm would contribute to an evaluation of that theory. While this study has shown that the underlying argument of balance of power theory will continue to be relevant in the current era of international politics, it also illustrates the difficulties involved in moving from balance of power theory to the balancing behavior of states.

One of the issues that was discussed earlier is that of power, threat, and intentionality. While in neorealism unbalanced power is in and of itself a threat, others have argued that it is intentions and not power in and of itself that matters.¹⁵ The US case does not solve this dispute, but it does suggest that states do not have to be hostile or greedy to pose a threat. The US did perceive itself as being harmed by Great Britain's relative economic strength, but not necessarily because of any deliberate attempt on the part of Great Britain to do so. While Great Britain was at times seen as hostile to the United States, it is not at all clear that the American perception of threat relied on the belief that Great Britain was deliberately inflicting harm on the United States. Instead, much of the perception of Great Britain's relative economic strength as a threat seems to

¹⁵ E.g. Keohane 1993, 282-283. For other discussions of the importance of motivations, see Spirtas 1996; Schweller 1996; Glaser 1992; Kydd 1996.

have resulted simply because that relative strength allowed Britain to prevail when the pursuit of British economic interests clashed with the interests of the US. Perhaps the best example of this is the influence Britain gained under the gold standard. While the effects of that standard were certainly bemoaned in the United States, Britain's maintenance of that standard was not seen as a deliberate attempt to injure the US.

This suggests that a focus on intentions may exclude some threats, not only because intentions may change over time but also because conflicts erupt simply because states' aims sometimes conflict, and when they do, relative power affects how those conflicts are resolved. I am not arguing here that the ends of states are necessarily constant-sum, so that a gain for one is automatically a loss for others. All I am assuming is a lack of harmony of interest. Given that lack, and given that the anarchic nature of the international system means that relative power will influence who prevails when interests do clash, we should expect states to care about relative power and to balance.

One problem highlighted by the application of balance of power theory to the economic realm is that of indicators for balancing behavior. One of the reasons I decided to use balance of power theory to explore the likelihood of conflict and cooperation in the current era was the difficulty of demonstrating empirically the concern of states with relative gains (see Chapter One). Studies which seek to demonstrate the concern of states with relative gains have been hampered by the difficulty of finding a situation in which a state faces a stark choice between relative and absolute gains. Without that stark choice, the force of the argument that the state is pursuing relative gains comes to rest on other reasons for believing that relative gains matter. Those reasons typically involve power and threat, and as this study of balancing in the economic realm makes clear, those concepts are central to a balancing approach.

"Threat" is a messy concept in international relations; many approaches to the study of international relations simply equate power with threat and leave it at that. However, it has not been possible to do that in applying balance of power theory to the economic realm, because it is not universally accepted that economic strength is power. Thus the first step necessary to determine if states balance in the economic realm is to ask if states perceive the relative economic strength of other states as a threat. The finding that the US did perceive the relative economic strength of Great Britain as a threat has already been discussed above. While some reasons for believing that this is a more general phenomena have been advanced above, the conditions under which states perceive the relative economic strength of other states as a threat need to be explored in more detail; such research should contribute to an understanding of balancing in the military realm as well.

If a threat is perceived, the second step necessary to determine if states balance is to see if states try to counter that perceived threat. Applications of balance of power theory to the military realm have generally used the formation of alliances or the acquisition of arms as indicators of balancing. It has not been possible to identify any objective indicators of balancing in the economic realm, and in thinking through the problems and possibilities of various types of indicators for balancing in the economic realm, the use of objective indicators for balancing in the military realm also becomes questionable.

There are two problems with the attempt to equate a particular action or policy with balancing. The first arises because there is usually more than one way to counter an imbalance of power or perceived threat. We saw in the US case that there was no consensus on which policies—free trade or protection, bimetallism or the maintenance of the gold standard—would best counter the threat from Great Britain. Each of these policies was argued to be the best way to increase the relative economic strength of the

United States, and this was the main reason I argued that it was not possible to use the pursuit of a particular economic policy as an indicator of balancing. Instead of using particular policies as an indicator of balancing, I examined economic policy debates to see whether particular policies were advocated on the basis of their ability to counter the perceived threat.

This problem is perhaps less acute in the military realm because there seems to be some general agreement on what constitutes military strength and on how to go about acquiring it. While there are different means of acquiring military strength (land forces versus bombers, for example), so that disagreement is possible about how to go about countering a particular threat, most everyone would agree that more bombers increase military strength. No such basic agreement exists in the economic realm.

The second problem arises because there is always a range of possible motives for any given action or policy. Here one has to ask whether the policy or arguments used as an indicator of balancing were really motivated by the threat in question, or whether the threat was a convenient means to justify or enact policies that served other interests. I dealt with this problem by examining whether the content of economic policy debates changed with the strategic setting of states, and found evidence that it did so both overtime in the US case and in the comparison of the German and American case studies.

This problem is just as serious in the military realm as it is in the economic realm. The motives behind policies touted for their ability to increase military strength may be as varied as the motives behind policies touted for their ability to increase economic strength. Arms acquisitions may serve the interests of particular manufacturers, particular communities, or particular individuals or branches of government, in the same way that a specific economic policy may serve the interests of particular manufactures, industries, individuals or government agencies. Evaluating the relative importance of the

threat versus these sorts of particular interests in motivating a particular policy is thus central to the identification of balancing behavior in both the military and economic realms.¹⁶

The finding that states balance in the economic realm provides additional support for balance of power theory. The US case also indicates that relative strength in and of itself can pose a threat, regardless of the intentions of the stronger state. But the case studies presented here also suggest that care is needed when using balance of power theory as a guide to state behavior; in particular, it suggests that the use of objective indicators for balancing behavior is problematic. The next section investigates the implications of the finding that states balance in the economic realm for the current era of international politics.

The Continuing Relevance of Balance of Power Theory

The finding that states balance in the economic realm suggest that balance of power theory will continue to be relevant even if the current era is characterized by a decrease in the salience of military threats. But this implies that case studies from the nineteenth century can help us to understand international relations today, which is far from obvious.

In applying the findings of the case studies to the contemporary era, there are three types of differences we need to take into account: changes in the economic realm, changes in the connection between economic strength and military power, and the change in the number of states for whom economic threats may be dominant. In what follows I explore each of these changes and how they affect balancing in the economic realm.

¹⁶ This in turn leads to questions both about the definition of national interests and about the process of threat perception.

Changes in the Economic Realm

Changes that have taken place in the economic realm may affect the likelihood of balancing, by affecting the need or ability to states to balance in that realm.¹⁷ The possibility of this sort of change is underscored by arguments about the decreased threat of major power war, which suggest that just this sort of change has occurred in the military realm. The question here is whether there have been concurrent changes in the economic realm which affect the salience of economic threats. Above I discussed three factors which may impact the perception of economic threat: the presence of an imbalance in economic strength, the state of the economy, and ideas and ideology. The effect of each of these in the current era will be discussed in turn.

Unlike the nineteenth century, in the current era there is no state that dominates the world economy as Great Britain did for most of the nineteenth century. In the case studies I chose to focus on the nineteenth century because this project was designed to determine if states balance in the economic realm at all, and those years offered a clear imbalance of strength. But the lack of a single dominant power does not mean that states will not balance in the economic realm; indeed, balance of power theory suggests that even relatively small imbalances of power will be perceived as threatening. There are various schools of thought about what kind of power imbalances are most likely to lead to conflict and war in the military realm. For example, in his study of hegemonic war, Gilpin suggests that conflict will be most intense when a hegemon has stretched its capabilities to the limit and a new power is rising to challenge its dominance (Gilpin 1981). The power transition school also suggests that war is most likely when the gap between two states is closing (see Organski and Kugler 1980; Kim 1992). However, whether the size

¹⁷ Jeff Sluyter-Beltrao first raised this issue with me.

of, or the direction of change in, a gap in relative economic strength affects the likelihood of conflict remains to be investigated.

The state of the economy today undoubtedly differs from that which characterized the late nineteenth century, and the fact that all the case studies were all drawn from the period known as the first great depression limits our ability to generalize about the propensity of states to balance in other economic conditions. The British experience discussed above suggests that the existence of a depression is not sufficient for the perception of an economic threat, but further research is needed to determine if a period of recession or depression is necessary for that perception.

In terms of ideas and ideology, there is much to suggest that economic threats are very salient today. There has been much discussion about the possible threat posed by the economic strength of each of the major powers (the US, Japan, and the EU) to each other as well as about possible threats posed by Japan, the United States, and Germany to smaller states in their regions. Anecdotal evidence for the salience of economic threats also comes from recent media coverage of economic espionage.¹⁸

Contemporary debates about economic policy also suggest the continued possibility of economic threats.¹⁹ Just as Americans attached importance to the relative market shares of Great Britain and the United States in Latin America in the nineteenth century, so do contemporary observers speak of the "foreign trade threat" and argue that our "national economic well-being" is at stake unless American industry begins to "win and hold markets against the efforts of foreign rivals" (Tyson and Zysman 1983, 15, 16). Strategic trade theory has also been used as part of arguments which suggest that the economic realm is becoming more conflictive. One such argument is presented by Weber

¹⁸ See Waller 1995; Schweizer 1993 and 1996; Suter 1995; Swoboda 1996; Weiner 1996; Ostrow and Richter 1991; Lardner 1990; Samuelson 1990; Sanger 1996.

¹⁹ For example, see Tyson 1992; Thurow 1992; Luttwak 1993; Phillips 1984; Prestowitz 1988; and Garten 1992.

and Zysman (1992). They first introduce the notion of a technical trajectory, which suggests that "nations, or regions within nations, follow separate development trajectories" and that "industries in one nation...may make innovations or begin lines of development that create powerful advantages in international industrial competition—advantages that are not readily transferable to others" (Weber and Zysman 1992, 179, see 178-182). They then argue that when the notion of a technical trajectory is joined to the strategic trade argument, it suggests that "there may be enduring national winners and losers from trade" because "an initial advantaged position affects the long-run accumulation of skills, innovations, and knowledge that can influence the relative wealth and position of national economies over the long-term" (Weber and Zysman 1992, 184). This suggests that national policies promoting industrial innovation and development may be perceived as a threat by other states. While without further study we cannot conclude that any states in the contemporary international system are balancing, it seems fair to say that current understandings of the international economy certainly do not preclude the existence of economic threats.²⁰

One other possible change in the economic realm needs to be considered. Arguments about the rise of economic interdependence and globalization suggest that there has been a radical decrease in the ability of states to influence international economic relations, which in turn suggests that the ability of states to respond to a perceived economic threat may have been reduced or eliminated.²¹

Arguments about the decreased importance of the state have been made at least since the 1970s, and Platt notes that even at the beginning of the twentieth century government control of the economy, and especially, the money market, was "far from

²⁰ To demonstrate that states are balancing we need to show not only that these sorts of ideas persist, but that they have led to threat perception, and that states react to those threats by trying to counter them.

²¹ The decline of the state as an economic actor may also affect threat perception, because to the extent that there is no longer a national economic interest, it will be difficult to threaten that interest.

perfect" (Platt 1968, 8). While this past legacy of concern about the loss of state autonomy and control does not mean that the concerns expressed today are unfounded, it does suggest that a healthy caution should be brought to bear in evaluating these claims. While some consensus on the occurrence of globalization does seem to be emerging, the causes and implications of globalization are far from clear.²² While the details of this debate are beyond the scope of this project, two points need to be made about how that debate relates to our expectations about balancing in the economic realm.

First, while the influence of states on international economic relations may have declined, as long as states have some ability to act in the economic realm, the ability to balance would still exist. Agreements like NAFTA and moves toward monetary integration in the EU certainly suggest that states still have the ability to affect the structure of international economic relations, and rising research and development costs suggest that the state may be increasingly important in some areas.²³ Second, it is important to remember that the efficacy of states' balancing, and thus the efficacy of particular national economic policies, is not the primary concern here. Conflict can erupt from the belief that a threat exists and from the attempt to counter it, even if that belief is mistaken or the attempt fails.

Thus, while important changes are taking place in the economic realm, at the present time there seems no reason to believe that those changes have eliminated either the need or ability of states to balance in the economic realm. The next section examines how changes in the military realm affect the propensity of states to balance in the economic realm.

²² Discussions of globalization that I have found useful include Vitols n.d.; Conley n.d.; Notermans 1993.

²³ On rising research and development costs, see Thurow 1992.

Changes in the Connections between the Economic and Military Realms

The contemporary era of international politics is thought to be characterized by a decrease in the likelihood of major power war. Many different reasons have been advanced for why this decrease has occurred, including the prevalence of democratic states, the existence of and/or ideas about nuclear weapons, and other arguments about why the use of no force on longer pays.²⁴ To the extent that this decrease in major power war has occurred, the major powers in the current international system should face few if any significant military threats; consequently, I expect economic threats to increase in importance.

To the extent that military threats have decreased in importance, there will be a decrease in the military motivation for a concern with economic strength. In this sense, the connection between economic strength and military power will be severed. This severance will not be complete, however. It is possible that military threats may re-merge among the major powers, and that possibility means that we should expect the major powers to devote some attention to their military security, to the research and development of military technology, for example.²⁵ The economic basis for that research and development will thus continue to be important, suggesting that there may still be some military motivation for the concern with relative economic strength.

The differences among the explanations given for why there has been an decrease in the likelihood of major power war may become important here. Arguments about the existence of nuclear weapons imply that, barring some major technological breakthrough,

²⁴ For the argument about democratic states, see Russett 1990; Doyle 1983a and 1983b; Lake 1992; for arguments about nuclear weapons, see Gaddis 1992; Jervis 1989; Kaysen 1990; Mandelbaum 1981; Waltz 1993; Weber 1990 but see Mueller 1988 and 1989. For arguments about why the use of force no longer pays, see Rosecrance 1986.

²⁵ Another possible source of a concern with economic strength will be in the military threats that may still be present in the relations between major powers and minor powers. However, it is unlikely that that concern will be significant or that those threats would be serious enough to dominant the foreign policies of the major powers.

major power war will remain unlikely. Arguments which explain the decrease in the likelihood of major power war by reference to the predominance of democratic states suggest, however, that the rise of a non-democratic great power could quickly re-introduce the possibility of major power war. What this would mean for the importance of economic threats is not clear, although it seems likely that military threats would again come to dominate the foreign policies of all the major powers. While the relations among the democratic great powers would still be primarily concerned with economic issues, their economic relations would be constrained by the military threat posed by the non-democratic great power(s).

A possible test case will be the emergence of China as a great power. China's rise has begun to attract a great deal of attention; at the same time that the emergence of China as a new economic superpower is forecast, it has also been channeling some of its new resources towards the military.²⁶ The possible emergence of China as a great power poses several tantalizing questions: Will China's economic development lead to political liberalization, so that peaceful relations among the democratic great powers will be extended to include it? Will the increasing interdependence that economic development entails constrain China?²⁷ And what will happen when China's leaders turn their attention to nuclear arms? Will they be content with a deterrent force, or will they instead seek to acquire a larger force or to launch a research and development effort aimed at some sort of technological breakthrough, possibly setting off a new arms race?

To the extent that major power war reemerges as a possibility, I expect economic threats to decrease in importance as the major powers deal with the new military threat(s) they face. To the extent that major power war remains a remote possibility, the relations

²⁶ On the rise of China in general, see Kristof 1993; Weidenbaum 1993; on China's military buildup, see Kristof 1993; Klare 1993; Arnett 1997; Gallagher 1994; Roy 1994.

²⁷ Roy poses these questions and argues that neither version of the liberal argument is persuasive in the case of China (Roy 1994, 157-159).

between China and the rest of the major powers will be dominated by possible economic threats. Using the similarities and differences between the late nineteenth century and today as a guide, we can sketch out in a bit more detail what this might mean.²⁸ In terms of similarities, China today is in a position similar to that of the US in the late nineteenth century, in that each was a rising power. This suggests that China should perceive the relative economic strength of the other major powers as a threat. This threat may be perceived both in structural terms and in terms of specific policies on the part of the established powers. For example, part of China's resistance to environmental policies may be a result of its perception of these policies as an attempt by the established powers to limit its economic growth.

In terms of differences, China may be less militarily secure than the United States. Even if the likelihood of major power war remains low, China may face a military threat from the other powers in its region. While the US also faced disputes with its neighbors, the military weakness of its neighbors severely limited the threat the US could be said to have faced. The same may not be true for China, and the military potential of its neighbors may mean that the attention it devotes to economic threats is limited.²⁹

But the most important difference between the American position in the nineteenth century and the Chinese position today is that while the US was the only state for whom economic threats were dominant, China is emerging into a multipolar system dominated by economic threats.³⁰ This means that economic threats will be at the top of the agenda not only for China but also for the established powers. International economic

²⁸ However, in order to do so we have to assume that the dominant threat facing China is economic. It is not at all clear that this is the case. It faces border disputes with states that are potentially military powerful (Klare 1993) and it also faces internal challenges. While in the late nineteenth century there was a fear of internal unrest in the United States, the cause of that unrest was identified as economic; in China the cause of unrest is much more likely to be identified as ideological and possibly motivated or at least encouraged by other states (see Kristof 1993).

²⁹ See Klare (1993) on the military potential of other Asian states.

³⁰ There is some debate about whether the current international system is multipolar or unipolar; while the general great power status of Japan may be unclear, I think that it and the EU are clearly major economic powers.

conflict is therefore more likely, as all the major powers are free to concentrate their energies on countering economic threats. At the same time, the existence of other states for whom economic threats are dominant opens up the possibility of external balancing, or the formation of economic alliances. In terms of China, we may expect it to counter economic threats not just by internal efforts but also by pooling its resources with those of other states. One possibility that is attracting attention in this regard is the economic cooperation that is emerging among the various parts of "greater China."³¹ The implications of the emergence of a multipolar system dominated by economic threats for the pattern of conflict and cooperation are explored in the next section.

The Rise of Economic Threats, Polarity, and the Pattern of International Conflict and Cooperation

Previous work on the pattern of international conflict and cooperation has focused on the effects of polarity, particularly the question of whether cooperation is easier in bipolar or multipolar systems. When one examines these arguments it becomes clear that what is really at issue is how threat impedes cooperation and how the sources and stability of threat vary across bipolar and multipolar systems (see Martin 1996; Waltz 1979; Snidal 1991a). The idea that threat is an impediment to cooperation is based on the simple notion that it is not a good idea to help the enemy. This is the logic behind Waltz's argument that one of the main impediments to cooperation in the international system is the concern of states for relative gains. Waltz argues that this means that a state will avoid any cooperative venture which entails the prospect of unequal relative gains, because any such gains made by its partner(s) may in the future be turned against it

³¹ While this is not so much cooperation among states as it is cooperation among ethnic Chinese in various states, to the extent that it is fostered and encouraged by state policies, it could still be an example of economic balancing. On greater China, see Weidenbaum 1993.

(Waltz 1979, 105).³² In other words, cooperation which offers relative gains will create or add to an existing power imbalance, thus creating or adding to a threat posed by the stronger state.

Threat is more pervasive in multipolar systems because of the relative equality of the great powers.³³ Unlike bipolarity, where each great power knows that only one other state (the other great power) poses a threat, in multipolarity the potential sources of threat are numerous. What each state does has the potential to affect the central balance and thus the security of other states in the system; even a small state may be able to tip the balance toward one side or another in a great power conflict.³⁴ This pervasiveness of threat in multipolar systems is one of the reasons Waltz expects cooperation to be more difficult in such systems (see Waltz 1979, 165).

When one turns to the literature on alliances and balance of power theory, it becomes clear that threats can affect the pattern of conflict and cooperation in an additional way, by facilitating cooperation among states who face the same threat. In analyzing how threats promote cooperation, both the size and urgency of threat appear to be important determinants of when states will ally; in addition, the negative quality of cooperation in the face of threat appears to be important in helping states to overcome the incentive to defect from the cooperative effort.³⁵ While these factors help to explain

³² In response to this argument by Waltz, a body of literature has developed which attempts to support, disprove, or qualify his basic logic. The questions examined include: Is Waltz's statement that "states are concerned with relative gains" a claim about state preferences or a claim about the effects of the constraints imposed by the nature of the international system? What are the conditions under which states are concerned with relative gains? Does such a concern really impede cooperation? If so, does the size of the impediment posed by relative gains vary across bipolar and multipolar systems? Works which address these questions include: Grieco 1988a, 1988b, 1990, and 1993; Matthews 1996; Mastanduno 1991; Powell 1991 and 1993; and Snidal 1991a and 1991b.

³³ See Waltz 1979; for an opposing view, see Snidal 1991a.

³⁴ Morgenthau's argument that the origins of the First World War can be found in the "fear of a disturbance in the European balance of power, which was threatened in two regions: Belgium and the Balkans" (Morgenthau 1978, 198) is an example of the instability small states can cause in a multipolar system.

³⁵ For more detail on this see Martin 1996.

when and how states will ally in the face of threat, the stability of threat again comes into play in determining the duration of the cooperation that occurs.

If the locus of threat is constantly shifting, it will be difficult for states to form anything but short-term alliances in the face of threat. Stability of the source of threat will have the opposite effect, allowing long-term and perhaps more developed cooperation to evolve. This is supported by Joanne Gowa's investigation of the relation between polarity and free trade. Looking specifically at free trade, she argues that it is easier for a military alliance to internalize the security externalities of free trade in a bipolar system than it is in a multipolar system, because the opportunities for exit are greater in the latter (Gowa 1989, 1249). She also argues that great powers within the coalitions of a bipolar system are more likely than those within the coalitions of a multipolar system to define their self-interest altruistically and to forgo opportunities to exploit their alliance partners (Gowa 1989, 1251-1253). She concludes that military alliances in bipolar systems are more likely than such alliances in multipolar systems to evolve into free trade coalitions (Gowa 1989; see also Gowa and Mansfield 1993). Extrapolating from "free trade" to other sorts of cooperation, this suggests that the stability of the central balance and therefore of the opposing alliances in bipolarity allows a great power and its allies to extend and deepen their cooperation, because any security externalities produced by that cooperation will work to their advantage vis-à-vis the rival great power and its allies.

This discussion of the relation between threats and the pattern of conflict and cooperation suggests that two characteristics of threat, its pervasiveness and its stability, are important determinants of the pattern of international conflict and cooperation. While polarity is the main determinant of the pervasiveness of threat, the stability of threat is affected not only by polarity but also by the characteristics of the particular threat in

question. In addition, the time urgency associated with threat also differs across military and economic threats and affects the pattern of conflict and cooperation.

The greater stability of economic threats is a consequence of the fact that economic strength develops and evolves more slowly over time than military power. Changes in the distribution of economic strength occur gradually; as Robert Gilpin has observed, "Economic variables tend to be accretive. Although sudden and dramatic economic changes can and do take place, in general the influence of economic changes tends to be cumulative, building up over decades or even centuries."³⁶

How does this compare to the development of military power? To the extent that military power depends on an economic base, the same must be true of military power. However, the gap between the development of economic strength and its conversion into military power leaves room for the relatively quick development of military power; a state with a given economic base may go from posing no military threat (because it has chosen not to convert that economic strength into military power) to posing a military threat rather quickly, depending on the time-lag involved in the conversion. Military threats may thus arise more quickly than economic threats, despite the fact that military power rests on an economic foundation. Furthermore, technological breakthroughs may occur quickly with startling results on the distribution of military power; the United States' Manhattan Project took roughly three years to develop the atomic bomb. To the extent that threat is a function of relative power, then, who poses a military threat to whom may change quickly, while there should be more stability in the source of economic threats.

This stability in the source of economic threats influences the pattern of conflict and cooperation because it both makes possible, and reinforces the need for, long-term

³⁶ Gilpin 1981, 69; see Gilpin 1981, 59-84 for a discussion of changes in military and economic sources of power.

alliances in the economic realm. We can understand this by looking at both the “supply” and “demand” sides. First, if an alliance is created in order to counter a threat, we expect the demand for that alliance to exist as long as the threat does. Stability in the source of threat implies stability of the alliances created to meet those threats. Second, the longer time frame associated with changes in the distribution of economic strength suggests that alliances in the economic realm may only “pay-off” in the long-term.³⁷

This in turn suggests that economic alliances will tend to be more institutionalized than military alliances. The transaction cost literature suggests that frequent as opposed to one-time transactions will lead to institutionalization in order to save on transaction costs. Thus, if economic alliances require long-term collaboration to be effective, institutionalization of the alliance may take place in order to decrease the transaction costs entailed in the cooperative effort. Furthermore, to the extent that economic alliances require a division of labor or transaction-specific investment to be effective, institutionalization may help to lower the risk of defection and decrease the vulnerabilities induced by such integration (Furubotn and Richter 1991, 21).

Because of this, a bipolar system dominated by economic threats should be more stable than a bipolar system dominated by military threats. What it means for the pattern of conflict and cooperation in a multipolar system is less clear, however. This is because the greater instability in the source of threat which is due to multipolarity works against the greater stability associated with economic threats. This may go some way towards accounting for the recent shifts in American threat perception. Concern was first expressed about an economic threat from Europe, then from Japan, and now the focus seems to be on an emerging economic threat from China. But it is also important to

³⁷ This is reinforced by the possibility that economic strength may act more slowly than military power. See below and Martin 1996.

remember that other factors besides relative power may affect threat perception, and changes in these factors may also contribute to shifts in perceptions of threat.

In order to focus our expectations about the pattern of conflict and cooperation in a multipolar system dominated by economic threats, it is necessary to examine other differences between economic and military threats. Economic threats differ from military threats not only in terms of the speed with which a threat can develop but also in terms of the urgency of the threat posed. While it must be kept in mind that we are talking in terms of a gross generalization, military tools of influence are expected to have a more immediate effect on the target state than economic tools.³⁸ As David Baldwin states, "The effects of economic statecraft are rarely sudden or dramatic but tend to be rather slow, circuitous and unexciting" (Baldwin 1985, 134; see also 139-140).

A second reason why economic threats are seen as less urgent than military threats is that it is unlikely that any sort of discrete or one-time breakthrough will make a decisive difference in the distribution of economic strength. In the military realm, one can think of discrete or one-time advances or inventions that had an immediate impact on military conflict (e.g. the machine gun). It is more difficult to think of such examples in the economic realm.³⁹

What implications does this difference in urgency have for the pattern of conflict and cooperation? First, to the extent that economic threats are less urgent than military

³⁸ Of course, different applications of economic and military power may have very different levels of urgency associated with them. A military blockade may inflict harm on the target state only very gradually, while a refusal to permit the export of a vital good to a state may have an immediate effect on its behavior.

³⁹ When a technological breakthrough does occur, it will pose a more urgent threat if it is perceived as benefiting the offense rather than the defense. Weber and Zysman note that their argument about strategic trade theory and the notion of technology trajectories implies that there may be a first-mover advantage in the economic realm, so that states who act first may be able to accomplish a *fait accompli* and capture a privileged position that offers long-term benefits (Weber and Zysman 1992, 188 ff.). This implies that if states do not act quickly to counter or even to preempt a threat, it may be too late. To the extent that the offense is (or is thought to be) dominant in the economic realm, economic threats may become more urgent.

threats, it may be more difficult to cooperate in the face of economic threats. This is the case for two reasons. The alliance literature assumes that because of the loss of autonomy involved in alliances, states will ally only when they have no choice. The lack of urgency involved in economic threats thus may give states more time to try to address the threat on their own. The second reason is that states may defect more from cooperation against economic threats, because the danger of doing so is less intense. This relies on the argument that cooperation against military threats is generally self-reinforcing, because the penalty for defection is that the threat is likely to go unchecked. To the extent that economic threats are less urgent, the incentives to defect or to free-ride are higher. To compensate for this, cooperation in the face of economic threats, when it does occur, will be more institutionalized than cooperation in the face of military threats, because institutionalization provides a way to monitor the efforts of others and to exclude non-contributors from the cooperative benefits.⁴⁰

All of this suggests that the pattern of conflict and cooperation in a multipolar system dominated by economic threats will fall somewhere between that associated with a multipolar system dominated by military threats and that associated with a bipolar system dominated by military threats. The fact that the current international economic system is multipolar means that threats will be pervasive, and that concerns about relative economic strength will hamper cooperation among all states.⁴¹ The lack of time-urgency associated with economic threats means that cooperation in the face of threat will be more rare than cooperation in the face of military threats. When cooperation does occur, however, that cooperation will be more institutionalized and long-lasting than alliances in multipolarity have been in the past. This is the case both because of the stability of

⁴⁰ This point was suggested by Eileen Doherty.

⁴¹ Obviously this analysis assumes that neither globalization nor prevailing ideas about the economic realm intervene to nullify the perception of economic threat.

economic threats and because of the greater need to discourage free-riding and defection in cooperation against economic threats.

There are thus two contradictory impulses that shape the pattern of conflict and cooperation in a multipolar system dominated by economic threats. The first, which stems from the pervasiveness of threat in multipolarity, suggests that the locus of threat will shift easily as the threat from one or another great power gains prominence. This pervasiveness of threat means that the economic relations of all states will be prone to economic conflict. The second impulse, which stems from the accretive nature of economic strength, suggests that the cooperation that does occur will be institutionalized and long-term. Thus while a multipolar system dominated by military threats is associated with constantly shifting alliances, a multipolar system dominated by economic threats will be characterized by shifting threat perception that only rarely results in alliances. When it does so, however, those alliances will be institutionalized and long-term, like the alliances traditionally associated with bipolarity.

Appendix The Global Economy, 1870-1896

The Dominance of Great Britain

This section demonstrates the economic strength of Great Britain relative to that of Germany and the United States. Statistics on share of world trade, trade in South America, foreign investment, merchant shipping and production all tell the same story of British dominance.

I. Share of World Trade

The most detailed data available on share of world trade is from Simon Kuznets, and is reported in Table One below. It is limited to trade in commodities, but Kuznets explains that while "similar estimates for foreign trade including services are available only for a few countries,...they indicate that the trends are not much different from those for commodity trade alone; although the share of services in the total tends to grow, this movement is not sufficient to change the basic time pattern" (Kuznets 1966, 304). Both series presented by Kuznets show that Great Britain dominated trade in the period under study, and the basic picture presented by Kuznets is confirmed by data presented by Kennedy (Table Two) and Clough and Cole (Table Three).

Table One: World Foreign Trade (Imports plus Exports) in Commodities and its Distribution by Countries

	1860-1870	1870-1880	1880-1890		1881-1885	1886-1890	1891-1895	1896-1900
World Trade, 1865-85 prices (millions of £)	1,616	2,483	3,497	World Trade, 1913 prices (billions of \$)	15.69	18.13	19.97	22.54
Rate of growth per decade, successive periods (%)	52.7	53.7	43.4	Rate of growth per decade, decade periods (%)	n/a	42.0	27.3	24.2
<i>Shares of selected countries in world total, current prices (%)</i>								
United Kingdom	25.1	24.0	22.4		19.1	18.5	18.0	17.5
France	10.8	10.8	10.2		10.7	10.0	9.2	8.5
Germany	9.2	9.7	10.3		10.4	10.9	11.0	11.9
Holland and Belgium	6.0	7.0	8.5		8.5	9.8	10.2	11.0
Switzerland	2.0	2.0	1.9		(2.0)	2.0	1.9	1.9
Scandinavia	2.0	2.1	2.1		2.2	2.4	2.6	2.8
Italy	3.2	3.0	2.9		3.3	3.1	2.6	2.8
Austria-Hungary	3.5	3.6	3.1		3.8	3.5	3.7	3.6
Spain	1.8	1.7	1.7		1.7	2.0	2.0	1.7
Russia	4.0	4.5	3.9		3.7	3.5	3.4	3.6
Other Europe	2.7	2.6	2.4		n/a	n/a	n/a	n/a
Europe	70.3	71.0	69.4		n/a	n/a	n/a	n/a
United States	8.3	8.8	9.8		10.0	9.7	10.5	10.2
Canada	n/a	n/a	n/a		1.4	1.4	1.5	1.7
Australia	n/a	n/a	n/a		1.9	1.8	1.8	1.8
Latin America	6.3	5.7	5.1		n/a	n/a	n/a	n/a
British colonies	6.3	6.3	7.7		n/a	n/a	n/a	n/a
India	3.7	3.7	3.8		n/a	n/a	n/a	n/a
Others	5.1	4.4	4.2		n/a	n/a	n/a	n/a

Source: This table is adapted from Kuznets 1966, 306-309.

Notes: As Kuznets explains, the figures for "shares of selected countries in world total, current prices" are "the averages of percentage shares calculated for each year shown in the column headings" (1966, 308). He also notes that the 1881-1885 share of world trade held by Sweden is "assumed to be 2.0, similar to that in 1886-1890" (1966, 309).

Table Two: Percentages of World Trade Held by Selected Countries

	1880	1900
<i>Britain</i>	23	20
<i>Germany</i>	10	13
France	11	9
<i>United States</i>	10	11

Source: Kennedy 1980, "Table 15.3," 292.

Table Three: Percentage Share of World Trade

	1860	1880	1900
<i>United Kingdom</i>	25	23	21
<i>Germany</i>	<i>n/a</i>	9	12
France	11	11	8
<i>United States</i>	9	10	11

Source: Clough and Cole 1952, 605.

Table Four: Merchandise Exports as Per Cent of GDP
(Exports and GDP at 1990 prices)

	1820	1870	1913
<i>United Kingdom</i>	3.1	12.0	17.7
<i>United States</i>	2.0	2.5	3.7
<i>Germany</i>	<i>NA.</i>	9.5	15.6
France	1.3	4.9	8.2
Netherlands	<i>NA.</i>	17.5	17.8
Spain	1.1	3.8	8.1
USSR/Russia	<i>NA.</i>	<i>NA.</i>	2.9
Australia	<i>NA.</i>	7.4	12.8
Canada	<i>NA.</i>	12.0	12.2

Source: Maddison 1995, Table 2-4, 38.

II. Trade with Latin America

Table Five: Percentage Shares of Britain, the United States, and Germany in Imports into South American Countries

	1885-1886	1894-1895	1901-1903
Imports to Argentina, from			
United Kingdom	36.7	38.8	33.0
Germany	8.1	11.8	13.5
United States	7.8	8.9	13.2
Imports to Chile, from			
United Kingdom	38.3	46.4	37.6
Germany	18.3	24.0	26.5
United States	6.3	6.8	10.4
Imports to Brazil, from			
United Kingdom	n/a	n/a	28.6
Germany	n/a	n/a	12.3
United States	n/a	n/a	11.7

Source: This table is taken from Saul 1960, 39.

Table Six: Export of Manufactures (in millions of dollars at 1913 prices)

Origin:	Destination:											
	Argentina		Brazil		Chile		Columbia		Mexico		Japan	
	1899	1913	1899	1913	1899	1913	1899	1913	1899	1913	1899	1913
Great Britain	33	88	28	47	12	23	4	6	8	11	42	65
Germany	15	59	12	45	7	21	1	3	5	10	7	28
United States	9	30	5	18	2	10	2	5	25	31	9	12

Source: de Cecco 1984, 237.

III. Foreign Investment

Table Seven: Gross Foreign Capital Investment Outstanding (in billions of \$)

	Circa 1874	Circa 1880	Circa 1890	Circa 1900
United Kingdom	4.6	5.8	9.5	11.7
France	n/a	3.0	4.0	5.6
Germany	n/a	1.2	2.8	3.4

Source: This table is adapted from Kuznets 1966, 322-325.

Note: The conversion to US dollars is by official exchange rates.

Table Eight: Foreign Investment of Major Lending Countries
(in millions of \$)

	1855	1870	1885	1900
Great Britain	2,300	4,900	7,800	12,100
France	1,000	2,500	3,300	5,200
Germany	n/a	n/a	1,900	4,800
Netherlands	300	500	1,000	1,100
United States	n	n	n	500

Source: Adapted from Kindleberger 1984, 225.

Notes: n= negligible

IV. Merchant Shipping

Table Nine: Tonnage of Merchant Shipping Owned by Various Countries
(Million net tons; percentage of total world fleet in brackets)

Country	1860	1870	1880	1890	1900
United Kingdom	4.66 (35.06)	5.69 (33.9)	6.57 (32.9)	7.89 (35.8)	9.30 (35.5)
British possessions	1.05 (7.9)	1.46 (8.7)	1.87 (9.4)	1.71 (7.7)	1.45 (5.5)
Germany	n/a	0.98 (5.8)	1.18 (5.9)	1.43 (6.4)	1.94 (7.4)
Norway	0.56 (4.2)	1.02 (6.1)	1.52 (7.6)	1.71 (7.7)	1.51 (5.8)
France	0.97 (7.2)	1.07 (6.3)	0.92 (4.6)	0.94 (4.2)	1.04 (4.0)
US (excludes Great Lakes tonnage)	2.55 (19.2)	1.52 (9.1)	1.35 (6.8)	0.95 (4.3)	0.83 (3.2)
Russia	n/a	n/a	0.47 (2.3)	n/a	0.63 (2.4)
Sweden	n/a	0.35 (2.0)	0.54 (2.7)	0.51 (2.2)	0.61 (2.3)
Denmark	n/a	0.18 (1.1)	0.25 (1.2)	0.30 (1.3)	0.41 (1.6)
Netherlands	0.43 (3.2)	0.39 (2.3)	0.33 (1.7)	0.26 (1.2)	0.35 (1.3)
Spain	n/a	n/a	0.56 (2.8)	0.62 (2.8)	0.77 (2.9)
Italy	n/a	1.01 (6.0)	0.99 (4.9)	0.82 (3.7)	0.95 (3.6)
Japan	n/a	n/a	0.09 (0.05)	0.15 (0.61)	0.86** (3.3)
World Total	13.29	16.8	19.99	22.27	26.21

Source: Aldcroft 1968, 327.

Notes: "British possessions" includes Canada, Newfoundland, Australia, New Zealand, British India and all colonial territories.

**Note that this figure refers to gross tonnage, so that the percentages for this year is somewhat higher than it should be.

Table Ten: "British (Brit.) , National (nat'l) and Other (other) Share of Entrances and Clearancs in Foriegn Trade at Ports in Certain Countries"
(with cargoes and in ballast)

		1860			1870			1880			1890			1900		
		nat'l	Brit.	other	nat'l	Brit.	other	nat'l	Brit.	other	nat'l	Brit.	other	nat'l	Brit.	other
UK	all steam		56.4 84.3			68.8 88.5			70.4 83.2	29.6 16.8		72.7 79.5	27.3 20.5		63.7 66.8	36.3 33.2
Norway	all steam	74.5	2.0	23.5	70.0 25.2	11.6 53.0	18.4 21.8	68.2 40.8	11.8 26.6	20.0 32.6	64.8 51.3	14.6 21.4	20.6 27.3	67.8 60.0	10.9 15.2	21.3 24.8
Sweden	all steam	40.3			31.8			37.2 39.8	13.5 23.3	49.3 36.9	33.7 30.3	20.5 27.8	45.8 41.9	41.6 39.0	9.9 11.1	48.5 49.9
Germany	all steam				35.9 15.0			39.1 34.4	38.1 49.2	22.8 16.4	43.9 44.2	35.4 38.3	20.7 17.5	49.0 50.2	26.9 28.6	24.1 21.2
Holland	all steam	39.5 31.2	37.2 68.1	23.3 0.7	28.4 19.1	53.8 77.9	17.8 3.0	30.9 29.0	49.8 61.6	19.3 9.4	28.8 28.5	52.3 55.0	18.9 16.5	25.3 25.2	41.7 42.3	33.0 32.5
Belgium	all steam	11.4 18.4	34.3 68.6	54.3 13.0	6.4 9.3	56.8 78.9	36.8 11.8	11.6 14.3	59.4 65.8	29.0 19.9	19.0 20.0	53.2 53.4	27.8 26.6	16.3 16.9	44.6 44.3	39.1 38.8
France	all steam	41.4 40.0	29.8	28.8	31.5 32.1	39.8	28.7	30.0 35.6	40.6	29.4	31.9 33.0	44.0	24.1	26.1 25.6	40.6 42.1	33.3 32.3
Italy	all steam				36.5 19.7	25.8 36.0	37.7 44.3	34.8 23.3	34.4 43.3	30.9 33.4	24.4 18.2	49.4 55.9	26.2 25.9	49.8 48.6	19.7 20.3	30.5 31.1
US	all steam	70.8	23.9	5.3	38.1 33.1	50.5 46.1	11.4 20.8	20.4 15.5	51.7 67.7	27.9 16.8	22.1 18.5	52.8 59.0	25.1 22.5	16.9 15.0	52.8 55.6	30.3 29.4

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Table Ten, cont.: "British (Brit.) , National (nat'l) and Other (other) Share of Entrances and Clearancs in Foriegn Trade at Ports
in Certain Countries "
(with cargoes and in ballast)

		1860			1870			1880			1890			1900		
		nat'l	Brit.	other	nat'l	Brit.	other	nat'l	Brit.	other	nat'l	Brit.	other	nat'l	Brit.	other
Chile	all steam							0.7	79.9	19.4	14.8	47.1	38.1	8.6	50.1	41.3
								1.0	89.7	9.3	18.9	41.3	39.8	11.1	50.9	38.0
Argen- tina	all steam							11.1	37.8	51.1	27.1	42.2	30.7	33.4	29.3	37.3
								12.6	44.2	43.2	29.1	45.6	25.3	31.9	31.2	36.9
Japan	all steam							21.7			22.2			34.9	38.9	26.2
								27.9			22.7			35.0	38.9	26.1
Canada	all steam								65.4	34.6		51.6	48.4		61.0	39.0
									61.3	38.7		53.1	46.9		64.8	35.2
New Zealand	all steam		71.7	28.3		92.6	7.4		88.0	12.0		87.4	12.6		91.8	8.2
												88.0	12.0		94.7	5.3
Den- mark	all steam							52.1	11.4	36.5	58.2	11.5	30.3	56.1	7.8	36.1
								61.0	16.3	22.7	61.5	13.7	24.8	60.1	9.0	30.9
Portugal	all steam				11.8	66.7	21.5	6.5	63.0	30.5	7.0	53.5	39.5	5.4	56.8	37.8
					5.2	86.9	7.9	3.1	72.5	24.4	6.3	56.7	37.0	4.7	58.1	37.2
Spain	all steam							26.6			43.8			47.4	27.6	25.0
											44.5			47.8	28.0	24.2
South Africa	all steam								85.6	14.4		87.9	12.1		89.8	10.2
												96.4	3.6		94.3	5.7
India	all steam							9.1	79.1	11.8	5.6	82.4	12.0	3.3	79.0	17.7
								0.6	92.6	6.8	0.0	89.9	10.1	0.8	81.9	17.3
British pssns.	all steam		84.8	15.2		88.5	11.5		87.1	12.9		88.6	11.4		90.5	9.5

Source: Aldcroft 1968, 322-363.

Table Eleven: Comparative Positions of US and British shipping

Year	Tonnage of American Mercantile Marine employed in the		Tonnage of United Kingdom Mercantile Marine
	Coastwise Trade	Foreign Trade	Total
1847	1,489,000	1,047,000	3,308,000
1854	2,322,000	2,151,000	4,249,000
1860	2,645,000	2,379,000	4,659,000
1870	2,638,000	1,449,000	5,691,000
1880	2,638,000	1,314,000	6,575,000
1890	3,408,000	928,000	7,979,000
1894	3,696,000	900,000	8,956,000
1896	3,790,000	830,000	9,020,000

Source: Chapman 1899, 60.

Table Twelve: Vessel Tonnage and Entrances and Clearances in Foreign Trade of the United States, 1860 to 1900

Year	Tonnage of American vessels engaged in foreign trade (gross tons)	Foreign trade carried in American vessels		Entrances and clearances of American vessels in foreign trade of the United States	
		Value:	% of total foreign trade:	Tonnage: (gross tons)	% of total entrance and clearances
1860	2,546,237	\$507,247,757	66.5	12,087,209	71
1865	1,602,583	167,402,872	27.7	5,968,795	47
1870	1,516,800	352,969,401	35.6	6,992,967	38
1880	1,352,810	258,346,577	17.4	6,834,319	19
1890	946,695	202,451,086	12.9	8,149,878	23
1900	826,694	195,084,192	9.3	12,344,570	22

Source: Johnson et. al. 1915, 84.

V. Production

Table Thirteen: Annual Production of Steel (thousands of metric tons)

Year	<i>United Kingdom</i>	<i>United States</i>	<i>Germany</i>	France	The World
1865	225	13	97	41	419
1870	286	68	169	83	703
1875	723	396	370	258	1900
1880	1320	1267	660	388	4273
1885	2020	1739	1202	533	6276
1890	3637	4346	2161	566	12096
1895	3444	6212	3941	899	16659
1900	5130	10382	6645	1565	28727

Source: Clough and Cole 1952, 538.

Table Fourteen: Annual Production of Pig Iron (thousands of metric tons)

Year	<i>United Kingdom</i>	<i>United States</i>	<i>Germany</i>	France	The World
1865	4892	843	882	989	9099
1870	6060	1692	1391	1178	12259
1875	6469	2056	2029	1416	14102
1880	7875	3897	2729	1725	18547
1885	7363	4110	3751	1629	19797
1890	8033	9353	4637	1970	27630
1895	8022	9597	5788	2005	29858
1900	9003	14009	7549	2714	39599

Source: Clough and Cole 1952, 538.

Table Fifteen: Annual Consumption of Pig Iron (pounds per capita)

Country	1866	1900
<i>Great Britain</i>	110.0	292.0
<i>Germany</i>	41.8	289.7
France	58.3	152.4
Austria-Hungary	20.9	68.2
Belgium	71.5	205.9
Sweden	57.2 (1864)	127.6
Italy	17.6	39.8
Russia	8.8	56.9
<i>United States</i>	110.0	351.3

Source: Clough and Cole 1952, 539.

Table Sixteen: Coal Production (millions of metric tons)

	1860	1900
<i>United Kingdom</i>	80.0	225.2
<i>United States</i>	15.2	244.6
<i>Germany</i>	12.3	109.3
Belgium	9.6	23.5
France	8.1	32.7

Source: Clough and Cole 1952, 545.

Table Seventeen: Percentage Distribution of the World's Manufacturing Production

Country	1870	1881/85	1896/1900
<i>United Kingdom</i>	<i>31.8</i>	<i>26.6</i>	<i>19.5</i>
<i>Germany</i>	<i>13.2</i>	<i>13.9</i>	<i>16.6</i>
<i>United States</i>	<i>23.3</i>	<i>28.6</i>	<i>30.1</i>
France	10.3	8.6	7.1
Russia	3.7	3.4	5.0
Italy	2.4	2.4	2.7
Canada	1.0	1.3	1.4

Source: League of Nations 1945, Table 1, 13.

The US Economy

I. The American Trade Position

There is variation in the statistics across the various sources available for the years under study, but during this period the US balance of trade was generally positive, while the balance of payments tended to be negative. According to Johnson et. al,

During the period from the Civil War to the end of the nineteenth century the relations between imports and exports gradually changed. Although there had in various earlier years been an excess of exports, the usual condition was an excess of imports. From 1874 to 1900, however, the value of exports exceeded that of imports of merchandise in every year except in 1875, 1888, 1889, and 1893. After 1874 there was including merchandise, gold, and silver, in every year except 1887 and 1888.....Meanwhile large sums of foreign capital were being invested in the United States, interest and dividends were paid on these investments, increased payments for freight services were made to foreign ship-owners, large sums were expended abroad by American tourists, immigrants were sending funds to friends and relatives in Europe, and growing sums were paid to foreign marine and fire insurance companies. The trade balance, however, as the term is generally used by importers and exporters, was in favor of the United States, the exports being permanently in excess of imports (Johnson et. al. 1915, 66).

Table Eighteen: US Balance of Payments versus the Balance of Trade
(in millions of dollars)

Year	Balance of Payments (Goods and Services)			Balance of Trade (Total merchandise, gold and silver)		
	Total exports	Total imports	Balance on goods and services	Total exports	Total imports	Excess of exports (+) or imports (-)
1870	507	608	-101	451	462	-11
1871	603	704	-101	541	541	**
1872	578	824	-246	524	640	-116
1873	675	856	-181	607	664	-57
1874	707	767	-61	653	596	+57
1875	623	722	-99	606	554	+52
1876	654	634	+20	597	477	+120
1877	716	614	+102	659	492	+167
1878	813	595	+218	729	467	+262
1879	813	612	+202	735	466	+269
1880	963	848	+114	853	761	+92
1881	971	834	+137	922	753	+169
1882	859	915	-55	800	767	+33
1883	915	927	-12	856	752	+104
1884	862	921	-59	808	705	+103
1885	830	818	+12	784	621	+164
1886	817	894	-77	752	674	+78
1887	810	967	-157	752	752	**
1888	786	1,013	-226	742	783	-41
1889	880	1,046	-166	839	774	+65
1890	960	1,109	-150	910	823	+87
1891	1,035	1,124	-90	993	881	+112
1892	1,122	1,142	+20	1,113	897	+216
1893	1,021	1,140	-119	997	911	+86
1894	981	883	+98	1,020	741	+279
1895	888	1,015	-127	921	789	+133
1896	1,082	1,048	+34	1,056	842	+214
1897	1,173	1,041	-132	1,153	880	+273
1898	1,340	896	+444	1,302	767	+535
1899	1,400	973	-427	1,321	817	+504
1900	1,578*	1,149	+429	1,499	930	+570

Source: U.S. Department of Commerce 1989, 864--868 and 885.

Notes: *There are two figures provided for 1900 in the Balance of Payments figures, one compatible with earlier years and one comparable with later years. The former is presented in this table.

**Less than \$500,000 or less than -\$500,000. Includes total merchandise, gold and silver.

Note that the figures for the balance of payments are for fiscal years.

Table Nineteen : Value of exports and imports of the United States.
Vessel entrances and clearances, give-year periods, 1865-1900.

Year	Exports of Merchandise	Exports of Merchandise and Specie	Imports of Merchandise	Imports of Merchandise and Specie	Excess of total exports	Entrances and clearances in Foreign Trade (<i>gross tons</i>)
1860	\$333,576,000	\$400,122,000	\$353,616,000	\$362,166,000	\$37,956,000	17,065,000
1865	166,029,000	233,673,000	238,746,000	248,556,000	-14,883,000*	12,781,000
1870	392,772,000	450,927,000	435,958,000	462,377,000	-11,450,000*	18,325,000
1875	513,443,000	605,575,000	533,005,000	553,906,000	51,669,000	23,589,000
1880	835,639,000	852,782,000	667,955,000	760,989,000	91,793,000	36,054,000
1885	742,190,000	784,421,000	577,527,000	620,770,000	163,652,000	30,820,000
1890	857,829,000	909,977,000	789,310,000	823,287,000	86,690,000	36,256,000
1895	807,538,000	921,302,000	731,970,000	788,566,000	132,736,000	39,045,000
1900	1,394,483,000	1,499,462,000	849,941,000	929,771,000	569,691,000	56,444,000

Source: Johnson et. al. 1915, 65.

Notes: *The negative number here indicates the amount by which imports exceeded exports in these years.

Johnson et. al. caution that "Price fluctuations make it impossible to use exports for all the years of this period as a true record of the trade movement. The value of the returns of the years 1870, 1880, 1890, and 1900 may, however, be accepted as a conservative index of the actual increases which occurred... On the whole the average level of prices was higher during the first half than the last half of the period 1865 to 1900, and statistics of value therefore do not overstate the increase in the volume of the foreign trade" (Johnson et. al. 1915, 65-66).

The US was dependent upon the British market, as the following table makes clear. The percentage of US exports to the UK ranged from 43% in 1896 to 59% in 1875 and 1876. Germany took, on average, the next largest percentage of US exports, ranging from 7% (in 1871, 1880 and 1882) to 11% (in 1873 and 1895). As Table Twenty-one shows, the United Kingdom was also the largest provided of imports to the United States; its share of total American imports ranged from 16% (1894) to 42% (1871).

Table Twenty: Value of US exports (in current values, million dollars) to main trading partners, with percentage of total exports in ().

Year	Total exports	UK	Canada	France	Germany	Japan	Mexico
1870	418	248 (.59)	25 (.06)	46 (.11)	42 (.10)	1 (.002)	6 (.01)
1871	475	273 (.57)	32 (.07)	27 (.06)	35 (.07)	1 (.002)	8 (.02)
1872	474	265 (.56)	29 (.06)	31 (.07)	41 (.09)	1 (.002)	6 (.01)
1873	562	317 (.56)	35 (.06) 33*(.06)	34 (.06)	62 (.11)	1 (.002)	6 (.01)
1874	619	345 (.56)	42 (.07)	43 (.07)	63 (.10)	1 (.002)	6 (.01)
1875	538	317 (.59)	35 (.07)	34 (.06)	50 (.09)	2 (.004)	6 (.01)
1876	565	336 (.59)	33 (.06)	40 (.07)	51 (.09)	1 (.002)	6 (.01)
1877	632	346 (.55)	37 (.06)	45 (.07)	58 (.09)	1 (.002)	6 (.01)
1878	720	387 (.54)	37 (.05)	55 (.08)	55 (.08)	2 (.003)	7 (.01)
1879	730	349 (.48)	30 (.04)	90 (.12)	57 (.08)	3 (.004)	7 (.01)
1880	850	454 (.53)	29 (.03)	100 (.12)	57 (.07)	3 (.004)	8 (.01)
1881	919	481 (.52)	38 (.04)	94 (.10)	70 (.08)	1 (.001)	11 (.01)
1882	768	408 (.53)	37 (.05)	50 (.07)	54 (.07)	3 (.004)	15 (.02)
1883	841	425 (.51)	44 (.05)	59 (.07)	66 (.08)	3 (.004)	17 (.02)
1884	767	386 (.50)	44 (.06)	51 (.07)	61 (.08)	3 (.004)	13 (.02)
1885	776	398 (.51)	38 (.05)	47 (.06)	62 (.08)	3 (.004)	8 (.01)
1886	710	348 (.49)	33 (.05)	42 (.06)	62 (.09)	3 (.004)	8 (.01)
1887	742	366 (.49)	35 (.05)	57 (.08)	59 (.08)	3 (.004)	8 (.01)
1888	724	362 (.50)	36 (.05)	39 (.05)	56 (.08)	4 (.006)	10 (.01)
1889	779	383 (.49)	41 (.05)	46 (.06)	68 (.09)	5 (.006)	11 (.01)
1890	893	448 (.50)	40 (.04)	50 (.06)	86 (.10)	5 (.006)	13 (.01)
1891	907	445 (.49)	38 (.04)	61 (.07)	93 (.10)	5 (.006)	15 (.02)
1892	1063	499 (.47)	43 (.04)	99 (.09)	106 (.10)	3 (.003)	14 (.01)
1893	889	421 (.47)	47 (.05)	47 (.05)	84 (.09)	3 (.003)	20 (.02)
1894	942	431 (.46)	57 (.06)	55 (.06)	92 (.10)	4 (.004)	13 (.01)
1895	855	387 (.45)	53 (.06)	45 (.05)	92 (.11)	5 (.006)	15 (.02)
1896	944	406 (.43)	60 (.06)	47 (.05)	98 (.10)	8 (.008)	19 (.02)

Source: This table is adapted from Mitchell 1993, 420-444 and 444-494.

Notes: Figures are for general trade. Also note that, except as indicated, statistics are believed to relate to countries of first or last consignment.

* British North America to 1873 (1st line).

Table Twenty-one: Value of US imports (in current values, million dollars) from main trading partners, with percentage of total imports in ().

Year	Total imports	UK	Canada	France	Germany	Japan	Mexico
1870	450	152 (.34)	36 (.08)	43 (.10)	27 (.06)	3 (.01)	3 (.01)(.)
1871	534	221 (.42)	33 (.06)	28 (.05)	25 (.05)	5 (.01)	3 (.01)
1872	632	249 (.39)	36 (.06)	43 (.07)	46 (.07)	7 (.01)	4 (.01)
1873	655	237 (.36)	38* (.06) 37 (.06)	34 (.05)	61 (.09)	8 (.01)	4 (.01)
1874	576	180 (.31)	34 (.06)	52 (.09)	44 (.08)	6 (.01)	4 (.01)
1875	540	155 (.29)	28 (.05)	60 (.11)	40 (.07)	8 (.01)	5 (.01)
1876	469	123 (.26)	29 (.06)	51 (.12)	35 (.07)	15 (.03)	5 (.01)
1877	466	114 (.24)	24 (.05)	48 (.10)	33 (.07)	14 (.03)	5 (.01)
1878	453	107 (.24)	25 (.06)	43 (.09)	35 (.08)	7 (.02)	5 (.01)
1879	461	109 (.24)	26 (.06)	51 (.11)	36 (.08)	10 (.02)	5 (.01)
1880	680	211 (.31)	33 (.05)	69 (.10)	52 (.08)	15 (.02)	7 (.01)
1881	654	174 (.27)	38 (.06)	70 (.11)	53 (.08)	14 (.02)	8 (.01)
1882	733	196 (.27)	51 (.07)	89 (.12)	53 (.07)	14 (.02)	8 (.01)
1883	734	189 (.26)	44 (.06)	98 (.13)	57 (.08)	15 (.02)	8 (.01)
1884	683	163 (.24)	38 (.06)	71 (.10)	65 (.10)	11 (.02)	9 (.01)
1885	595	137 (.23)	37 (.06)	57 (.10)	63 (.11)	12 (.02)	9 (.02)
1886	653	154 (.24)	37 (.06)	63 (.10)	69 (.11)	15 (.02)	11 (.02)
1887	709	165 (.23)	38 (.05)	68 (.10)	81 (.11)	17 (.02)	15 (.02)
1888	739	178 (.24)	43 (.06)	71 (.10)	78 (.12)	19 (.03)	17 (.02)
1889	763	178 (.23)	43 (.06)	70 (.09)	82 (.12)	17 (.02)	21 (.03)
1890	810	186 (.23)	39 (.05)	78 (.10)	99 (.12)	21 (.03)	23 (.03)
1891	863	195 (.23)	39 (.05)	77 (.09)	97 (.11)	19 (.02)	27 (.03)
1892	847	156 (.18)	35 (.04)	69 (.08)	83 (.10)	24 (.03)	28 (.03)
1893	889	183 (.21)	38 (.04)	76 (.09)	96 (.11)	27 (.03)	34 (.04)
1894	668	107 (.16)	31 (.05)	48 (.07)	69 (.10)	19 (.03)	29 (.04)
1895	752	159 (.21)	37 (.05)	62 (.08)	81 (.11)	24 (.03)	16 (.02)
1896	809	170 (.21)	41 (.05)	66 (.08)	94 (.12)	26 (.03)	17 (.02)

Source: This table is adapted from Mitchell 1993, 420-444 and 444-494.

Notes: * British North America to 1873 (1st line).

Table Twenty-two: Exports of merchandise from the United States, by continent
By dollars, with percentage of total in ()

Year	Europe	North America	South America	Asia	Oceania	Africa	Total value
1865	\$201,758,000 (59.92)	\$94,838,000 (28.17)	\$21,607,000 (6.42)	\$8,530,000 (2.53)	\$7,552,000 (2.24)	\$2,412,000 (0.72)	\$336,697,000
1866	458,310,000 (81.05)	67,332,000 (11.91)	17,924,000 (3.17)	11,799,000 (2.09)	7,675,000 (1.36)	2,385,000 (0.42)	565,425,000
1870	420,184,000 (79.35)	68,962,000 (13.03)	21,651,000 (4.09)	10,972,000 (2.07)	4,335,000 (0.82)	3,415,000 (0.64)	529,519,000
1875	533,545,000 (80.17)	86,166,000 (12.95)	24,097,000 (3.62)	13,972,000 (2.10)	4,227,000 (0.64)	3,471,000 (0.52)	665,528,000
1880	719,434,000 (86.10)	69,438,000 (8.31)	23,190,000 (2.77)	11,646,000 (1.39)	6,847,000 (0.82)	5,084,000 (0.61)	835,639,000
1885	599,241,000 (80.75)	76,765,000 (10.34)	27,735,000 (3.74)	20,740,000 (2.79)	13,605,000 (1.83)	4,104,000 (0.55)	742,190,000
1890	683,736,000 (79.74)	94,100,000 (10.98)	38,753,000 (4.52)	19,697,000 (2.30)	16,460,000 (1.92)	5,082,000 (0.54)	857,829,000
1895	627,928,000 (77.76)	108,576,000 (13.45)	33,526,000 (4.15)	17,325,000 (2.15)	13,109,000 (1.62)	7,075,000 (0.87)	807,538,000
1900	1,040,168,000 (74.60)	187,595,000 (13.45)	38,946,000 (2.79)	64,914,000 (4.66)	43,391,000 (3.11)	19,470,000 (1.79)	1,394,483,000

Source: Johnson et. al. 1915, 75.

Table Twenty-three: Imports into the United States of merchandise , by continent
By dollars, with percentage of total in ()

Year	Europe	North America	South America	Asia	Oceania	Africa
1865	\$109,603,000 (46.75)	\$83,912,000 (35.80)	\$22,931,000 (9.79)	\$11,248,000 (4.79)	\$3,572,000 (1.52)	\$3,166,000 (1.35)
1866	266,266,000 (60.84)	109,989,000 (25.13)	32,137,000 (7.34)	19,219,000 (4.39)	7,411,000 (1.70)	2,618,000 (0.60)
1870	249,540,000 (53.98)	126,545,000 (27.42)	43,596,000 (9.41)	31,413,000 (6.78)	1,423,000 (0.31)	9,860,000 (2.10)
1875	287,201,000 (51.85)	132,035,000 (23.84)	74,247,000 (13.4)	45,220,000 (8.16)	4,982,000 (0.90)	10,219,000 (1.85)
1880	370,822,000 (55.52)	130,077,000 (19.47)	82,127,000 (12.3)	67,009,000 (10.02)	14,130,000 (2.13)	3,789,000 (0.56)
1885	318,733,000 (55.19)	117,451,000 (20.34)	65,290,000 (11.31)	52,200,000 (9.04)	19,471,000 (3.37)	4,382,000 (0.75)
1890	449,987,000 (57.14)	148,369,000 (18.84)	90,006,000 (11.43)	67,507,000 (8.57)	28,356,000 (3.60)	5,085,000 (0.42)
1895	383,646,000 (52.41)	133,916,000 (18.29)	112,167,000 (15.32)	77,626,000 (10.61)	17,451,000 (2.39)	7,164,000 (0.98)
1900	440,567,000 (51.84)	130,035,000 (15.30)	93,667,000 (11.02)	139,842,000 (16.45)	34,611,000 (4.07)	11,218,000 (1.32)

Source: Johnson et. al. 1915, 80.

II. Importance of Agriculture

As we saw in the US case, agricultural exports were believed to be important to the US during the period under study. In fact, as the following table shows, agricultural imports ranged from 60.46% to 83.25% of total American exports.

Table Twenty-four: Domestic exports grouped according to sources of production,
five-year periods, 1865-1900.

Value is given in dollars; percentage of total exports by value is in ().

Year	Agriculture	Manufac- turers	Mining	Forest	Fisheries	Miscel- laneous	Total Value
1865	\$156,663,000 (60.46)	\$59,037,000 (22.78)	\$10,792,000 (4.17)	\$14,858,000 (5.73)	\$4,795,000 (1.85)	\$12,981,000 (5.01)	\$259,125,000
1870	361,188,000 (79.35)	68,280,000 (15.00)	5,026,000 (1.10)	14,898,000 (3.27)	2,836,000 (0.62)	2,981,000 (0.66)	455,208,000
1875	430,307,000 (76.95)	92,679,000 (16.57)	6,469,000 (1.15)	19,166,000 (3.43)	4,875,000 (0.87)	5,743,000 (1.03)	559,238,000
1880	685,961,000 (83.25)	102,856,000 (12.48)	5,863,000 (0.71)	17,321,000 (2.11)	5,255,000 (0.64)	6,689,000 (0.81)	823,946,000
1885	530,173,000 (72.96)	147,188,000 (20.25)	15,798,000 (2.18)	22,015,000 (3.03)	5,955,000 (0.82)	5,555,000 (0.76)	726,683,000
1890	629,821,000 (74.51)	151,102,000 (17.87)	22,298,000 (2.64)	29,473,000 (3.49)	7,458,000 (0.88)	5,141,000 (0.61)	845,000,000
1895	553,210,000 (69.73)	183,596,000 (23.14)	18,510,000 (2.33)	28,576,000 (3.61)	5,329,000 (0.67)	4,172,000 (0.52)	793,393,000
1900	835,858,000 (60.98)	433,852,000 (31.65)	37,844,000 (2.76)	52,218,000 (3.81)	6,327,000 (0.46)	4,665,000 (0.34)	1,370,764,000

Source: Johnson et. al. 1915, 69.

In addition, the agricultural sector employed a large proportion of people in US, both compared to other sectors in the US and compared to the proportion of population employed by that sector in Great Britain.

Table Twenty-five: Proportion of Employment by Major Economic Sector

		1820	1870	1913
UK	Agriculture, Forestry and Fisheries	37.6	22.7	11.7
	Mining, Manufacturing, Construction and Utilities	32.9	42.3	44.1
	Services	29.5	35.0	44.2
United States	Agriculture, Forestry and Fisheries	70.0	50.0	27.5
	Mining, Manufacturing, Construction and Utilities	15.0	24.4	29.7
	Services	15.0	25.6	42.8
Germany	Agriculture, Forestry and Fisheries	NA.	49.5	34.6
	Mining, Manufacturing, Construction and Utilities	NA.	28.7	41.1
	Services	NA.	21.8	24.3
France	Agriculture, Forestry and Fisheries	NA.	49.2	41.1
	Mining, Manufacturing, Construction and Utilities	NA.	27.8	32.2
	Services	NA.	23.0	26.6
Netherlands	Agriculture, Forestry and Fisheries	NA.	37.0	26.5
	Mining, Manufacturing, Construction and Utilities	NA.	29.0	33.8
	Services	NA.	34.0	39.7

Source: Maddison 1995, Table 2-5, 39.

Table Twenty-six: Percentage Distribution of Labor Force, United States 1870-1910

Year	Farming, Fishing, and Mining	Construction	Manufacturing	Trade	Ocean and Rail Transport	Domestics
1870	54	6	19	10	2	8
1880	53	5	19	11	3	7
1890	45	7	19	13	4	7
1900	43	6	20	14	4	6
1910	34	5	22	14	5	6

Source: Higgs 1971, 48.

III. Importance of Foreign Trade

Exactly how important was foreign trade to the economies of the US, Great Britain and Germany during this period? The answer to this question is difficult to determine, for at least two reasons. First, as can be seen in the debate about international competitiveness that is taking place today, it is not obvious how to measure the importance of foreign trade. Second, even if we agree to focus on the primary effects of trade, it is difficult to get data that is comparable across countries, particularly for the years we are examining. What follows represents my attempt to present the data that is available; while it provides some indication of broad trends, care is necessary in interpreting the data, especially across countries.

Table Twenty-seven: Importance of Foreign Trade

Year	United States External trade as % of GNP (million dollars, current values)	Year	Great Britain External trade as % of GNP (million pounds, current values)	Year	Germany External trade as % of NNP (million marks, current values)
1860	.18	1860	.41	1860	NA
1861	.14	1861	.38	1861	NA
1862	.10	1862	.38	1862	NA
1863	.09	1863	.41	1863	NA
1864	.07	1864	.42	1864	NA
1865	.06	1865	.41	1865	NA
1866	.12	1866	.44	1866	NA
1867	.10	1867	.41	1867	NA
1868	.09	1868	.43	1868	NA
1869	.12	1869	.43	1869	NA
1870	.13	1870	.42	1870	NA
1871	.13	1871	.44	1871	NA
1872	.14	1872	.46	1872	NA
1873	.14	1873	.45	1873	NA
1874	.13	1874	.42	1874	NA
1875	.13	1875	.43	1875	NA
1876	.14	1876	.43	1876	NA
1877	.15	1877	.46	1877	NA
1878	.14	1878	.41	1878	NA
1879	.15	1879	.46	1879	NA
1880	.14	1880	.44	1880	.34
1881	.12	1881	.46	1881	.35
1882	.14	1882	.47	1882	.36
1883	.13	1883	.45	1883	.36
1884	.13	1884	.43	1884	.35
1885	.13	1885	.42	1885	.31
1886	.12	1886	.41	1886	.31
1887	.12	1887	.41	1887	.32
1888	.12	1888	.43	1888	.31
1889	.12* .12	1889	.45	1889	.32
1890	.14	1890	.44	1890	.32
1891	.14	1891	.43	1891	.32
1892	.14	1892	.41	1892	.29
1893	.12	1893	.40	1893	.29
1894	.12	1894	.38	1894	.28
1895	.13	1895	.39	1895	.29
1896	.13	1896	.39	1896	.29
1897	.14	1897	.40	1897	.29
1898	.13	1898	.38	1898	.31
1899	.13	1899	.37	1899	.30
1900	.13	1900	.40	1900	.32

Sources and Notes:

United States: Mitchell 1993. The figures for exports and imports are from "Table E1, North America: External Trade Aggregates in Current Values," 424 and 427. Note that these data are for the years ending June 30, and are for general trade, including bullion and specie. The figures for GNP are from "Table J1, North America: National Accounts Totals," 748 and 749.

Great Britain: The figures for exports and imports on which this is based are from Mitchell 1992, 557 and 562. Note that the figures for exports are for direct exports (DE). The figures for both imports and exports are for merchandise trade only, with bullion, specie and diamonds excluded. Figures were given at current value in million pounds. The figures for GNP are from Mitchell 1988, 832-833. The figures Mitchell provides for GNP are at market price, at current value in million pounds, by category of expenditure.

Germany: Mitchell 1992. The figures for exports and imports are from "Table E1, External Trade Aggregate, Current Value," 555 and 569. The figures for both imports and exports are for merchandise trade only, and for special trade—imports for domestic consumption, and re-exports of commodities originally intended for domestic consumption. The figures for GNP are from "Table J1, National Accounts Totals," 890 and 894. Mitchell notes that statistics are available back to 1871, but not on a consistent basis.

*Mitchell notes "This break occurs on a change of source. The estimates in the source of the earlier figures are continued there to 1909" (1993, 773).

IV. Labor Unrest

Table Twenty-eight: Work Stoppages in the United States, 1881-1900

Year	Number of Stoppages	Workers involved (1,000)
1881	477	130
1882	476	159
1883	506	170
1884	485	165
1885	695	258
1886	1572	610
1887	1503	439
1888	946	163
1889	1111	260
1890	1897	373
1891	1786	330
1892	1359	239
1893	1375	288
1894	1404	690
1895	1255	407
1896	1066	249
1897	1110	416
1898	1098	263
1899	1838	432
1900	1839	568

Source: Taken from U.S. Department of Commerce, Series D 970-985, 179.

Note: Work stoppages include strikes and lockouts. Figures for workers include all workers affected by the stoppage in the establishment where the stoppage occurs, whether or not they were active participants in the stoppage.

The German Economy

I have argued that the positions of the US and Germany vis-a-vis Great Britain were broadly similar, in that Great Britain dominated the world economy in these years. But a closer look at their economic relations may reveal that Great Britain was objectively a much greater economic threat to the US than it was to Germany. The task of evaluating this possibility is complicated by the availability of data that is comparable across countries for these years; what data there is provides contradictory indicators.

There are important differences in the economic position of the US and Germany, some of which suggest that Britain may have been more of a threat to the US, others which suggest it may have been more of a threat to Germany. How one interprets the data depends on one's definition of threat, which emphasizes the importance of contemporary understandings of the positions of these states. While the United Kingdom was the largest export market for both states, the United States was certainly much more dependent on the British market than Germany. The United Kingdom took anywhere from 43 to 59% of American exports, while its share of German exports ranged from 15 to 22% (see Tables Twenty and Thirty). The United Kingdom was also the largest supplier of American imports, by a large margin, while three states, the United Kingdom, Austria-Hungary, and Russia, were all important sources of German imports (see Tables Twenty-one and Thirty-one).

Another important difference in the position of the two countries was the make-up of their exports; merchandise exports are a much larger percentage of the exports of Germany—and Great Britain—than they are for the United States (see Table Four in Appendix One). This suggests that the competition between Germany and Great Britain for export markets may have been more intense than that between the US and Great Britain (but see Kennedy 1980, esp. 45-47 and 292 ff. on the ways in which the British

and German economies both complimented, and competed with, each other). This line of reasoning is also supported by the importance of foreign trade to each of these countries; while data discrepancies limit comparability across countries, it seems clear that foreign trade was a larger part of the German economy than it was the American (see Table Twenty-seven).

The contradictory nature of these indicators reinforces my belief in the importance of examining the contemporary interpretation of the economic situation. The data mentioned above and presented throughout this appendix suggest that there was material available to make an argument about the economic threat posed by Great Britain to both the United States and Germany, yet it was in the US that this threat was perceived and countered. While future research may reveal that arguments are more likely to draw on certain conditions (e.g. dependence upon a particular market) than others, it seems clear that Great Britain did pose at least a potential economic threat to Germany.

I. The German Trade Position

Table Twenty-nine: German External Trade Aggregate, current value
in million marks

	Exports	Imports	Excess of exports (+) or imports (-)
1880	2923	2814	+109
1881	3030	2962	+68
1882	3224	3099	+125
1883	3259	3221	+38
1884	3190	3236	-46
1885	2854	2923	-69
1886	2976	2874	+102
1887	3136	3109	27
1888	3207	3253	-46
1889	3167	4015	-848
1890	3335	4162	-827
1891	3176	4151	-975
1892	2954	4010	-1056
1893	3092	3962	-870
1894	2961	3942	-981
1895	3318	4119	-801
1896	3525	4307	-782
1897	3635	4681	-1046
1898	3757	5076	-1319
1899	4217	5463	-1246
1900	4611	5769	-1158

Source: Adapted from Mitchell 1992, Table E1, "External Trade Aggregate Current Value," 555 and 559. Mitchell notes that "Statistics are available [for Germany's exports) back to 1871, but not on a consistent basis, and incomplete statistics go back to 1834 for the Zollverein" (Mitchell 1993, 567, note 13). Unless otherwise noted, figures are for merchandise trade only, and "are of 'special' rather than 'general' trade—i.e. imports for home consumption and exports of home origin plus re-exports of commodities originally intended for home consumption" (Mitchell 1993, 567, 650).

As Tables Thirty and Thirty-one show, Germany's export markets were more concentrated than its import markets. The United Kingdom was Germany's chief export market, taking from 15% (in numerous years) to a high of 22% (in 1893) of its exports. Austria-Hungary was second in importance; its share of German exports ranged from 9% (in 1887 and 1888) to a high of 13% (in 1890). The importance of the US as a market for German exports increased over these years; it took only 4% of German exports in 1883 but its share of German exports peaked in 1890 with 13%. In terms of import markets, the United Kingdom and Austria-Hungary are the most important markets, with Russia in third place. The percentage of German imports from the UK ranged from 12% (in 1880 and 1881) to a high of 17% (in 1889); the percentage from Austria-Hungary ranged from 12% (in 1895) to 16% (in 1883); and the percentage from Russia ranged from 9% (in 1886 and 1893) to 15% (in 1896).

Table Thirty: Value of German exports (in current values, million dollars) to main trading partners, with percentage of total exports in ().

Year	Total exports	United Kingdom	Austria-Hungary	Belgium	France***	Italy	Netherlands	Russia**	United States
1880	2923	438 (.15)	291 (.10)	164 (.06)	285 (.10)	52 (.02)	227 (.08)	213 (.07)	
1881	3030	449 (.15)	316 (.10)	169 (.06)	319 (.11)	71 (.02)	240 (.08)	183 (.06)	
1882	3224	513 (.16)	326 (.10)	171 (.05)	342 (.11)	74 (.02)	259 (.08)	193 (.06)	192 (.06)
1883	3259	552 (.17)	336 (.10)	174 (.05)	313 (.10)	84 (.03)	256 (.08)	184 (.06)	144 (.04)
1884	3190	514 (.16)	325 (.10)	163 (.05)	283 (.09)	87 (.03)	230 (.07)	169 (.05)	176 (.06)
1885	2854	453 (.16)	284 (.10)	147 (.05)	248 (.09)	85 (.03)	225 (.08)	151 (.05)	155 (.05)
1886	2976	443 (.15)	286 (.10)	155 (.05)	249 (.08)	84 (.03)	230 (.08)	148 (.05)	212 (.04)
1887	3136	491 (.16)	296 (.09)	161 (.05)	219 (.07)	99 (.03)	234 (.07)	132 (.04)	231 (.07)
1888*	3207	480 (.15)	299 (.09)	172 (.05)	219 (.07)	81 (.03)	271 (.08)	200 (.06)	236 (.07)
1889	3167	647 (.20)	319 (.10)	137 (.04)	209 (.07)	102 (.03)	249 (.08)	197 (.06)	395 (.12)
1890	3335	690 (.21)	332 (.10)	151 (.05)	231 (.07)	93 (.03)	258 (.08)	206 (.06)	417 (.13)
1891	3176	679 (.21)	331 (.10)	153 (.05)	237 (.07)	87 (.03)	268 (.08)	263 (.08)	358 (.11)
1892	2954	629 (.21)	321 (.11)	141 (.05)	201 (.07)	90 (.03)	234 (.08)	240 (.08)	347 (.12)
1893	3092	670 (.22)	339 (.11)	148 (.05)	201 (.07)	84 (.03)	240 (.08)	185 (.06)	354 (.11)
1894	2961	632 (.21)	353 (.12)	150 (.05)	188 (.06)	81 (.03)	243 (.08)	195 (.08)	270 (.09)
1895	3318	676 (.20)	374 (.11)	159 (.05)	202 (.06)	82 (.02)	245 (.07)	221 (.07)	368 (.11)
1896	3525	713 (.20)	400 (.11)	168 (.05)	201 (.06)	89 (.03)	262 (.07)	364 (.10)	383 (.11)

Source: Mitchell 1993, Table E2, "External Trade (by value) with Main Trading Partners," 593 and Table E1, "External Trade Aggregate Current Value," 555. Mitchell notes that "Statistics are available [for Germany's exports] back to 1871, but not on a consistent basis, and incomplete statistics go back to 1834 for the Zollverein" (Mitchell 1993, 567, note 13). Unless otherwise noted, figures are for merchandise trade only, and "are of 'special' rather than 'general' trade—i.e. imports for home consumption and exports of home origin plus re-exports of commodities originally intended for home consumption" (Mitchell 1993, 567, 650).

* The Hanse towns were treated as foreign to 1888, and the free port areas to March 1906.

** Including Finland to 1897.

*** Including Algeria and Tunisia to 1897.

n/a = Mitchell did not provide these figures.

Table Thirty-one: Value of German imports (in current values, million dollars) to main trading partners, with percentage of total exports in ().

Year	Total imports	United Kingdom	Austria-Hungary	Belgium	France***	Italy	Netherlands	Russia**	United States
1880	2814	351 (.12)	402 (.14)	195 (.07)	246 (.09)	63 (.02)	190 (.07)	336 (.12)	n/a
1881	2962	365 (.12)	433 (.15)	215 (.07)	253 (.09)	57 (.02)	247 (.08)	333 (.11)	n/a
1882	3099	397 (.13)	503 (.16)	238 (.08)	245 (.08)	53 (.02)	271 (.09)	391 (.13)	115 (.04)
1883	3221	480 (.15)	476 (.15)	273 (.08)	248 (.08)	62 (.02)	239 (.07)	410 (.13)	136 (.04)
1884	3236	507 (.16)	426 (.13)	293 (.09)	244 (.08)	83 (.03)	236 (.07)	414 (.13)	125 (.04)
1885	2923	452 (.15)	384 (.13)	280 (.10)	218 (.07)	76 (.03)	213 (.07)	345 (.12)	122 (.04)
1886	2874	453 (.16)	404 (.14)	277 (.10)	222 (.08)	90 (.03)	212 (.07)	264 (.09)	106 (.04)
1887	3109	461 (.15)	422 (.14)	278 (.09)	213 (.07)	91 (.03)	231 (.07)	362 (.12)	143 (.05)
1888*	3253	496 (.15)	446 (.14)	271 (.08)	214 (.07)	111 (.03)	247 (.08)	456 (.14)	153 (.05)
1889	4015	665 (.17)	530 (.13)	336 (.08)	271 (.07)	149 (.04)	284 (.07)	552 (.14)	317 (.08)
1890	4162	601 (.14)	583 (.14)	314 (.08)	258 (.06)	140 (.03)	307 (.07)	542 (.13)	397 (.10)
1891	4151	565 (.14)	570 (.14)	249 (.06)	251 (.06)	133 (.03)	270 (.07)	581 (.14)	403 (.10)
1892	4010	548 (.14)	564 (.14)	207 (.05)	255 (.06)	134 (.03)	209 (.05)	383 (.10)	535 (.13)
1893	3962	565 (.14)	572 (.14)	188 (.05)	239 (.06)	149 (.04)	212 (.05)	353 (.09)	427 (.11)
1894	3942	512 (.13)	572 (.15)	170 (.04)	211 (.05)	125 (.03)	188 (.05)	544 (.14)	450 (.11)
1895	4119	536 (.13)	513 (.12)	177 (.04)	223 (.05)	138 (.03)	161 (.04)	569 (.14)	483 (.12)
1896	4307	551 (.13)	547 (.13)	173 (.04)	230 (.05)	132 (.03)	159 (.04)	635 (.15)	528 (.12)

Source: Mitchell 1993, Table E2, "External Trade (by value) with Main Trading Partners," 593 and Table E1, "External Trade Aggregate Current Value," 555. Mitchell notes that "Statistics are available [for Germany's exports] back to 1871, but not on a consistent basis, and incomplete statistics go back to 1834 for the Zollverein" (Mitchell 1993, 567, note 13). Unless otherwise noted, figures are for merchandise trade only, and "are of 'special' rather than 'general' trade—i.e. imports for home consumption and exports of home origin plus re-exports of commodities originally intended for home consumption" (Mitchell 1993, 567, 650).

* The Hanse towns were treated as foreign to 1888, and the free port areas to March 1906.

** Including Finland to 1897.

*** Including Algeria and Tunisia to 1897.

n/a = Mitchell did not provide these figures.

Table Thirty-two: Anglo-German trade (£ million)

	1890	1895	1900
British imports from Germany	26.0	26.9	31.1
British exports to Germany	19.2	20.5	27.9
British re-exports to Germany	11.2	12.1	10.5

Source: Kennedy 1980, "Table 15.4," 293.

Table Thirty-three: Import (-) or Export (+) Balances
(Annual averages in \$(000,000's) gold at old parity)
for primary products (a) and manufactured products (b)

Country	1881-85	1891-95
United Kingdom and Ireland	a. -1.262 b. +755	a. -1.291 b. +657
Germany	a. -322 b. +329	a. -586 b. +357
United States	a. +250 b. -142	a. +197 b. -106

Source: League of Nations 1945, Table 14, 100.

Appendix Two Discussion of the Tariff In Party Platforms

Source: *National Party Platforms 1840-1972* compiled by Donald Bruce Johnson and Kirk H. Porter. Urbana, IL: University of Illinois Press, 1973.

Tariff Planks of 1840-1868:

The ***Democratic Party*** states in its platforms of 1840, 1844, 1848, 1852 and 1856 "That justice and sound policy forbid the federal government to foster one branch of industry to the detriment of another, or to cherish the interests of one portion to the injury of another portion of our common country" and that "no more revenue ought to be raised, than is required to defray the necessary expenses of the government" (2, 3-4, 10-11, 16-17, 24).

In 1848 a clause was added stating that revenue should also be raised to pay the public debt (11), and it also states that the Polk administration "have fulfilled the hopes of the Democracy of the Union—...in protecting the currency from ruinous fluctuations...in the noble impulse given to the cause of free trade, by the repeal of the tariff in 1842 and the creation of the more equal, honest, and productive tariff of 1846" (12).

The platform of 1860 simply endorses the platform of 1856, with some additions, while the platform of 1864 does not mention the tariff at all (34-35).

The platform of 1868 calls for "a tariff for revenue upon foreign imports, such as will afford incidental protection to domestic manufacturers, and as will, without impairing the revenue, impose the least burden upon, and best promote and encourage the great industrial interests of the country" (37).

The ***Whig Party*** platform of 1844 declares its support for the principle of "a tariff for revenue to defray the necessary expenses of government, and discriminating with special reference to the protection of the domestic labor of the country" (9).

In the platform of 1848, the only mention of economic policy was "that we look on General Taylor's administration of the Government as one conducive of Peace,

Prosperity, and Union...Of Prosperity—now more than ever needed to relieve the nation from a burden of debt, and restore industry—agricultural, manufacturing and commercial—to its accustomed and peaceful functions and influences” (14-15). Porter and Johnson caution that “the platform, to our knowledge, was neither adopted nationally nor regarded as the official party platform by all of the ideologically divided Whigs that year” (15).

In 1852 the platform resolved, “Revenue sufficient for the expenses of an economical administration of the Government in time of peace ought to be derived from a duty on imports, and not from direct taxation; and in levying such duties, sound policy requires a just discrimination, whereby suitable encouragement may be afforded to American industry, equally to all classes, and to all parts of the country” (20).

The *Free Soil Platform of 1848* states that “we are therefore in favor of such a tariff of duties as will raise revenue adequate to defray the necessary expenses of the Federal Government, and to pay annual installments of our debt and the interest thereon” (14).

The *Free Democratic Platform of 1852* declares “that no more revenue should be raised than is required to defray the strictly necessary expenses of the public service, and to pay off the public debt” (19).

The *Republican Party* issued their first platform in 1860. On the issue of the tariff, it stated “That, while providing revenue for the support of the general government by duties upon imports, sound policy requires such an adjustment of these imports as to encourage the development of the industrial interests of the whole country; and we commend that policy of national exchanges, which secures to the workingmen liberal wages, to agriculture remunerative prices, to mechanics and manufacturers an adequate reward for their skill, labor, and enterprise, and to the nation commercial prosperity and independence” (33).

Tariff Planks of 1870-1896:***1872*****Democratic Platform of 1872:**

"We demand a system of Federal taxation which shall not unnecessarily interfere with the industry of the people and which shall provide the means necessary to pay the expenses of the Government, economically administered, the pensions, the interest on the public debt, and a moderate annual reduction of the principal thereof; and recognizing that there are in our midst honest but irreconcilable differences of opinion with regard to the respective systems of protection and free trade, we remit the discussion of the subject to the people in their Congressional Districts, and the decision of the Congress thereon, wholly free from Executive interference or dictation" (42).

Labor Reform Platform of 1872:

"*Resolved*, That Congress should modify the tariff so as to admit free such articles of common use as we can neither produce nor grow, and lay duties for revenue mainly upon articles of luxury, and upon such articles of manufacture as we, having the raw material in abundance, will assist in further developing the resources of the country" (43).

Liberal Republican Platform of 1872:

"We demand a system of Federal taxation which shall not unnecessarily interfere with the industry of the people, and which shall provide the means necessary to pay the expenses of the Government economically administered, the pensions, the interest on the public debt, and a moderate reduction annually of the principal thereof; and, recognizing that there are in our midst honest but irreconcilable differences of opinion with regard to the respective systems of Protection and Free Trade, we remit the discussion of the subject to the people in their Congress Districts, and to the decision of Congress thereon, wholly free from Executive interference or dictation" (44).

Prohibition Platform of 1872:

"That an adequate public revenue being necessary, it may properly be raised by impost duties and by an equitable assessment upon the property and legitimate business of the country; nevertheless, we are opposed to any discrimination of capital against labor, as well as to all monopoly and class legislation" (46).

Republican Platform of 1872:

"The annual revenue, after paying current expenditures, pensions, and the interest on the public debt, should furnish a moderate balance for the reduction of the principal and that revenue, except so much as may be derived from a tax upon tobacco and liquors, should be raised by duties upon importations, the details of which should be so adjusted as to aid in securing remunerative wages to labor, and to promote the industries, prosperity, and growth of the whole country" (47).

1876

Democratic Platform of 1876:

"Reform is necessary in the sum and mold of Federal taxation, to the end that capital may be set free from distrust, and labor lightly burdened. We denounce the present tariff levied upon nearly four thousand articles as a masterpiece of injustice, inequality and false pretense, which yields a dwindling and not a rising yearly revenue, has impoverished many industries to subsidize a few. It prohibits imports that might purchase the products of American labor; it has degraded American commerce from the first to an inferior rank upon the high seas; it has cut down the values of American manufactures at home and abroad; it has depleted the returns of American agriculture, an industry followed by half our people; its costs the people five times more than it produces to the treasury, obstructs the process of production and wastes the fruit of labor; it promotes fraud, fosters smuggling, enriches dishonest officials, and bankrupts honest merchants. We demand that all custom-house taxation shall be only for revenue" (49-50).

Prohibition Reform Platform of 1876:

not applicable

Independent (Greenback) Platform of 1876:

not applicable

Republican Platform of 1876:

"The revenue necessary for current expenditures and the obligations of the public debt must be largely derived from duties upon importations, which, so far as possible, should be so adjusted as to promote the interests of American labor and advance the prosperity of the whole country" (54).

1880

Democratic Platform of 1880:

"And a tariff for revenue only"(56).

"Free ships and a living chance for American commerce on the seas, and on the land no discrimination in favor of transportation lines, corporations and monopolies" (57).

Greenback Platform of 1880:

not applicable

Prohibition Reform Platform of 1880:

not applicable

Republican Platform of 1880:

"Our foreign trade increased from \$700,000,000 to \$1,115,000,000 in the same time [1860 to 1879], and our exports, which were \$20,000,000 less than our imports in 1860, were \$265,000,000 more than our imports in 1879....

"It has paid \$880,000,000 of the public debt, and, by refunding the balance at lower rates, has reduced the annual interest-charge from nearly \$150,000,000 to less than \$89,000,000. All the industries of the country have revived; labor is in demand; wages have increased, and throughout the entire country there is evidence of a coming prosperity greater than we have ever enjoyed.....

"We affirm the belief, avowed in 1876, that the duties levied fro the purpose of revenue should so discriminate as to favor American labor;" (61).

1884

American Prohibition National Platform of 1884:

"That is should be the settled policy of the Government to reduce the tariffs and taxes as rapidly as the necessities and vested business interest will allow" (64).

Anti-Monopoly Platform of 1884:

"We demand...a tariff, which is a tax upon the people, that shall be so levied as to bear as lightly as possible upon necessities. We denounce the present tariff as being

largely in the interest of monopoly, and demand that it be speedily and radically reformed in the interest of labor instead of capital" (64).

"That we deprecate the discrimination of American legislation against the greatest of American industries--agriculture, by which it has been deprived of nearly all beneficial legislation while forced to bear the brunt of taxation. And we demand for it the fostering care of Government and the just recognition of its importance in the development and advancement of our land" (64).

Prohibition Platform of 1884

"That revenue from customs duties should be levied for the support of the Government economically administered, and in such manner as will foster American industries and labor"(71).

Democratic Platform of 1884:

"It [the Republican party] proffers a pledge to correct the irregularities of our tariff. It created and has continued them. Its own Tariff Commission confessed the need of more than 20 per cent reduction. Its Congress gave a reduction of less than four per cent.

"It professes the protection of American manufacturers. It has subjected them to an increasing flood of manufactured goods, and a hopeless competition with manufacturing nations, not one of which taxes raw materials.

"It professes to protect all American industries. It has impoverished many to subsidize a few.

"It professes the protection of American labor. It has depleted the returns of American agriculture--an industry followed by half of our people" (65-66).

"That change is necessary is proved by an existing surplus of more than \$100,000,000, which has yearly been collected from a suffering people. Unnecessary taxation is unjust taxation....

"But in making reduction in taxes, it is not proposed to injure any domestic industries, but rather to promote their healthy growth. From the foundation of this Government, taxes collected at the Custom House have been the chief source of Federal Revenue. Such they must continue to be. Moreover, many industries have come to rely upon legislation for successful continuance, so that any change of law must be at every step regardful of the labor and capital thus involved....

"All taxation must be limited to the requirements of economical government. The necessary reduction and taxation can and must be effected without depriving American labor of the ability to compete successfully with foreign labor, and without imposing lower rates of duty than will be ample to cover any increased cost of production which may exist in consequence of the higher rate of wages prevailing in this country.

"Sufficient revenue to pay all the expenses of the Federal Government, economically administered, including pensions, interest, and principal on the public debt, can be got, under our present system of taxation, from the custom house taxes on fewer

imported articles, bearing heaviest on articles of luxury, and bearing lightest on articles of necessity.

"We, therefore, denounce the abuses of the existing tariff; and, subject to the preceding limitations, we demand that Federal taxation shall be exclusively for public purposes and shall not exceed the needs of the Government economically administered" (66).

"We favor an American continental policy based upon more intimate commercial and political relations with the fifteen sister Republics of North, Central, and South America, but entangling alliances with none.

"Under a long period of Democratic rule and policy, our merchant marine was fast overtaking and on the point of outstripping that of Great Britain" (67).

"Under twenty years of Republican rule and policy, our commerce has been left to British bottoms, and almost has the American flag been swept off the high seas.

"Instead of the Republican party's British policy, we demand for the people of the United States an American policy.

"Under Democratic rule and policy our merchants and sailors, flying the stars and stripes in every port, successfully searched out a market for the varied products of America industry.

"Under a quarter of a century of Republican rule and policy, despite our manifest advantage of all other nations in high-paid labor, favorable climate and teeming soils; despite freedom of trade among all of these United States; despite their population by the foremost races of men and an annual immigration of the young, thrifty, and adventurous of all nations; despite our freedom here from the inherited burdens of life and industry in the old-world monarchies--their costly war navies, their vast tax-consuming, non-producing standing armies; despite twenty years of peace--that Republican rule and policy have managed to surrender to Great Britain, along with our commerce, the control of the markets of the world.

"Instead of the Republican's British policy, we demand on behalf of the American Democracy, an American policy.

"Instead of the Republican party's discredited scheme and false pretense of friendship for American labor, expressed by imposing taxes, we demand in behalf of the Democracy, freedom for American labor by reducing taxes, to the end that these United States may compete with unhindered powers for the primacy among nations in all the arts of peace and fruits of liberty.....

"With this statement of the hopes, principles and purposes of the Democratic party, the great issue of Reform and change in Administration is submitted to the people in calm confidence that the popular voice will pronounce in favor of new men, and new and more favorable conditions for the growth of industry, the extension of trade, and the employment and the due reward of labor and of capital, and the general welfare of the whole country" (68).

Greenback National Platform of 1884:

"The question as to the amount of duties to be levied upon various articles of import has been agitated and quarreled over and has divided communities for nearly a hundred years. It is not now and never will be settled unless by the abolition of indirect taxation. It is a convenient issue--always raised when the people are excited over abuses in their midst. While we favor a wise revision of the tariff laws, with a view to raising a revenue from luxuries rather than necessities, we insist that as an economic question its importance is insignificant as compared with financial issues; for whereas we have suffered our worst panics under low and also under high tariff, we have never suffered from a panic nor seen our factories and our workshops closed while the volume of money was adequate to the needs of commerce. Give our farmers and manufacturers money as cheap as you now give it to our bankers, and they can pay high wages to labor, and compete with all the world" (70).

Republican Platform of 1884

"The largest diversity of industry is most productive of general prosperity, and of the comfort and independence of the people.

"We, therefore, demand that the imposition of duties on foreign imports shall be made, not 'for revenue only,' but that in raising the requisite revenues for the government, such duties shall be levied so as to afford security to our diversified industries and protection to the rights and wages of the laborer; to the end that active and intelligent labor, as well as capital, may have its just reward, and the laboring man his full share in the national prosperity.

"Against the so-called economic system of the Democratic party, which would degrade our labor to the foreign standard, we enter our earnest protest" (72-73).

"The Republican party pledges itself to correct the inequalities of the tariff, and to reduce the surplus, not by the vicious and indiscriminate process of horizontal reduction, but by such methods as will relieve the taxpayer without injuring the laborer or the great productive interests of the country.

"We recognize the importance of sheep husbandry in the United States, the serious depression which it is now experiencing, and the danger threatening its future prosperity; and we, therefore, respect the demands of the representatives of this important agricultural interest for a readjustment of the duties on foreign wool, in order that such industry shall have full and adequate protection.

"We demand the restoration of our navy to its old-time strength and efficiency, that it may in any sea protect the rights of American citizens and the interests of American commerce; and we call upon Congress to remove the burdens under which American shipping has been depressed, so that it may again be true that we have a commerce which leaves no sea unexplored, and a navy which takes no law from superior force" (74).

1888

American Platform of 1888

"Resolved, That we are in favor of fostering and encouraging American industries of every class and kind, and declare that the assumed issues of "Protection" versus "Free Trade" is a fraud and a snare. The best "protection" is that which protects the labor and the life blood of the republic from the degraded competition with and contaminations by imported foreigners; and the most dangerous "free trade" is that in paupers, criminals, communists, and anarchists, in which the balance has always been against the United States" (75).

Democratic Platform of 1888

"The Democratic Party of the United States, in National Convention assembled renews the pledge of its fidelity to Democratic faith and reaffirms the platform adopted by its representatives in the Convention of 1884, and indorses the views expressed by President Cleveland in his last annual message to Congress as the correct interpretation of that platform upon the question of Tariff reduction; and also endorses the efforts of our Democratic Representatives in Congress to secure a reduction of excessive taxation" (76-77).

"Our established domestic industries and enterprises should not, and need not, be endangered by a reduction and correction of the burdens of taxation. On the contrary, a fair and careful revision of our tax laws, with due allowance for the difference between the wages of American and foreign labor, must promote and encourage every branch of such industries and enterprises by giving them assurance of an extended market and steady and continuous operations" (78).

"In the interest of American labor, which should in no event be neglected, the revision of our tax laws contemplated by the Democratic party would promote the advantage of such labor by cheapening the cost of the necessaries of life in the home of every workingman and at the same time securing to him steady and remunerative employment"(78).

Prohibition Platform of 1888:

"That an adequate public revenue being necessary, it may properly be raised by import duties; but import duties should be so reduced that no surplus shall be accumulated in the Treasury, and that the burdens of taxation shall be removed from foods, clothing, and other comforts and necessaries of like, and imposed on such articles of imports as will give protection both to the manufacturing employer and producing laborer against the competition of the world" (79).

Union Labor Platform of 1888

not applicable

United Labor Platform of 1888:

not applicable

Republican Platform of 1888:

"We are uncompromisingly in favor of the American system of protection; we protest against its destruction as proposed by the President and his party. They serve the interests of Europe; we will support the interests of America. We accept the issue, and confidently appeal to the people for their judgment. The protective system must be maintained. Its abandonment has always been followed by general disaster to all interests, except those of the usurer and the sheriff. We denounce the Mills bill as destructive to the general business, the labor and the farming interests of the country, and we heartily indorse the consistent and patriotic action of the Republican Representatives in Congress in opposing its passage.

"We condemn the proposition of the Democratic party to place wool on the free list, and we insist that the duties thereon shall be adjusted and maintained so as to furnish full and adequate protection to that industry throughout the United States.

"The Republican party would effect all needed reduction of the National revenue by repealing the taxes upon tobacco, which are an annoyance and burden to agriculture, and the tax upon spirits used in the arts, and for mechanical purposes, and by such revision of the tariff laws as will tend to check imports of such articles as are produced by our people, the production of which gives employment to our labor, and releases from import duties those articles of foreign production (Except luxuries), the like of which cannot be produced at home. If there shall remain a larger revenue than is requisite for the wants of the government we favor the entire repeal of internal taxes rather than surrender of any part of our protective system at the joint behests of the whiskey trusts and the agents of foreign manufacturers" (80).

"We earnestly recommend that prompt action be taken by Congress in the enactment of such legislation as will best secure the rehabilitation of our American merchant marine, and we protest against the passage by Congress of a free ship bill as calculated to work injustice to labor by lessening the wages of those engaged in preparing materials as well as those directly employed in our shipyards. We demand appropriations for the early rebuilding of our navy; for the construction of coast fortifications and modern ordnance and other approved modern means of defense for the protection of our defenseless harbors and cities; for the payment of just pensions to our soldiers; for necessary works of National importance in the improvement of harbors and the channels of internal, coastwise, and foreign commerce; for the encouragement of the shipping interests of the Atlantic, Gulf and Pacific States, as well as for the payment of

the maturing public debt. This policy will give employment to our labor, activity to our various industries, increase the security of our country, promote trade, open new and direct markets for our produce, and cheapen the cost of transportation. We affirm this to be far better for our country than the Democratic policy of loaning the government's money, without interest, to 'pet banks' "(81-82).

"The conduct of foreign affairs by the present Administration has been distinguished by its inefficiency and its cowardice. Having withdrawn from the Senate all pending treaties effected by Republican Administration for the removal of foreign burdens and restrictions upon our commerce, and for its extension into better markets, it has neither effected nor proposed any others in their stead. Professing adherence to the Monroe doctrine it has seen with idle complacency the extension of foreign influence in Central America and of foreign trade everywhere among our neighbors. It has refused to charter, sanction or encourage any American organization for construction of the Nicaragua Canal, a work of vital importance to the maintenance of the Monroe doctrine and of our National influence in Central and South America, and necessary for the development of trade with our Pacific territory, with South America, and with the islands and further coasts of the Pacific Ocean" (82).

1892

Democratic Platform of 1892:

"We denounce Republican protection as a fraud, a robbery of the great majority of the American people for the benefit of a few. We declare it to be a fundamental principle of the Democratic party that the Federal Government has no constitutional power to impose and collect tariff duties, except for the purpose of revenue only, and we demand that the collection of such taxes shall be limited to the necessities of Government when honestly and economically administered.

"We denounce the McKinley tariff law enacted by the 51st Congress as the culminating atrocity of class legislation; we indorse the efforts made by the Democrats of the present Congress to modify its most oppressive features in the direction of free raw materials and cheaper manufactured goods that enter into general consumption; and we promise its repeal as one of the beneficent results that will follow the action of the people in trusting power to the Democratic party. Since the McKinley tariff went into operation there have been ten reductions of the wages of the laboring man to one increase. We deny that there has been any increase of prosperity to the country since that tariff went into operation, and we point to the fullness and distress, the wage reductions and the strikes in the iron trade, as the best possible evidence that no such prosperity has resulted from the McKinley Act.

"We call the attention of thoughtful Americans to the fact that after thirty years of restrictive taxes against the importation of foreign wealth, in exchange for agricultural surplus, the homes and farms of the country have become burdened with a real estate mortgage debt of over \$2,500,000,000 exclusive of all other forms of indebtedness; that in one of the chief agricultural States of the West there appears a real estate mortgage debt averaging \$165 per capita of the total population, and that similar conditions and

tendencies are shown to exist in other agricultural-exporting States. We denounce a policy which fosters no industry so much as it does that of the Sheriff.

"Trade interchange, on the basis of reciprocal advantages to the countries participating, is a time-honored doctrine of Democratic faith, but we denounce the sham reciprocity which juggles with the people's desire for enlarged foreign markets and freer exchange by pretending to establish closer trade relations for a country whose articles of export are almost exclusively agricultural products with other countries that are also agricultural, while erecting a custom-house barrier of prohibitive tariff taxes against the richest countries of the world, that stand ready to take our entire surplus of products, and to exchange therefor commodities which are necessities and comforts of life among our own people" (87).

Prohibition Platform of 1892:

"Tariff should be levied only as a defense against foreign governments which levy tariff upon or bar our products from their markets, revenue being incidental. The residue of means necessary to an economical administration of the Government should be raised by levying a burden on what the people possess, instead of upon what they consume" (92).

"Even the tariff issue, as represented in the Democratic Mills bill and the Republican McKinley bill, is no longer treated by them [the Democratic and Republican parties] as an issue upon great and divergent principles of government, but is a mere catering to different sectional and class interests" (92).

Socialist Labor Platform of 1892:

not applicable

People's Platform of 1892:

"They [the two great political parties] propose to drown the outcries of a plundered people with the uproar of a sham battle over the tariff, so that capitalists, corporations, national banks, rings, trusts, watered stock, the demonetization of silver and the oppressions of the usurers may all be lost sight of" (90).

Republican Platform of 1892:

"We reaffirm the American doctrine of protection. We call attention to its growth abroad. We maintain that the prosperous condition of our country is largely due to the wise revenue legislation of the Republican congress.

"We believe that all articles which cannot be produced in the United States, except luxuries, should be admitted free of duty, and that on all imports coming into competition with the products of American labor, there should be levied duties equal to the difference

between wages abroad and at home. We assert that the prices of manufactured articles of general consumption have been reduced under the operation of the tariff act of 1890.

"We denounce the efforts of the Democratic majority of the House of Representatives to destroy our tariff laws by piecemeal, as manifested by their attacks upon wool, lead, and lead ores, the chief products of a number of States, and we ask the people for their judgment thereon.

"We point to the success of the Republican policy of reciprocity, under which our export trade has vastly increased and new and enlarged markets have been opened for the products of our farms and workshops., We remind the people of the bitter opposition of the Democratic party to this practical business measure, and claim that, executed by a Republican administration, our present laws will eventually give us control of the trade of the world" (93).

"We favor the extension of our foreign commerce, the restoration of our merchant marine by home-built ships, and the creation of a navy for the protection of our National interests and the honor of our flag; the maintenance of the most friendly relations with all foreign powers; entangling alliances with none; and the protection of the rights of our fishermen" (94).

1896

Democratic Platform of 1896:

"We hold that tariff duties should be levied for purposes of revenue, such duties to be so adjusted as to operate equally throughout the country, and not discriminate between class or section, and that taxation should be limited by the needs of the Government, honestly and economically administered. We denounce as disturbing to business the Republican threat to restore the McKinley law, which has twice been condemned by the people in National elections and which, enacted under the false plea of protection to home industries, proved a breeder of trusts and monopolies, restricted trade and deprived the producers of the great American staples of access to their natural markets.

"Until the money question is settled we are opposed to any agitation for further changes in our tariff laws, except such as are necessary to meet the deficit in revenue caused by the adverse decision of the Supreme Court on the income tax" (98).

National Platform of 1896:

"The National Constitutional should be so amended as to allow the National revenue to be raised by an equitable adjustment of taxation on the properties and incomes of the people, and import duties should be levied as a means of securing equitable commercial relations with other nations" (100).

National Democratic Platform of 1896:

"Taxation, tariff, excise or direct, is rightfully imposed only for public purposes, and not for private gain. Its amount is justly measured by public expenditures, which should be limited to scrupulous economy. The sum derived by the Treasury from tariff and excise levies is affected by the state of trade and the volume of consumption. The amount required by the treasury is determined by the appropriations made by Congress. The demand of the Republican party for an increase in tariff taxation has its pretext in the deficiency of the revenue, which has its causes in the stagnation of trade and reduced consumption, due entirely to the loss of confidence that has followed the Populist threat of free coinage and depreciation of our money and the Republican practice of extravagant appropriations beyond the needs of good government., We arraign and condemn the Populistic conventions of Chicago and St. Louis for their cooperation- with the Republican party in creating these conditions, which are pleaded in justification of a heavy increase of the burdens of the people by a further resort to protection. We, therefore, denounce protection and its ally, free coinage of silver, as schemes for the personal profit of a few at the expense of the masses, and oppose the two parties which stand for these schemes as hostile to the people of the Republic, whose food and shelter, comfort and prosperity are attacked by higher taxes and depreciated money" (101-102).

"In fine, we reaffirm the historic Democratic doctrine of tariff for revenue only" (102).

National Silver Platform of 1896:

not applicable

People's Platform of 1896:

not applicable

Prohibition Platform of 1896:

not applicable

Republican Platform of 1896:

"For the first time since the civil war the American people have witnessed the calamitous consequence of full and unrestricted Democratic control of the government.....it has...piled up the public debt..., forced an adverse balance of trade..., pawned American credit to alien syndicates and reversed all the measures and results of

successful Republican rule. In the broad effect of its policy it has precipitated panic, blighted industry and trade with prolonged depression, closed factories, reduced work and wages, halted enterprise and crippled American production, while stimulating foreign production for the American market.....We renew and emphasize our allegiance to the policy of protection, as the bulwark of America industrial independence, and the foundation of American development and prosperity. This true American policy taxes foreign products and encourages home industry. It puts the burden for revenue on foreign goods; it secures the American market for the American producer. It upholds the American standard of wages for the American workingman; it puts the factory by the side of the farm and makes the American farmer less dependent on foreign demand and prices; it diffuses general thrift, and founds the strength of all on the strength of each. In its reasonable application it is just, fair and impartial, equally opposed to foreign control and domestic monopoly to sectional discrimination and individual favoritism" (107).

"We denounce the present tariff as sectional, injurious to the public credit and destructive to business enterprise. We demand such an equitable tariff on foreign imports which come into competition with American products as will not only furnish adequate revenue for the necessary expenses of the Government, but will protect American labor from degradation and the wage level of other lands. We are not pledged to any particular schedules. The question of rates is a practical question, to be governed by the conditions of time and of production. The ruling and uncompromising principle is the protection and development of American labor and industries. The country demands a right settlement, and then it wants rest" (107).

"We believe the repeal of the reciprocity arrangements negotiated by the last Republican Administration was a National calamity, and demand their renewal and extension on such terms as will equalize our trade with other nations, remove the restrictions which now obstruct the sale of American products in the ports of other countries, and secure enlarged markets for the products of our farms, forests, and factories" (107).

"Protection and Reciprocity are twin measures of American policy and go hand in hand. Democratic rule has recklessly struck down both, and both must be re-established. Protection for what we produce; free admission for the necessaries of life which we don't produce; reciprocal agreement of mutual interests, which gain open markets for us in return for our open markets for others. Protection builds up domestic industry and trade and secures our own market for ourselves; reciprocity builds up foreign trade and finds an outlet for our surplus. We condemn the present administration for not keeping pace with the sugar producers of this country. The Republican party favors such protection as will lead to the production on American soil of all the sugar which the American people use, and for which they pay other countries more than one hundred million dollars annually. To all our products, to those of the mine and the fields, as well as to those of the shop and the factory, to hemp and wool, the product of the great industry sheep husbandry; as well as to the foundry, as to the mills, we promise the most ample protection. We favor the early American policy of discriminating duties for the upbuilding of our merchant marine. To the protection of our shipping in the foreign-carrying trade, so that America ships, the product of American labor, employed in American ship-yards, sailing under the stars and stripes, and manned, officered and owned by Americans, may regain the carrying of our foreign commerce" (107-8).

Socialist Labor Platform of 1896:

not applicable

Tariff Planks of 1900-1912

1900

Democratic Platform of 1900

"Tariff laws should be amended by putting the products of trusts upon the free list, to prevent monopoly under the pleas of protection" (114).

"We condemn the Dingley tariff law as a trust breeding measure, skillfully devised to give the few favors which they do not deserve, and to place upon the many burdens which they should not bear" (114).

People's (Fusion Faction) Platform of 1900

"We further demand that all tariffs on goods controlled by a trust shall be abolished" (117).

People's Middle-of-the-Road Faction Platform of 1900

not applicable

Prohibition Platform of 1900

not applicable

Republican Platform of 1900

"The expectation in which the American people, turning from the Democratic party, intrusted power four years ago to a Republican Chief Magistrate and a Republican Congress, has been met and satisfied. When the people then assembled at the polls, after a term of Democratic legislation and administration, business was dead, industry paralyzed and the National credit disastrously impaired. The country's capital was hidden away and its labor distressed and unemployed. The Democrats had no other plan with which to improve the ruinous conditions which they had themselves produced than to coin silver at the ratio of sixteen to one. The Republican party, denouncing this plan as sure to produce conditions even worse than those from which relief was sought, promised to restore prosperity by means of two legislative measures—a protective tariff and a law making gold the standard of value. The people by great majorities issued to the Republican party a commission to enact these laws. This commission has been executed, and the Republican promise is redeemed. Prosperity more general and more abundant than we have ever known has followed these enactments. There is no longer any

controversy as to the value of any Government obligations. Every American dollar is a gold dollar or its equivalent, and American credit stands higher than that of any other nation. Capital is fully employed and labor is everywhere profitably occupied. No single fact can more strikingly tell the story of what Republican Government means to the country than this—That while during the whole period of one hundred and seven years from 1790 to 1897 there was an excess of exports over imports of only \$383,028,496, there has been in the short three years of the present Republican administration an excess of exports over imports in the enormous sum of \$1,483,537,094" (122).

"We renew our faith in the policy of Protection to American labor. In that policy our industries have been established, diversified and maintained. By protecting the home market competition has been stimulated and production cheapened. Opportunity to the inventive genius of our people has been secured and wages in every department of labor maintained at higher rates, higher now than ever before, and always distinguishing our working people in their better conditions of life than those of any competing country. Enjoying the blessings of the American common school, secure in the right of self-government and protected in the occupancy of their own markets, their constantly increasing knowledge and skill have enabled them to finally enter the markets of the world. We favor the associated policy of reciprocity so directed as to open markets on favorable terms for what we do not ourselves produce in return for free foreign markets" (123).

Silver Republican Platform of 1900

"We are in favor of expanding our commerce in the interests of American labor and for the benefit of all our people, by every honest and peaceful means" (126).

Social Democratic Platform of 1900

not applicable

Socialist Labor Platform of 1900

not applicable

1904

Democratic Platform of 1904

"The Democratic party has been, and will continue to be, the consistent opponent of that class of tariff legislation by which certain interests have been permitted, though Congressional favor, to draw a heavy tribute from the American people. This monstrous perversion of those equal opportunities which our political institutions were established

to secure, has caused what may once have been infant industries to become the greatest combinations of capital the world has ever known. These special favorites of the Government have, through trust methods, been converted into monopolies, thus bringing to an end domestic competition, which was the only alleged check upon the extravagant profits made possible by the protective system. These industrial combinations, by the financial assistance they can give, now control the policy of the Republican party.

"We denounce protectionism as a robbery of the many to enrich the few, and we favor a tariff limited to the needs of the Government economically, effectively, and constitutionally administered and so levied as not to discriminate against any industry, class or section, to the end that the burdens of taxation shall be distributed as equally as possible.

"We favor a revision and a gradual reduction of the tariff by the friends of the masses and for the common weal, and not by the friends of its abuses, its extortions and discriminations, keeping in view the ultimate end of 'equality of burdens and equality of opportunities,' and the constitutional purpose of raising a revenue by taxation, to wit: the support of the Federal Government in all its integrity and virility, but in simplicity" (131-132).

"We favor liberal trade arrangements with Canada, and with peoples of other countries where they can be entered into with benefit to American agriculture, manufactures, mining or commerce" (133).

People's Platform of 1904

not applicable

Prohibition Platform of 1904

"Such changes in our laws as will place tariff schedules in the hands of an omnipartisan commission" (137).

Republican Platform of 1904

"The Republican party entered upon its present period of complete supremacy in 1897... We replaced a Democratic tariff law based on free trade principles and garnished with sectional protection by a consistent protective tariff, and industry, freed from oppression and stimulated by the encouragement of wise laws, has expanded to a degree never before known, has conquered new markets, and has created a volume of exports which has surpassed imagination. Under the Dingley tariff labor has been fully employed, wages have risen, and all industries have revived and prospered" (137).

"We promise to continue these policies, and we declare our constant adherence to the following principles:

"Protection, which guards and develops our industries, is a cardinal policy of the Republican party. The measure of protection should always at least equal the difference in the cost of production at home and abroad. We insist upon the maintenance of the

principle of protection, and therefore the rates of duty should be readjusted only when conditions have so changed that the public interest demands their alteration, but this work cannot safely be committed to any other hands than those of the Republican party. To intrust it to the Democratic party is to invite disaster. Whether, as in 1892, the Democratic party declares the protective tariff unconstitutional, or whether it demands tariff reform or tariff revision, its real object is always the destruction of the protective system. However specious the name, the purpose is always the same. A Democratic tariff has always been followed by business adversity: a Republican tariff by business prosperity. To a Republican Congress and a Republican President this great question can be safely intrusted. When the only free trade country among the great nations agitates a return to protection, the chief protective country should not falter in maintaining it.

"We have extended widely our foreign markets, and we believe in the adoption of all practicable methods for further extension, including commercial reciprocity wherever reciprocal arrangements can be effected consistent with the principles of protection and without injury to American agriculture, American labor, or any American industry" (138-139).

"While every other industry has prospered under the fostering aid of Republican legislation, American shipping engaged in foreign trade in competition with low cost of construction, low wages, and heavy subsidies of foreign governments, has not for many years received from the Government of the United States adequate encouragement of any kind. We therefore favor legislation which will encourage and build up the American merchant marine, and we cordially approve the legislation of the last Congress which created the Merchant Marine Commission to investigate and report upon this subject" (139).

Socialist Platform of 1904

not applicable

Socialist Labor Platform of 1904

not applicable

1908

Democratic Platform of 1908

"We welcome the belated promise of tariff reform now offered by the Republican party in tardy recognition of the righteousness of the Democratic position on this question; but the people cannot safely entrust the execution of this important work to a party which is so deeply obligated to the highly protected interests as is the Republican party....

"We favor immediate revision of the tariff by the reduction of import duties. Articles entering into competition with trust-controlled products should be placed upon the free list, and material reductions should be made in the tariff upon necessaries of life, especially upon articles competing with such American manufactures as are sold abroad more cheaply than at home; and gradual reductions should be made in such other schedules as may be necessary to restore the tariff to a revenue basis" (146).

"The Democratic party recognizes the importance and advantage of developing closer ties of Pan-American friendship and commerce between the United States and Latin America, and favors that taking of such steps, consistent with Democratic policies, for better acquaintance, greater mutual confidence, and larger exchange of trade as will bring lasting benefit not only to the United States, but to this group of American Republics, having constitutions, forms of government, and ambitions and interests akin to our own" (150).

Independence Platform of 1908

"Year by year, fostered by wasteful and reckless governmental extravagance, by the manipulation of trusts and by a privilege creating tariff, the cost of living mounts higher and higher" (151).

"We demand a revision of the tariff, not by the friends of the tariff, but by the friends of the people, and declare for a gradual reduction of tariff duties, with just consideration for the rights of the consuming public and of established industry. There should be no protection for oppressive trusts which sell cheaply abroad and take advantage of the tariff at home to crush competition, raise prices, control production and limit work and wages" (153).

People's Platform of 1908

not applicable

Prohibition Platform of 1908

Pledges "the creation of a permanent tariff commission" (156).

Republican Platform of 1908

"Under the guidance of Republican principles the American people have become the richest nation in the world. Our wealth to-day exceeds that of England and all her colonies, and that of France and Germany combined. When the Republican Party was born the total wealth of the country was \$16,000,000,000. It has leaped to \$110,000,000,000 in a generation, while Great Britain has gathered by \$60,000,000,000 in five hundred years, The United States now owns one-fourth of the world's wealth and

makes one-third of all modern manufactured products. In the great necessities of civilization, such as coal, the motive power of all industry; cotton, the staple foundation of all fabrics; wheat, corn, and all the agricultural products that feed mankind, American's supremacy is undisputed. And yet her great natural wealth has been scarcely touched....With gratitude for God's bounty, with pride in the splendid productiveness of the past and with confidence in the plenty and prosperity of the future, the Republican party declares for the principle that in the development and enjoyment of wealth so great and blessings so benign there shall be equal opportunity for all" (157-158).

"The Republican party declares unequivocally for a revision of the tariff by a special session of Congress immediately following the inauguration of the next President, and commends the steps already taken to this end in the work assigned to the appropriate committees of Congress, which are now investigating the operation and effect of existing schedules.

"In tariff legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries. We favor the establishment of maximum and minimum rates to be administered by the President under limitations fixed in the law, the maximum to be available to meet discriminations by foreign countries against American goods entering their markets, and the minimum to represent the normal measure of protection at home; the aim and purpose of the Republican policy being not only to preserve, without excessive duties, that security against foreign competition to which American manufacturers, farmers and producers are entitled, but also to maintain the high standard of living the wage-earners of this country, who are the most direct beneficiaries of the protective system. Between the United States and the Philippines we believe in a free interchange of products with such limitations to sugar and tobacco as will afford adequate protection to domestic interests" (158).

"Under the administration of the Republican party, the foreign commerce of the United States has experienced a remarkable growth, until it has a present annual valuation of approximately \$3,000, 000, 000, and gives employment to a vast amount of labor and capital which would otherwise be idle. It has inaugurated, though the recent visit of the Secretary of State to South America and Mexico a new era of Pan-American commerce and comity, which is bringing us into closer touch with our twenty sister American republics, having a common historical heritage, a republican form of government, and offering us a limitless field of legitimate commercial expansion" (161).

Socialist Platform of 1908

not applicable

Socialist Labor Platform of 1908

not applicable

1912

Democratic Platform of 1912

"We declare it to be a fundamental principle of the Democratic party that the Federal government, under the Constitution, has no right or power to impose or collect tariff duties, except for the purpose of revenue, and we demand that the collection of such taxes shall be limited to the necessities of government honestly and economically administered.

"The high Republican tariff is the principal cause of the unequal distribution of wealth; it is a system of taxation which makes the rich richer and the poor poorer; under its operations the American farmer and laboring man are the chief sufferers; it raises the cost of the necessities of life to them, but does not protect their product of wages. The farmer sells largely in free markets and buys almost exclusively in the protected markets. In the most highly protected industries, such as cotton and wool, steel and iron, the wages of the laborers are the lowest paid in any of our industries. We denounce the Republican pretense on that subject and assert that American wages are established by competitive conditions, and not by the tariff.

"We demand the immediate downward revision of the existing high and in many cases prohibitive tariff duties, insisting that material reductions be speedily made upon the necessities of life. Articles entering into competition with trust-controlled products and articles of American manufacture which are sold abroad more cheaply than at home should be put on the free list.

"We realize that our system of tariff taxation is intimately connected with the business of the country, and we favor the ultimate attainment of the principles we advocate by legislation that will not injure or destroy legitimate industry.

"We denounce the action of President Taft in vetoing the bills to reduce the tariff in the cotton, woolen, metals, and chemical schedules and the Farmers' free bill, all of which were designed to give immediate relief to the masses from the exactions of the trusts.

"The Republican party, while promising tariff revision, has shown by its tariff legislation that such revision is not to be in the people's interest. and having been faithless to its pledges of 1908, it should not longer enjoy the confidence of the nation. We appeal to the American people to support us in our demand for a tariff for revenue only" (168-169).

"The high cost of living is a serious problem in every American home. The Republican party, in its platform, attempts to escape from responsibility for present conditions by denying that they are due to a protective tariff. We take issue with them on this subject, and charge that excessive prices result in a large measure from the high tariff laws enacted and maintained by the Republican party and from trusts and commercial conspiracies fostered and encouraged by such laws, and we assert that no substantial relief can be secured for the people until import duties on the necessities of life are materially reduced and these criminal conspiracies broken up" (169).

"[The Democratic House of Representative in the Sixty-second Congress] has endeavored to revise the tariff taxes downward in the interest of the consuming masses

and thus to reduce the high cost of living....It has passed a resolution which forced the President to take immediate steps to abrogate the Russian treaty" (170).

Progressive Platform of 1912

"We believe in a protective tariff which shall equalize conditions of competition between the United States and foreign countries, both for the farmer and the manufacturer, and which shall maintain for labor an adequate standard of living.

"Primarily the benefit of the tariff should be disclosed in the pay envelope of the laborer. We declare that no industry deserves protection which is unfair to labor or which is operating in violation of Federal law. We believe that the presumption is always in favor of the consuming public.

"We demand tariff revision because the present tariff is unjust to the people of the United States. Fair dealing toward the people requires an immediate downward revision of those schedules wherein duties are shown to be unjust or excessive.

"We pledge ourselves to the establishment of a non-partisan scientific tariff commission, reporting both to the President and to either branch of Congress, which shall report, first, as to the costs of production, efficiency of labor, capitalization, industrial organization, and efficiency and the general competitive position in this country and abroad of industries seeking protection from Congress; second, as to the revenue producing power of the tariff on prices, operations of middlemen, and on the purchasing power of the consumer.

"We believe that this commission should have plenary power to elicit information, and for this purpose to prescribe a uniform system of accounting for the great protected industries. The work of the commission should not prevent the immediate adoption of acts reducing these schedules generally recognize as excessive.

"We condemn the Payne-Aldrich bill as unjust to the people. The Republican organization is in the hands of those who have broken, and cannot again be trusted to keep, the promise of necessary downward revision.

"The Democratic party is committed to the destruction of the protective system through a tariff for revenue only—a policy which would inevitably produce widespread industrial and commercial disaster.

"We demand the immediate repeal of the Canadian Reciprocity Act" (180-181).

Prohibition Platform of 1912

"As the tariff is a commercial question it should be fixed on the scientific basis of accurate knowledge, secured by means of a permanent, omni-partisan tariff commission, with ample powers" (182).

Republican Platform of 1912

"We affirm our belief in a protective tariff. The Republican tariff policy has been of the greatest benefit to the country, developing our resources, diversifying our industries, and protecting our workmen against competition with cheaper labor abroad,

thus establishing for our wage-earners the American standard of living. The protective tariff is so woven into the fabric of our industrial and agricultural life that to substitute for it a tariff for revenue only would destroy many industries and throw millions of our people out of employment. The products of the farm and of the mine should receive the same measure of protection as other products of American labor.

"We hold that import duties should be high enough, while yielding a sufficient revenue, to protect adequately American industries and wages. Some of the existing import duties are too high, and should be reduced. Readjustment should be made from time to time to conform to changing conditions and to reduce excessive rates, but without injury to any American industry. To accomplish this correct information is indispensable. This information can best be obtained by an expert commission, as the large volume of useful facts contained in the recent reports of the Tariff Board has demonstrated.

"The pronounced feature of modern industrial life is its enormous diversification. To apply tariff rates justly to these changing conditions requires closer study and more scientific methods than ever before. The Republican party has shown by its creation of a Tariff board its recognition of this situation, and its determination to be equal to it. We condemn the Democratic party for its failure either to provide funds for the continuance of this board or to make some other provision for securing information requisite for intelligent tariff legislation. We protest against the Democratic method of legislating on these vitally important subjects without careful investigation.

"We condemn the Democratic tariff bills passed by the House of Representative of the Sixty-second Congress as sectional, as injurious to the public credit, and as destructive to business enterprise" (184-185).

"The steadily increasing cost of living has become a matter not only of national but of world-wide concern. The fact that it is not due to the protective tariff system is evidenced by the existence of similar conditions in countries which have a tariff policy different from our own, as well as by the fact that the cost of living has increased while rates of duty have remained stationary or been reduced" (185).

Socialist Platform of 1912

not applicable

Socialist Labor Platform of 1912

not applicable

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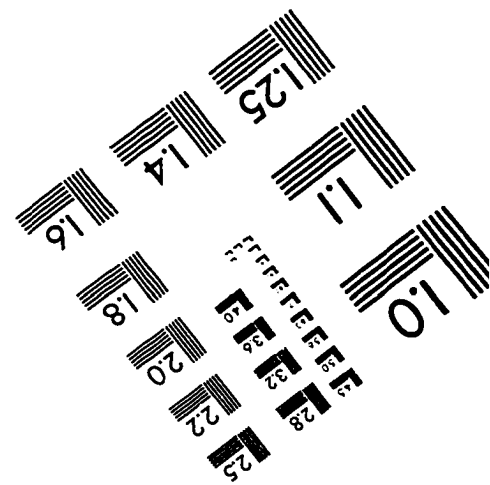
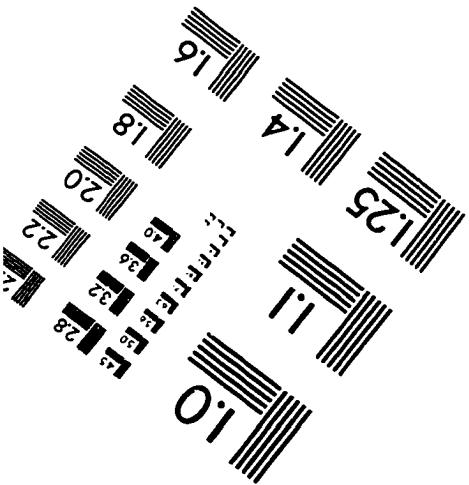
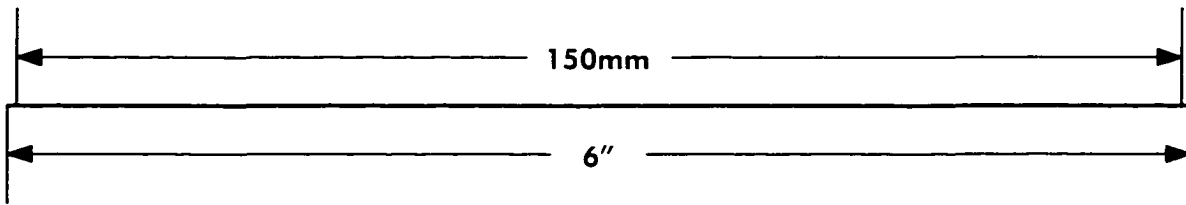
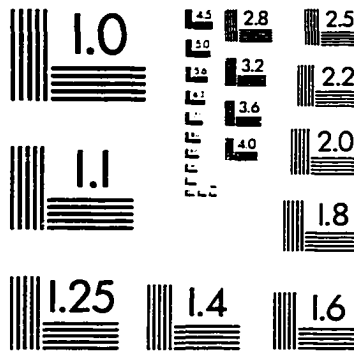
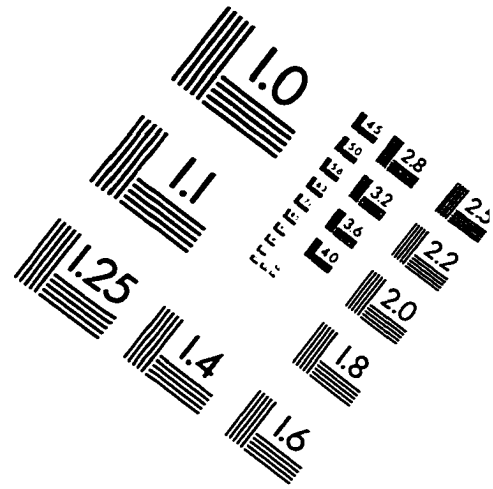
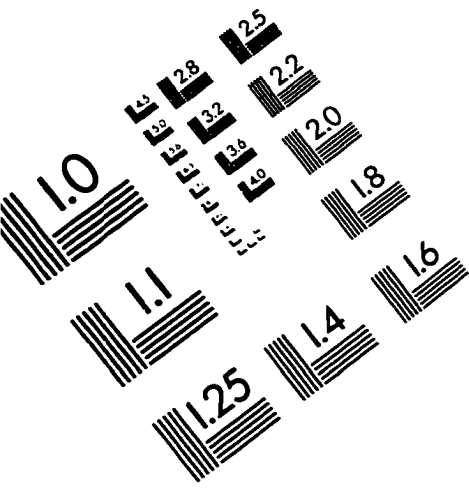
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