

# **Econ 115 Lecture: September 24, 2009: The Knot of War, 1914-1920 and After**

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From Rudyard Kipling, “Recessional” (1897):

God of our fathers, known of old—/ Lord of our far-flung battle line  
Beneath whose awful hand we hold/ Dominion over palm and pine—  
Lord God of Hosts, be with us yet, / Lest we forget—lest we forget!...  
Far-called, our navies melt away;/ On dune and headland sinks the fire:  
Lo, all our pomp of yesterday/ Is one with Nineveh and Tyre!...  
If, drunk with sight of power, we loose/ Wild tongues that have not  
Thee in awe—  
Such boasting as the Gentiles use/ Or lesser breeds without the law—  
Lord God of Hosts, be with us yet,/ Lest we forget—lest we forget!  
For heathen heart that puts her trust/ In reeking tube and iron shard—  
All valiant dust that builds on dust,/ And guarding, calls not Thee to  
guard—  
For frantic boast and foolish word, / Thy mercy on Thy people, Lord!

From Wilfred Owen, “Dulce et Decorum Est” (1918):

Gas! GAS! Quick, boys!—An ecstasy of fumbling,  
Fitting the clumsy helmets just in time,  
But someone still was yelling out and stumbling  
And floundering like a man in fire or lime....

In all my dreams before my helpless sight  
He plunges at me, guttering, choking, drowning.  
If in some smothering dreams, you too could pace  
Behind the wagon that we flung him in,  
And watch the white eyes writhing in his face,  
His hanging face, like a devil's sick of sin...

My friend, you would not tell with such high zest  
To children ardent for some desperate glory,  
The old Lie: *Dulce et decorum est*  
*Pro patria mori.*

With some notable exceptions, most economic histories pass quickly over the great wars of the twentieth century—if they do not exclude them from their narrative scope in the first place. They fast-forwarding through these mass orgies of death and destruction. The issues involved in mobilizing resources for war and then demobilizing them after war are interesting, but are hard to relate to debates and ideas about how the “normal” economy functions in peacetime.

But wars play too big a part in the twentieth century for this to be a satisfying way of proceeding. And large pieces of the political history surrounding this century’s world wars are very important background without which understanding the economic and political dynamics of the interwar period is next to impossible.

## **12.1: The Pointlessness of Early Twentieth-Century Great Power Conflict and Empire**

### **12.1.1: John Hobson and Vent for Surplus**

Both Hobson and Schumpeter fundamentally see imperialism as a con game. Empire may be worthwhile for those at the sharp edge—the Cecil Rhodeses and the Lord Lugards—and certainly for the settlers who colonize and rule or exterminate or displace the previous inhabitants. But for the people who remain behind? Almost certainly better to cultivate one’s own garden and trade than conquer—especially with blowback, especially with blowback with modern industrial weapons.

Hobson is a proto-Keynesian. He believes that the major economic problem is the business cycle that causes mass unemployment, and that the business cycle is made much worse by the maldistribution of income. The rich save. But saving is only translated into investment and thus effective demand if the animal spirits of businesses are irrationally exuberant. Sometimes they are not. The only potential balance wheel—the only other source of autonomous aggregate demand—is exports. Hence empire as a

way of creating and managing export markets so they can take up the slack, and the rich can continue to collect their wealth without triggering enough business cycle instability to bring the system down. Hobsbawm believes—absent the triumph of social democracy to produce a more equal distribution of income and so a flow of aggregate demand less vulnerable to crises of confidence—that as market capitalism advances, the need for imperialism will become greater.

### **12.1.2: Joseph Schumpeter and Empire as Atavistic Aristocratic Survival**

Schumpeter, by contrast, believes that as market capitalism advances, imperialism will become weaker. He sees imperialism as the last gasp of military status aristocracy. Sir whatsit and Lord whoever and Colonel whichway essentially function as the equivalent of today's professional athletes in making people proud of their team: imperialism as spectator sport. Schumpeter hates this. And he thinks that it is on the way out. Here I think he was wrong: nationalism-as-glue to wield nations together appears stronger than ever, although open imperialist war is rare.

### **12.1.3: Norman Angell and the Futility of Great-Power Conflict**

Now on to Norman Angell. Perhaps the saddest book on my bookshelf is Norman Angell's *The Great Illusion*. Here we read Norman Angell on the Balkan War: only 40% of the size, and . Against empire, against war, for national resistance—although "national" is a contested and complicated concept in the Balkans.

Hopes to see the end of war. Denounces:

the sophistries and illusions by which the war system is still defended. If the public as a whole had to follow all the intricacies of those marvellous diplomatic combinations... public opinion would go on being as ignorant and mistaken as it had been hitherto. But sound opinion and instincts in that field depend upon nothing of the sort, but upon the emergence of a few quite simple facts, which are indisputable and self-evident.... For instance, if conquest and extension of territory is the main road of moral and material progress... then... the position of the Russian should be more desirable than that of the Hollander.... The Austrian should be better off than the Switzer....

If a nation's wealth is really subject to military confiscation, and needs the defence of military power, then the wealth of those small states

should be insecure indeed—and Belgian national stocks stand 20 points higher than the German. If nations are rival units, then we should benefit by the disappearance of our rivals—and if they disappeared, something like a third of our [British] population would starve to death.... If the growing power of Russia compelled us to fight a great war in alliance with the Turk to check her "advance on India," why are we now co-operating with Russia to build railroads to India? It is such quite simple questions as these, and the quite plain facts which underlie them which will lead to sounder conceptions in this matter on the part of the peoples.

It is not we who are the "theorists," if by "theorists" is meant the constructors of elaborate and deceptive theorems in this matter. It is our opponents, the military mystics.... Fifteen or twenty years ago it was the ineradicable belief of fifty or sixty million Americans, good, honest, sincere, and astute folk, that it was their bounden duty, their manifest interest, to fight—and in the words of one of their Senators, annihilate—Great Britain... at the time of the Venezuelan crisis: the United States... laid it down... that her existence was imperilled if Great Britain should extend by so much as a mile a vague frontier running through a South American swamp thousands of miles away. And for that cause these decent and honourable people were prepared to take all the risks that would be involved to Anglo-Saxon civilisation by a war between England and America....

And we, of course, have had our like obsessions without number: "the independence [and] integrity of the Turkish dominion in Europe" is one. Just think of it!... What... makes these fantastic political doctrines possible... are a few false general conceptions... that nations are rival and struggling units, that military force is consequently the determining factor of their relative advantage; that enlargement of political frontiers is the supreme need, and so on. And the revision of these fundamental conceptions will... be the work of individual men. States do not think. It is the men who form the states who think....

Unless the individual man sees his responsibility for determining what is right and knowing how and why it is right, there will be no progress; there cannot even be a beginning.... [M]iracles... were the outcome of that intangible thing, an idea, an aspiration, an ideal.... [T]hey could accomplish so much in that day when the popular press and cheap literature and improved communication did not exist... in our day... the declaration of an English Cabinet Minister to-night is read to-morrow morning by every reading German?

## 12.2: The Approach of World War I

### 12.2.1: The Boer War

We can debate why Norman Angell was wrong. But it is perhaps better to start by narrating how he was wrong. And a convenient place to start is with the Boer War.

The expansion of European empires was coupled with a willingness to hand over power over local affairs to locals—to white locals. Canada gained its substantive independence from Britain with the granting of "Dominion status" in 1867, nearly two decades before the completion of the Canadian Pacific Railroad in 1885 made "Canada" as an economic unit even possible. The various British colonies in Australia were gathered into the self-governing Commonwealth of Australia in 1901. Self-government for New Zealand followed in 1907. And the Union of South Africa was established with Dominion status in 1910, even though the majority of the white population of the newly-established Union had been at war with the British Empire only a decade before.

South Africa is of special interest as the point of closest contact between the first and the third world—a region that was half settler colony (like Canada or Australia) and half colonial possession (like Nigeria or India). After the end in 1815 of the Napoleonic Wars that began the nineteenth century, Great Britain retained as a strategic asset the former Dutch colony at the southern tip of Africa, the Cape of Good Hope. The British navy saw control of the Cape of Good Hope as an important safeguard for communications with British-ruled India. The Dutch monarchy did not mind—or at least did not object. The Orange dynasty was being returned to power in a much stronger position (as Kings of the Netherlands rather than as "stadtholders" of each of the individual provinces), was protected from future French interference by a British and Prussian alliance—and was allowed to annex what is now Belgium as well.

After 1815 British colonists began to arrive in the Cape Colony. The response of the Dutch-descended Boers to this growing influx of foreigners who could talk to the rulers sent out from London was to leave: to move north across the Orange River outside of the British Empire in 1835, to found the Orange Free State. Once in South Africa, the British began to expand: their annexation of the neighboring Natal triggered another exodus of Boers to the Transvaal north of the Vaal River. Zulu kingdom of Shaka. Attempted annexation of the Transvaal Republic in the late 1870s. The Xhosa, the Zulu, and other kingdoms on the ground and in

the way of the British expansion put up some resistance: the Zulu kingdom even annihilated a British battalion and mauled a second at the battles of Rourke's Drift and Islandhwana, thus doing even better against the advance of European settlers and their armies than the Sioux at the Little Bighorn. An attempt to annex the Transvaal in the 1870s was abandoned when London contemplated the difficulties of maintaining effective rule over a hostile population of European-descended and European-armed farmers.

But the calculus changed when gold was discovered in large quantity in the Transvaal in 1886. The result was a huge influx of miners and speculators. Johannesburg grew in a few years to a city of 100,000—the largest city in Africa south of the Sahara. Railroads were built to transport gold to the coast, powerful pneumatic tools were installed to crush gold-bearing rock, a complicated high-technology advanced chemicals industry was built to extract gold from the rock, for although South African gold deposits were vast they were too low-quality for mining to be possible without the most advanced chemistry of the late nineteenth century. Gold made the interior of South Africa important to Europeans, the swallowing-up of the rest of Africa by European colonial powers made British geopoliticians anxious to cement control over the Cape.

British officials on the spot in South Africa provoked the Boer War in 1899.

Starting in the late 1880s tens of thousands of British and others streamed into the Transvaal in search of their fortunes in the tremendous gold deposits of the Witwatersrand. Johannesburg, initially a shanty town, sprang up overnight. The Boer farmers watched nervously as the numbers of the "uitlanders" grew. They denied immigrants the vote. They taxed the gold industry. They gave a monopoly over dynamite sales to Alfred Nobel's company. Their President Paul Krueger sought a railway line to the sea independent of British control. Cape Colony boss Cecil Rhodes sought to overthrow the Boer government by coup d'etat—the 1895 Jameson Raid. After the raid's failure the Boers began buying and stockpiling rifles, as Britain reinforced its troops in the Cape Colony and Natal, and as Colonial Secretary Joseph Chamberlain—father of 1930s appeasement Prime Minister Neville Chamberlain—preached the annexation of the Transvaal and the Orange Free State and in 1899 sent an ultimatum: equal rights for British citizens in the Transvaal, or war. What,

after all, did the mightiest empire the world had ever seen have to fear from two small republics of unindustrialized farmers?

The Boers struck first in October 1899, besieging British garrisons in towns named Mafeking, Ladysmith, and Kimberley, and defeating British relief columns in battles at places named Spion Kop, Vaal Kranz, Magersfontein, Stormberg, and the Tugela River: 20% of Sir William Gatacre's 3,000 troops captured at Stormberg as British troops fled after being sent up a near-cliff against entrenched Boers with rifles; 10% of Lord Methuen's 14,000 killed or wounded at Magersfontein as they assaulted the Boer trench line; and Buller's 21,000 suffering 1200 killed and wounded to the Boer's 50 in a failed attempt to cross the Tugela River.

A quarter of a million British soldiers were sent to South Africa starting in February 1900—the same proportional manpower commitment as two million would be for the U.S today. This gave the British overwhelming numbers, and a competent general—Field Marshal Lord Roberts. Boer field armies were dispersed, Orange Free State capital Bloemfontein fell on March 13, Johannesburg on May 31, and Transvaal capital Pretoria on June 5.

But the war was not over. Defeated in open battle, the Boers turned to guerrilla warfare. The dispersed Boers waged a guerrilla insurgency against the British for a year and a half and at one point captured the British second-in-command, Lord Methuen.

What does an invading military superpower do when its troops are faced with a guerrilla insurgency in a land where they do not speak the language? The British invented the concentration camp. Are guerrillas active in an area? Round up everyone—everyone—and stick them behind barbed wire, don't feed them too well, and don't spend too much time worrying about sanitation. Build small forts and construct wire fences to reduce the guerrillas' mobility.

Roughly 30,000 Boers, most of them children under 16, died in the concentration camps. Nearly 100,000 people died in the Boer War: in addition to the 30,000 Boer civilians, perhaps 8,000 British battle deaths, 14,000 British soldiers dead of disease, 10,000 Boer soldiers, and perhaps 30,000 Africans—nobody counted them. Britain mobilized 2.5% of its adult male population for the war, and about one in ten of those died.

The 1900 UK general election was a huge political victory for the warmongering conservatives led by Lord Salisbury: the "Khaki election". However, spectacular conservative defeat in 1906: "public outrage at the use of scorched earth tactics... the burning of Boer homesteads... the conditions in the concentration camps..."

A quarter of a million British soldiers were sent to South Africa. Defeated in open battle, the Boers turned to guerrilla warfare. The British responded with the twentieth century's first concentration camps. Mao Zedong was to remark that a successful guerrilla army is like a school of fish: they must learn to swim in the sea of the people. The British at the turn of the century knew how to fight such a guerrilla army: dry up the sea in which they swim by bringing the population into "concentration camps" where they can be monitored and watched. It is effective—even though the "concentrated" civilian population dies of disease at a relatively rapid rate, and even though it impoverishes the country.

The possibility of a British defeat simply did not exist. A peace treaty ending the war was signed in 1902, annexing the two Boer republics to the British Empire. But control over the newly-conquered South Africa by proconsuls set by London or by British-speaking colonists was relatively brief. By 1906 Boer-centered political parties had won control over the Transvaal provincial legislature. 1910 saw the establishment of the Union of South Africa as a self-governing dominion, with equality for Afrikaans and English as official languages.

Perhaps it is the case that a millennium from now, historians are likely to judge the British and Dutch-descended colonists of South Africa less harshly than the settlers of North America, of the Argentine pampas, or of Australia. They may be struck by the—relatively only—mercy shown by settlers in South Africa to the indigenous population.

In North America the standard treatment of the Cherokee, the Souix, the Pequot, and many others was to expel them by force from land that white settlers might want, to concentrate them on reservations, and to give them smallpox-infected blankets. In Australia the standard treatment of the Aborigines was to massacre them. There are no survivors from the indigenous population of Tasmania. What the Boers and English colonists of South Africa did was first to fight, and then to employ the Xhosa, Zulu, Swazi, Matabele, Basuto, and others.

Probably the difference was that the aborigines in Australia and the Indians in the United States were simply not very useful as employees in the land-intensive, capital-intensive agriculture of North America or of Australia, while African employees were very useful indeed in the mine- and transport-based relatively industrialized gold-centered South African economy of the turn of the century.

Perhaps the difference was that Africa was always connected by land to Eurasia, the coming of Europeans bearing their diseases did not have the catastrophic consequences for indigenous population numbers that it had in the Americas or Australia, and so the descendants of the first nations were not demographically swamped by the settler populations.

Perhaps the difference was that the Boers who settled South Africa were a somewhat more moral and better-behaving people than the North American or the Australian settlers...

### **12.2.2: Early Twentieth-Century Nationalism**

Marxism, liberalism, nationalism—which we will be polite and call itr...

- We've talked about Marxism...
- We've talked about classical liberalism...
- We haven't talked about “nationalism”...

We read Norman Angell: We did not read Max Weber. Nationalism as social-darwinist doctrine:

Max Weber, “The National State and Economic Policy”:

[W]e all consider the German character of the East as something that should be protected, and that the economic policy of the state should enter into the lists in its defense. Our state is a national state, and... we have a right to make this demand....

[T]he economic struggle between the nationalities follows its course even under the semblance of 'peace'. The German peasants and day-labourers of the East are not being pushed off the land in an open conflict by politically-superior opponents. Instead, they are getting the worst of it in the silent and dreary struggle of everyday economic existence, they are abandoning their homeland to a race which stands on a lower level, and moving towards a dark future in which they will

sink without trace. There can be no truce even in the economic struggle for existence; only if one takes the semblance of peace for its reality can one believe that peace and prosperity will emerge for our successors at some time in the distant future. Certainly the vulgar conception of political economy is that it consists in working out recipes for making the world happy; the improvement of the 'balance of pleasure' in human existence is the sole purpose of our work that the vulgar conception can comprehend. However... [reality] prevents us from imagining that peace and happiness lie hidden in the lap of the future, it prevents us from believing that elbow-room in this earthly existence can be won in any way than through the hard struggle of human beings with each other....

The overwhelming majority of the fruits of the economic, social, and political endeavours of the present are garnered not by the generation now alive but by the generations of the future.... [T]here can... be no real work in political economy on the basis of optimistic dreams of happiness.... The question... is not 'how will human beings feel in the future' but 'how will they be'.... We do not want to train up feelings of well-being in people, but rather those characteristics we think constitute the greatness and nobility of our human nature....

The economic policy of a German state, and that standard of value adopted by a German economic theorist, can therefore be nothing other than a German policy and a German standard.... Our successors will not hold us responsible before history for the kind of economic organization we hand over to them, but rather for the amount of elbow-room we conquer for them in the world.... Processes of economic development are in the final analysis also power struggles, and the ultimate and decisive interests at whose service economic policy must place itself are the interests of national power.... The science of political economy is a political science... a servant of politics... of the lasting political-power interests of the nation.... [F]or questions of German economic policy... the ultimate and decisive voice should be that of the economic and political interests of our nation's power, and the vehicle of that power, the German national state...<sup>1</sup>

- This is a pre-WWI German liberal...
- This is a German talking about Poles—Konrad Adenauer: “A Prussian [an eastern German] is a Pole who has forgotten who his grandfather was...”
- World War I did not change Weber's mind...

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<sup>1</sup>[http://books.google.com/books?id=WaV7Q35jy\\_AC&pg=PA128&lpg=PA128&dq=ma+x+weber+%22vulgar+conception+of+political+economy%22&source=web&ots=sCHQNhK5qG&sig=ScmEe6\\_9HEO5XmtjjoaSijYZUy4#PPA129,M1](http://books.google.com/books?id=WaV7Q35jy_AC&pg=PA128&lpg=PA128&dq=ma+x+weber+%22vulgar+conception+of+political+economy%22&source=web&ots=sCHQNhK5qG&sig=ScmEe6_9HEO5XmtjjoaSijYZUy4#PPA129,M1)

Yet more:

In the outstanding works of our historical colleagues we find that today instead of telling us about the warlike deeds of our ancestors they dilate at length about "matriarchy," that monstrous notion, and force into a subordinate clause the victory of the Huns on the Catalaunian Plain...

What do we say?

- That all descriptions are that the Huns did not look at all like people currently living in Germany (except for the Turkish *gastarbeiter* migration of the past two generations)—and certainly did not speak a German language....
- That in fact the Huns in 451 were not only not Germans but were fighting the Germans—the Visigoths among others...
- That in 451 the Huns lost the Battle of Chalons. After the battle the Huns retreated across the Rhine while the Visigothic-Roman coalition led by *Comes et Magister Utriusque Militae et Patricius* Flavius Aetius remained in control of Gaul:  
[http://en.wikipedia.org/wiki/Battle\\_of\\_Chalons...](http://en.wikipedia.org/wiki/Battle_of_Chalons...)

For the politicians and journalists of the French Third Republic in Paris, as well, war was viewed not as a risk but as an opportunity. The newly-formed German Empire had ripped the provinces of Alsace and Lorraine from France as part of the treaty that ended the Franco-Prussian War of 1870-1871. (The justification was that these provinces had been previously ripped away from Germany by French aggression-but their incorporation into France had taken place more than two centuries before, Alsace in the first half and Lorraine in the second half of the seventeenth century.) And for more than forty years the French army and French politicians had been getting ready for a rematch. So from the perspective of France's politicians and generals, a war with Germany was to be welcomed-as long as France's allies were securely on board as well. A war would restore French predominance in Europe, and dominance over Germany.

For the politicians of the British Empire in London, risks of war were worth running if they were necessary to preserve the European balance of power. In the early twentieth century, preserving the European balance of power was seen mostly as requiring the containment of Germany. Why the containment of Germany rather than France? Britain had been at war with France for more than half of the millennium before 1914, after all.

Because Germany had built a modern navy strong enough to challenge and-possibly, if they were lucky-beat the British navy.

Such a naval defeat would leave food-importing Britain helpless, with no choice but to surrender.

Why had the Germans built such a fleet? Because the admirals convinced the Emperor Wilhelm II that the British would never respect Germany unless it did have a fleet strong enough to challenge the British navy. It is not clear that the British respected pre-World War I Germany; it is clear that they feared it, and armed against it. As Winston Churchill said, when the magnitude of the German naval construction program became clear, “the politicians proposed [to build] four [new battleships every year], the admirals demanded six, and we compromised on eight.” Thus Britain allied with France, which showed no signs of wanting to build a fleet large enough to challenge the British navy.

It is worth stepping back, and noting that *all* of these politicians and military officers were at best badly mistaken, and at worst criminally insane. Nearly ten million people would die in World War I. All of the continental European emperors whose ministers made war would lose their thrones as a direct result of the war, the British monarch alone surviving (the kings of Italy and Belgium also survived: their countries joined the winning Anglo-French side).

The not-so-old Czar Nicholas II in St. Petersburg did not demonstrate that Russia was the great power in the Balkans, and that slavic-speaking small nations could count on it to protect them from Viennese hegemony. Instead he lost his throne, his life, and his country. Russia lost a generation of young men dead or mutilated, and lost its chance to have a less-than-totally-unhappy twentieth century.

The not-so-old German Emperor Wilhelm II in Berlin did not secure for Germany a dominant “place in the sun” among the great powers of Europe. He lost his throne; his country lost its political and military autonomy, a generation of young men, and took the first steps along the road to Hitler's Third Reich, a regime that will blacken the name of Germany for millennia. The old Emperor Franz Josef in Vienna would die while World War I was still going on; but his Habsburg dynasty would lose its throne, and his empire would be chopped up and handed out to no

fewer than seven nation-states (today between thirteen and fifteen, depending on whether you count Bosnia-Herzegovina as one or three).

The French would lose a generation of young men dead or mutilated. And it would take more than thirty more years before French politicians would realize that trying to contain Germany by using your army simply did not work, and that perhaps a better way to try to contain German power would be to integrate it economically into a wider Europe.

The British would lose a generation of young men. And the post-World War I British Empire would be much weaker, and eventually find itself in a worse strategic position, than even a pre-World War I Britain facing a German-dominated Europe would have possessed

### **12.2.3: Busy Giddy Minds with Foreign Quarrels—the Socio-Cultural Runup**

The idea that what the government really needs is “a short victorious war” leads to a second view of nationalism. Nationalism as way to distract people from domestic political concerns:

The Search for an Enemy: an example from today. Matthew Yglesias writes:

I've actually heard that Francis Fukuyama has said this before, but that information didn't come to me in reportable form. During a BloggingHeads.tv appearance with Robert Wright, Fukuyama says of Bill Kristol and his circle at The Weekly Standard that during the 1990s "There was actually a deliberate search for an enemy because they felt that the Republican Party didn't do as well" when foreign policy wasn't on the issue agenda. The obvious candidates were either China or something relating to Islamic fundamentalism and, as Fukuyama notes, what they came up with was China. Then 9/11 changed things around, at least for a few years. I think this is very telling, and reveals a great deal about the mentality that's been guiding America's foreign policy during the Bush years...  
<http://bloggingheads.tv/?id=81&cid=271&in=04:59>

And William Shakespeare writes: Henry IV to Prince Harry:

[A]ll my friends, which thou must make thy friends... by whose fell working[s] I was first advanced, and by whose power I well might lodge a fear to be again displaced.... [R]est and lying still might make them look too near unto my state. Therefore, my Harry, be it thy course

to busy giddy minds with foreign quarrels, that action, hence borne out,  
may waste the memory of the former days...

The Princeton historian Arno Mayer has attributed the colossal misjudgments and underlying bloodthirstiness of those who started World War I to the persistence of the Old Regime. Europe in 1914 was a Europe of national populations, of industrialists and socialists, of factory workers and technicians. But Europe's governments in 1914—especially the defense and foreign affairs ministries—were populated by aristocrats, ex-aristocrats, and would-be aristocrats who had no social function in the absence of war, and who could look forward only to continued erosion of their influence and status, erosion of their relative wealth, and erosion of their self-respect in the absence of war.

Europe's governments were populated by aristocrats, ex-aristocrats, and would-be aristocrats for a number of reasons. First of all, the economy of Europe on the eve of World War I still had a substantial agricultural sector, and so those aristocrats who were landlords still had immense wealth in and drew immense incomes from their landholdings.

Second, emerging industrial and established mercantile elites saw themselves not in opposition to but in alliance with governments that sought economic growth to enhance national prestige, to reduce pressure that might build revolution, and to amplify military power. As one keen-eyed observer, the Austrian economist Joseph Schumpeter, noted, emerging industrialists and entrepreneurs bargained their political support for economic benefits, and those to whom they bargained their political support were the aristocrats and the ex-aristocrats who staffed the government and the army. In Germany this political alliance is often seen as marked by the 1879 "marriage of iron and rye": the imposition of tariffs on imports of British steel (to protect the positions of German manufacturers) and on imports of American grain (to protect the positions of German landlords). Urban merchants, wage earners, and consumers were implicitly taxed to benefit the dual elite of the post-1870 German Empire.

These currents merged: atavistic aristocrats seeking a role *and* nationalist social Darwinists *and* cynical politicians seeking a short victorious war to giddy busy minds with foreign quarrels...

The combination of the continued strength of the landed aristocracy and the dominance over the government of those who had claims to be among the service nobility left Europe's power elites on the eve of World War I potentially vulnerable to currents of thought that were anti-liberal, pro-hierarchy, and authoritarian. First among these currents of thought was social Darwinism: a social philosophy that proclaimed to be the result of applying the laws of natural science to the problems of social development. On the one hand, social Darwinism believed in the survival of the fittest: thus those who have deserve to have. On the other hand, social Darwinism believed that the fittest emerged as a result of struggle: hence competition — and after competition, domination — not cooperation, was the key form of social life. And soon one of the principal forms of competition focused on by social Darwinists was that of competition between nations: were the Germans, the French, the Anglo-Saxons, or the Russians to become the superpower of the twentieth century that would leave its imprint on all future civilizations?

The growing belief that nature rewarded struggle — and that struggle was or could become bloody — was reinforced by the turning away from the values of the Enlightenment and of the Christian tradition that is usually given the name of Nietzscheism: the name of the game was “creative domination, exploitation, and subjugation,” and any hint that things might be different — that one might be in a win-win situation, a positive-sum game of some sort — was rejected as an obvious and offensive ideological attack by those who were too weak to meet the strong in open and fair contest (and who were probably Jewish as well).

As Arno Mayer puts it:

The upper reaches of [European] society and polity ceased to deplore war... In an... atmosphere heavy with social Darwinist and Nietzschean influences, war was celebrated as a new cure-all. The violence and blood of battle promised to reinvigorate the individual, re-energize the nation, resanitize the race, revitalize society, and regenerate moral life... [W]ar was a fiery ordeal that tested physical prowess, spiritual soundness, social solidarity, and national efficiency. The idea of defeat became well-nigh unthinkable as victory was expected to provide irrefutable proof of personal, social, and political fitness.

So the political and military elites of Europe rolled the dice in 1914, only half-understanding that in the losing country the political and social order that had given them influence and wealth would be destroyed. But they believed that the risk was worth the potential gain,

with the gain coming from the strengthening of power and influence that would come from victory and resulting international political domination. And—surprising as it may seem—the people responded: they truly saw the world as made up of nations in conflict, so that they should be willing to risk death to recover Alsace for the French Republic. The mass armies were made up of the universally conscripted 18-21 year olds of Europe, augmented by the reserves: those who had gone through the military in the previous decade or two and who did not hold civilian jobs judged “essential” to the war effort. The mass armies marched off to war enthusiastically, singing, taking the causes of the emperors and the generals for their own. Much of the enthusiasm for war was fueled by a belief that the war would be short. Within memory, most European wars had been short. The Franco-Prussian War of 1870, the Austro-Prussian War of 1866, the Prusso-Danish War of 1864, the Franco-Austrian War of 1859, and the Balkan Wars of the early twentieth century had all seen armies assemble, armies march, a pitched battle or two, one army in retreat or dissolution, and a peace treaty signed. Many thought that the war would be over before the leaves finished falling. Few looked at the bloody trench warfare of the Russo-Japanese War of 1905 or at the slaughter of the American Civil War of 1861-65, or thought what they might mean for World War I...

Some were more realistic and looked forward to war with more fear. Edward Grey, the British Foreign Secretary who committed the British Empire to the war, is reputed to have looked out his window one evening at dusk in the last days before the shooting, and said: “The lights are going out all over Europe. I do not think we shall see them lit again in our lifetime...”

## **12.3: World War I**

The Boer War was nothing, as to World War I:

### **12.3.1: World War I Shattered the World**

John Maynard Keynes:

Very few of us realise with conviction the intensely unusual, unstable, complicated, unreliable, temporary nature of the economic organisation by which Western Europe has lived for the last half century. We assume some of the most peculiar and temporary of our late advantages as natural, permanent, and to be depended on, and we lay our plans accordingly. On this sandy and false foundation we scheme for social improvement and dress our political platforms, pursue our animosities

and particular ambitions, and feel ourselves with enough margin in hand to foster, not assuage, civil conflict in the European family.

Moved by insane delusion and reckless self-regard, the German people overturned the foundations on which we all lived and built. But the spokesmen of the French and British peoples have run the risk of completing the ruin which Germany began, by a peace which... must impair yet further... the delicate, complicated organisation, already shaken and broken by war, through which alone the European peoples can employ themselves and live....

France, Germany, Italy, Austria, and Holland, Russia and Roumania and Poland, throb together, and their structure and civilisation are essentially one. They flourished together, they have rocked together in a war which we, in spite of our enormous contributions and sacrifices (like though in a less degree than America), economically stood outside, and they may fall together. In this lies the destructive significance of the Peace of Paris. If the European civil war is to end with France and Italy abusing their momentary victorious power to destroy Germany and Austria-Hungary now prostrate, they invite their own destruction also, being so deeply and inextricably intertwined with their victims by hidden psychic and economic bonds.... Paris was a nightmare.... A sense of impending catastrophe overhung the frivolous scene; the futility and smallness of man before the great events confronting him; the mingled significance and unreality of the decisions; levity, blindness, insolence, confused cries from without—all the elements of ancient tragedy were there. Seated indeed amid the theatrical trappings of the French saloons of state, one could wonder if the extraordinary visages of Wilson and of Clemenceau, with their fixed hue and unchanging characterisation, were really faces at all and not the tragic-comic masks of some strange drama or puppet-show...

To much of the industrial world—especially to those engaged in commerce, trade, and enterprise—World War I seemed impossible to imagine beforehand, and like a bad dream as it happened. The British economist John Maynard Keynes, one of those who saw the war as a previously-unimaginable horror, was afterwards to write of the pre-World War I inhabitant of London “for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages,” who saw:

...this state of affairs as normal, certain, and permanent, except in the direction of further improvement, and any deviation from it as aberrant, scandalous, and avoidable. The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions,

and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper, and appeared to exercise almost no influence at all on the ordinary course of economic and social life, the internationalization of which was nearly complete in practice...

### **How the War Started**

The rulers of Austria-Hungary had for a long time been worried about Serbian nationalism, or rather the extension of Serbian nationalism northward as ideologues argued that Serbs, Bosnians, Croats, Slovenes, and others were really one nation—“Yugoslavs”—and that only alien rule by Turks from Istanbul and Germans from Vienna had prevented the previous emergence of a glorious south-slav nation.

From today’s perspective it is easy to be very, very cynical: less than 80 years separate the time when Serbs and Croats were blood-brothers (so much so that the Serbs would risk bloody war with Europe's great powers to rescue the Croats from oppressive foreign despotism) and our time, when Serbs and Croats cannot live in the same village or province without the political leaders of at least one side calling for (and getting) the extermination and exile of the other. To fight one set of wars at the start of the twentieth century to unify Serbs and Croats and to fight another set of wars at the end to dissolve the union and “ethnically cleanse” the region seems among the sickest of the jokes that History plays on human populations.

From our perspective a semi-democratic, constitutional monarchy like that of the Habsburg-ruled Austro-Hungarian Empire, ruling over various nationalities, a monarchy that respected (most) local customs, kept the peace, and allowed freedom of commerce, belief, and speech (within limits), seems much more than halfway up the list of desirable regimes. Would one prefer Marshall Tito? Or Milosevic? Or Karadic? Certainly not.

In the summer of 1914, a Bosnian terrorist seeking Bosnian independence from the Austro-Hungarian Empire and union with Serbia assassinated the heir to the throne of the Austro-Hungarian Empire, the Archduke Franz Ferdinand and his wife. The terrorists had received some assistance from the secret police of the Kingdom of Serbia—although almost surely not with the active knowledge of the King of Serbia: no ruler, monarchical or otherwise, has an interest in the declaration of an open hunting season

against heads of state and their near relatives. The political objective of the assassination was to break off from Austria-Hungary her south-slav provinces so they could be combined into a Greater Serbia or a Yugoslavia. The assassins' motives are consistent with the movement that later became known as Young Bosnia.

For the old emperor Franz Josef in Vienna and his advisors, the outrageous murder of his nephew — with help from within the Serbian government — seemed to call for action to chase and punish the guilty, humble and shame Serbia, and make it plain that Austria was the great power in the Balkans. Thereafter Serbian foreign policy had better trim its sails to the Austrian wind. To establish this seemed worth a small risk of a large war.

For the not-so-old emperor in St. Petersburg, Czar Nicholas II, and his advisors, possible involvement of Serbian government officials and agencies in the assassination of his distant cousin Franz Ferdinand was beside the point. Russia, not Austria, was to be the dominant great power in the Balkans. Russia was to be the protector of Slavic-speaking states that had previously been part of Turkey's decaying Ottoman Empire. Russia needed to make it plain that it would fulfill its promises to protect other Slav-speaking states — and especially to protect them against the imperialism of German-speaking Berlin and Vienna. To establish this seemed worth a small risk of a large war.

Austria-Hungary. Franz Josef. Austria demanded... Serbia essentially said "yes". Austria announced that wasn't good enough and that it was going to attack Serbia. Russia mobilized.

For the not-so-old German Emperor, the Kaiser Wilhelm II, and his advisors, the decision to back Austria to the hilt in whatever action it chose to take in response to the assassination of Franz Ferdinand — up to and including war — was nearly automatic. For the German government by and large viewed a large war not as a risk but as an opportunity. The rulers of Germany felt that their country deserved a larger place in international affairs: more influence, more respect, and more colonies. They looked back at a nineteenth century in which the standing and power of the core of the turn of the century German Empire, the Kingdom of Prussia, had been radically enhanced by short victorious wars provoked and managed by the so-called Iron Chancellor, Prince Otto von Bismarck, a German politician whose best-remembered sentence is that: "It is not by speeches

and debates that the great issues of the day will be decided, but by Blood and Iron.”

Bismarck’s shoes were hard to fill. His legend was hard to live up to. But attempting to live up to it seemed to involve an eagerness to court and welcome the risks of war.

No one remembered that Bismarck had sought war against isolated powers without allies—Denmark in 1864, Austria in 1866, and France in 1870—and only when he had stacked the deck to make rapid victory all but certain. And no one remembered that Bismarck had never had any desire to escalate political conflict in the Balkans. Perhaps his second-best-remembered sentence is that: “There is nothing at stake [in the Balkans] that is worth the bones of a single Pomeranian grenadier.”

Complicating German decision-making further—and this is hard to believe—was that the civilian politicians in Germany and the emperor did not know that the German army understood “mobilization” to be “war.” For the chancellor of the German Empire and the emperor, mobilization was the final threat before war. But for the army, it was the first step of the war: German “mobilization” called for troops to assemble and concentrate in Belgium and Luxemburg, outside of Germany’s borders. The Belgian border fortress of Liege was to be occupied on the third day of mobilization; the Luxemburg railways were to be seized on the first day. Thus Germany went to war—attacked Belgian fortresses, and occupied Luxemburg—in a fit of absence of mind. The first German acts of war were undertaken by the military high command on the authority of the (political) order to mobilize. The political leadership did not declare war: they realized they were at war.

At which point Germany attacks Belgium...

It is that stupid.

### **12.3.3: The Course of World War I**

Mobilizing economic resources for total war turned out to be surprisingly difficult. Military plans had all been based on the assumption of a short war: one in which decisive victory would be won or lost in a matter of months, in a single battle or two. And at first it did seem as though victory would be quick, and would go to Germany and its allies, the so-called

central powers. The first-mobilized vanguard of the Russian army was decimated in the forests of eastern Germany. The first battles between the French and the Germans saw the French take much heavier casualties, and retreat almost to Paris before the Germans outran their supply lines.

Thereafter the front line settled down into a fixed line of trenches in which soldiers hid from flying death. And offensives degenerated into episode of machine-gun target practice in which the attackers always took far heavier casualties, and invariably gained little ground of no strategic value.

As the war settled into stalemate, generals called for greater and greater commitments of resources to the front: if battles could not be won by strategy, perhaps they could be won by the sheer weight of men, metal, and explosives committed to the front. The share of each belligerent's resources devoted to the war effort rose.

In Britain—which attained the highest degree of mobilization—the government was sucking up more than one-third of national product (plus the time of conscripted soldiers) for the war effort by 1916. Production became much more that dictated by the representatives of industry's largest customer, the military, than by market forces. The example of the German war economy made some, like Vladimir Lenin, believe that a “command economy” was possible: that you could run a socialist economy not through the market but by using the government as a command-and-control bureaucracy.

In the end, the weight of men and metal arranged against Germany and its allies did tell. First, however, Russia disappeared from the war in 1917, with the fall of the Czar in March 1917 and the seizure of power by Lenin and the Communists in November 1917. But the United States entered the war in 1917. Final victory was achieved at the end of 1918, when the Austro-Hungarian Empire's army collapsed and the German army in France, facing defeat, sought an armistice

#### **12.3.4: The Costs of World War I**

10 million dead; 10 million maimed; 10 million lightly injured. Out of a major belligerent population of some 400 million—200 million men—100 million adult men...

France, Russia, the United Kingdom, and Italy (from 1915) and United States (from 1917) against the Austro-Hungarian, German, Bulgarian and Ottoman Empires. Russia withdrew from the war after the communist October Revolution in 1917— which took place in November.

Trench warfare...

President Woodrow Wilson of the United States and others blamed the war on militarism: aristocrats and military élites had too much power in countries such as Germany, Russia, and Austria-Hungary. War was thus a consequence of their desire for military power and disdain for democracy...

Wilson hoped the League of Nations and disarmament would secure a lasting peace...

March 1917 abdication of Czar Nicholas II Romanov...

Weak Provisional Government. Kerensky...

Vladimir Lenin...

In January 1917 Germany resumed unrestricted submarine warfare. Zimmermann Telegram...

U.S. Congress declared on 6 April 1917, drafted four million men and by summer 1918 was sending a million soldiers to France every season...

British blockade...

Ludendorff and Hindenberg...

Germany cracks in October 1918...

Armistice: forest of Compiègne. Foch. *All Quiet on the Western Front*...

Government share of GDP: fifty percent in Germany, Britain, and France...

Lost Generation...

Dolchstosslegende...

## **12.4: Consequences of World War I**

### **The Aftermath**

When the guns fell silent after fifty months of World War I, the world of relatively rapid growth and progressing civilization of nineteenth century Europe had been shattered. The optimism of the nineteenth century would never be fully restored. Some 65 million men had been mobilized for military service (out of total populations of perhaps 400 million). Of these, perhaps ten million were killed and 21 million wounded, not counting the casualties of the Russian Civil War that erupted at the end of 1917. Civilian casualties were relatively light: less than ten percent of military casualties.

Things were to be different in World War II. Then civilian deaths would exceed military deaths.

In World War I total cumulated war budgets of the combatants amounted to perhaps \$200 billion, with total property damage of perhaps \$40 billion additional (and lost production that those turned into soldiers would otherwise created of perhaps \$65 billion more), all in an era where the gross national product of the United States was \$50 billion. In France, which had seen the principal western front battles of World War I, more than 2.5 million people had been driven from their homes by the war—nearly all of whose houses were destroyed or badly damaged. Poor nutrition and refugee movements set the stage for the last great worldwide epidemic, the flu epidemic that followed World War I, which itself killed perhaps fifteen million people.

The victorious allies did not think that they should bear the cost of having been the battlefield in World War I. The peace settlement—the Treaty of Versailles—demanded “reparations.” Allied claims for reparations after the war amounted in total to \$33 billion, a sum equivalent to two years' worth of German national product. It would have required all of Germany's pre-World War I export earnings in order to amortize this reparations burden over a third of a century. Such reparations were never paid. In fact, transfers from the United States to Germany in the form of post-World War I loans that were never repaid dwarfed actual reparations payments.

Other countries lost as well from default. Perhaps a fifth of a year's GNP for France disappeared with the Bolshevik repudiation of the Czarist debt. But even the notional imposition on Germany of a reparations burden (never mind that it was never paid) weakened the middle class and, perhaps more important, weakened the Social Democratic Party which had signed the allied peace terms. Since the weakness of the social democrats was key to the failure to stop the rise of Hitler, the imposition on Germany of the post-World War I reparations burden turned out to be the most costly political decision of the entire World War I era.

The pattern of international trade was permanently altered by the war. Wartime stimulus to industry expanded the export capacity of North and South America. After the war, the British found themselves exposed to American, Latin American, and Japanese competition in their export markets in ways that had been inconceivable before the war. The interruption of wartime exports from Britain stimulated textile and iron production in Asia and in Latin America.

#### **12.4.1: The Birth of Communism**

The final stages of World War I saw the end of three dynasties and three empires, and the first seizure of power by disciples of what was to become the most murderous of the totalitarian ideologies of the twentieth century—Communism. The German Emperor Wilhelm II abdicated in November 1918. A republic was proclaimed, with Social Democratic Party leader Friedrich Ebert as its provisional president. The German army high command agreed to support and defend the republic if the political leaders of the republic would suppress any social revolution that would expropriate and nationalize property and redistribute wealth.

The Austro-Hungarian Emperor likewise abdicated in November 1918, and his regime was carved into individual nation-states very roughly following ethno-linguistic borders. The Czar Nicholas II abdicated in March 1917, and after eight months of provisional government Lenin's radical wing of the Russian socialists—the “Bolshevik” or “majority” faction—seized power and claimed to be establishing a working-class dictatorship in November 1917.

Lenin and his comrades confidently expected their revolution in Russia to be followed by other, similar Communist revolutions in the more advanced, industrial countries of western Europe. And he might have been

correct had more of the leaders of the left, "violent action" wings of western European socialist movements been like Lenin. A Communist republic briefly held power in Hungary. Another briefly held power in Germany. The "Spartakists"—the left wing of German socialism under Karl Liebknecht and Rosa Luxemburg—called for an uprising in Berlin, declared that the provisional republican government under mainstream social democratic politician Friedrich Ebert was deposed, but did curiously little to attempt to seize power or control over the government. The Spartakists had neither majority support, nor the ability to deploy military force, nor an understanding that a revolution is not a dinner party conducted according to the rules of etiquette.

For example, consider the Spartakist attempt to seize the German Ministry of War:

Karl Liebknecht... ordered a certain Petty Officer Lemmgen to occupy the red-brick edifice of the Ministry of War on behalf of the Revolutionary Council.... But when Lemmgen arrived at the Ministry, he found a young lieutenant, Bruno Hamburger... as duty officer. Lieutenant Hamburger challenged Lemmgen's authority and demanded to be shown his credentials.... Lemmgen produced a typed document with the following text: "Comrades and Workers! The Ebert-Scheidemann government have made themselves impossible.... The undersigned Revolutionary Council has provisionally assumed power." Lieutenant Hamburger inspected the document and became properly indignant. "But where are the signatures?" he demanded. The document had none. "Before I can comply with this order, you'll have to go back and get it properly signed. Otherwise any little shorthand typist could declare the government deposed." Petty Officer Lemmgen... saw the logic of the lieutenant's request. So he and his men saluted... and made their way back to the Revolutionary Council to obtain the necessary signatures.... But by the time he had obtained the signatures, Lemmgen had learned that the People's Naval Division had declared itself neutral. So he did not return to the Ministry of War...\_

The less-revolutionary mainstream social democrats were more ruthless and more Leninist than the left-wing socialists who called for a social revolution to redistribute and nationalize wealth, as well as a political revolution to remove the monarchy and institute democracy. The Spartakist demonstrations were suppressed by ex-soldiers hastily organized into a militia. Karl Liebknecht and Rosa Luxemburg were arrested, and shot without judicial process.

So World War I did not lead to a general overthrow of capitalism, or even to the conquest of power by anti-capitalist parties aiming at fundamental transformation. As Charles Maier assesses the situation immediately after the end of World War I:

Late 1920 and early 1921... saw the end of the postwar working class offensive throughout Europe. In France and Italy the unions had suffered or were shortly to suffer serious setbacks; in Germany their republic seemed stalemated and in bourgeois custody. Major changes in the ownership or control of the economy had failed to come about. French railroad nationalization was a dead letter; German coal mines remained under private auspices.... Workers' councils... had lost their radical impetus, and the Italian labor movement had given up its hold on the nation's factories for the promise of a study committee...

#### **12.4.2: A Land Fit for Heroes?**

World War I permanently changed European politics. The returning soldiers were heroes: they deserved a land fit for heroes. Working class soldiers who had died in enormous numbers for the state could not be deprived of the vote. The electorate was greatly expanded during and after the war. Women were enfranchised. Property tests restricting voters to the middle and upper classes, or giving more influence to upper-class voters, were eliminated. The result was the rise of the political left. In Britain, for example, where less than half of adult males could vote before World War I, the socialist Labour Party multiplied its vote sevenfold in the election of 1918.

Barry Eichengreen sees the rise of proportional representation as an electoral mechanism in Europe as another result of World War I. The war had arisen because of the suppression of nationalities by the old empires, therefore a just post-war system had to protect minority rights. Proportional representation meant that candidates did not have to receive a majority in a particular constituency, but just a sizable enough proportion of the total national vote. Proportional representation encouraged the multiplication of parties: the principal incentive for politicians to group together into parties was always that if you did not combine you stood no chance of winning an office, and proportional representation greatly reduced this incentive.

Non proportional systems encourage the growth of two grand coalitions—one just to the right and the other just to the left of center.

Proportional systems encourage the growth of many parties, each one finely calibrated to a particular voter mass point on the ideological spectrum.

There is good reason to think that proportional systems are not identical in their policies to non-proportional systems. Two party systems tend to reward compromisers who strike deals. Proportional systems tend to strike those who serve as a mirror, reflecting back to voters what the voters want to see. The rise of proportional representation reinforced currents hostile to political democracy: “we vote and vote, but nothing changes,” critics charged, because the only outcome of elections was a small shift in seats in parliament, and a small reshuffle of portfolios among centrist ministers. It was much easier to make the argument that the democratic franchise had real meaning in non-proportional systems, where an election often led to a change of the entire government and not just a reshuffling of portfolios.

But land fit for heroes required more than giving the working class the franchise. It required governmental policies that would recognize the gift that the people had made the nation during the war. Disability insurance for war veterans, unemployment insurance so that returning soldiers did not have to beg in the street because postwar readjustment was slow, mammoth government expenditures to repair war damage, plus mammoth government expenditures to pay off the war debt—all these placed stresses on and required action from governments orders of magnitude greater than had been seen before.

The point of all this: World War I makes it impossible to be a liberal believer in progress, peace, rationality, equilibrium, the benevolence of the market, the triumph of reasoned discussion, et cetera. So what do you do? The answer is "managerialism." Muddling through. Trying desperately to somehow cobble together something like pre-WWI liberalism—to make it true in practice even though it isn't true in theory, and to do so somehow. Hence John Maynard Keynes...

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