

“The Pax Britannica, American Hegemony and the International Economic Order, 1846-1914 and 1941-2001”

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A paper to be presented at Session 7 of XIII Congress of the International Economic History Association at Buenos Aires on Tuesday, 23 July 2002 on “Historical Perspectives on Structural Changes in the World Economy, 1980-2000”, organised by Herman Van der Wee and Eric Buyst (Leuven University)

This text which forms the basis for a presentation at the Congress will be published as the introduction to a forthcoming book: P.K. O’Brien and Armand Clesse (eds.) *Two Hegemonies: Britain 1846-1914 and the United States, 1941-2001* (Ashgate Publications 2002/3). Please do not cite without permission from the author.

1. Notions or Concepts of Hegemony

Social scientists, contemplating the role played by the United States in the international political and economic order since its entry into the Second World War in 1941, have attempted to formulate a 'theory of hegemony'.¹ They anticipate that the theory might justify, explain and possibly predict the behaviour of the American government operating diplomatically and strategically as the hegemonic power within a system of competing nation states.² In order to offer some kind of general theory, scholars have attempted to represent the status and model the behaviour of other states, particularly Britain, but also the United Provinces and a succession of Italian city states (Venice, Florence, Genoa and Milan) as well as the rulers of the early modern empires of Portugal and Spain in order to widen the sample for generalisation and deepen our understanding of the rise, decline and actions of other great powers who have historically exercised varying degrees and forms of power over Europe's traditional system of antagonistic nation states.³

Hegemony is a Greek word and was probably coined to represent the paramount position assumed by Sparta in the alliance of Greek city states against Persia.⁴ The label has also been used to depict the economic, political and military policies implemented by Prussia to bring about the unification of Germany between the formation of the Zollverein (1834) and the Franco-Prussian war of 1870-71.⁵ Interestingly no attempts seem to have been made to apply the concept to inter-state relations in Asia and the Middle East, although the Chinese tributary system and Ottoman regime might qualify for consideration in an East Asian context. The exercise of hegemony can be recognised as the persistent and consistent actions taken by a single dominant state, in pursuit of its own national self-interest, that also provides public goods or externalities for the international system as a whole.⁶ In this sense, and for the world in general, a hegemonic power becomes an alternative and second-best substitute for a benign universal empire or an efficient, and presumably federal, system of world governance.⁷ Under a hegemonic system, one paramount state supposedly maintains a semblance of order and uses power and persuasion to impose flexibly enforced rules upon an otherwise potentially anarchic system of international relations, and all other nations benefit.⁸ The 'public goods' conferred, maintained and defended by hegemons include peace, access to all international waterways and air spaces, laws and institutions for the protection of property rights, the enforcement of contractual agreements that transcend national legal systems, an open and predictable regime for foreign trade, an international monetary system to minimise the risks and

transaction costs of trade and investment across frontiers, institutions to mitigate fluctuations in the levels of global production and commerce, environmental protection and finally, rules to minimise governmental restraints on the movements of migrants, capital and information across frontiers.⁹ In short, hegemony refers to the deployment of power and persuasion by a dominant state to defend the planet, avoid warfare and to promote economic stability, commerce and cultural exchanges on a global scale.

2. The Rise of Britain

The key problem addressed at the Windsor conference was whether or not the theory of hegemony might be an illuminating way of representing and analysing the nature of international relations before the assumption of the prototype hegemonic role by the Government of the United States in the second half of the twentieth century?¹⁰ John Hobson's essay properly insists that if the concept is to secure relevance and enjoy historical provenance, questions of when and why previous hegemony emerged, as well as questions of how and to what extent they provided the world with the kind of political and economic stability, claimed for the benign hegemony of the United States, come top of any agenda for discussion.¹¹

Charles Kindleberger, following up on ideas elaborated by Fernand Braudel on the 'centering and recentering' of European maritime cities, traced cycles and successions in 'primacy' (his preferred term) in the international system back to Venice and Genoa in the fifteenth and sixteenth centuries.¹² He makes more of the role played by Amsterdam and the Dutch republic. Kindleberger has no doubt, however, that Britain can be represented as 'the classic case' but he 'attempts to show that the pressure for hierarchy, hegemony or leadership, whatever one chooses to call it, has been more general than the British and American cases alone.'¹³ Hegemony rise and decline as part of the logic of a system of interactions among states, but in their time they cannot be ignored because they possess the power to convince, command or force other sovereign governments to comply with their policies for the conduct of international relations.¹⁴

Along with Charles Kindleberger, Immanuel Wallerstein and Giovanni Arrighi represent the Dutch Republic as exercising hegemony over Europe's competing states from the Peace of Westphalia (1648) to the Treaty of Utrecht (1713). In Wallerstein's view, pressures for hegemony arose historically out of the circumstances of long wars—the Thirty Years War, 1618-48, produced Dutch primacy, the wars against Revolutionary

France and Napoleon, 1789-1815, gave rise to British dominance and the World Wars and Unstable Interregnum, 1914-41, promoted American hegemony. Prolonged armed conflict reorders the power structure, generates war-weariness and produces pressures for hierarchy and leadership, which allow and encourage the dominant power to become hegemonic.¹⁵ Arrighi suggested: 'The Dutch capitalist oligarchy ... had a strong common interest with the emerging dynastic states in the liquidation of the claims of pope and emperor to a supra-statal moral and political authority embodied in the imperial pretensions of Spain. As a consequence of their eighty-year long war of independence against imperial Spain, the Dutch became a champion and organiser of the proto-nationalist aspirations of dynastic rulers. At the same time, they continuously sought ways and means to prevent conflict from escalating beyond the point where the commercial and financial foundations of their wealth and power would be seriously undermined. In pursuing its own interest, the Dutch capitalist oligarchy thus came to be perceived as the champion not just of independence from the central authorities of medieval systems of rule, but also of a general interest in peace...'¹⁶

Nevertheless, Arrighi goes on to admit that 'Dutch world hegemony was ... a highly ephemeral foundation which was unmade as soon as it was made. In terms of world power, the principal beneficiaries of the new system were ... France and England. For the next century and a half—from the outbreak of the first of four Anglo-Dutch Wars in 1652 to the end of the Napoleonic Wars in 1815—the interstate system was dominated by the struggle for world supremacy between these two great powers.'¹⁷

Marjolein 't Hart argues that the United Provinces was perhaps too small an economy and too vulnerable a polity to exercise anything approximating to hegemony over other states, competing violently for territory, commerce and colonies within a mercantilist economic order.¹⁸ Jonathan Israel's 'primacy' seems to be a more appropriate depiction for the brief decades of leadership enjoyed by the Netherlands and the Dutch state in great-power politics.¹⁹

Meanwhile, from the Navigation Act of 1651 to victory at Waterloo (1815), the English state fought its way through ten major wars—three against Holland and seven against France and its allies—before achieving a position of preponderance in the international system—a position it occupied for roughly a century after Castlereagh signed the Treaty of Vienna in 1815.²⁰

Why Britain—a small and relatively underdeveloped economy with an unstable, traditionally weak state—and not France, Spain, Austria, Prussia, Russia, Denmark or Holland—acquired that dominant status by the end of

the Napoleonic Wars is not easy to explain. Yet at the close of a very long period, 164 years, of mercantilistic struggle and dynastic warfare, England emerged ‘triumphant’, in possession of the largest occidental empire since Rome, enjoying an extraordinary proportion of international commodity trade and of the profits derived from servicing the global economy. Finally, the country was halfway through the first industrial revolution and already produced a significant share of the world’s manufactured output and generated a substantial part of its new technology.²¹

In accounting for Britain’s economic, technological, military and imperial success, historians tend to elaborate first upon endogenous conditions within the domestic economy that allowed for and promoted British industrialisation, mercantilism and imperialism. Secondly, they discuss the political, strategic and fiscal advantages enjoyed by the British state compared to its main rivals, particularly France, but also the Iberians and the Dutch during the seventeenth and eighteenth centuries. Thirdly, and because the reordering of power must be located in international rather than economic or imperial history, historians try to compare British rise to predominance with explanations for the *relatively* less successful political, fiscal and economic policies pursued by other powers including Portugal, Spain, Holland, Austria, Prussia and above all, France.²² After all, Britain had serious rivals and their heritage of economic endowments, cultures, political systems, and their military and naval prowess, as well as their commercial and imperial strategies, for one reason and another turned out to be incapable of checking its rise to a dominant position in great-power politics.²³

Economic historians seldom agree on how to weight different factors behind the long-run advance of the British economy. Most would accept the large fact that the country was exceptionally well endowed in agricultural terms. Thus the problem of feeding the nation’s growing population and sustaining its towns and cities was never as serious as it often became for other agricultures on the mainland. In part that advantage was geographical and in part it has been attributed to the peculiar system of tenure and property rights which evolved from the feudal system imposed on colonised Saxons way back at the time of the Norman Conquest.

Secondly, cheap and accessible coal was not available at anything like the same prices and quantities to households and producers on the Continent. Coal provided the economy with an efficient source of energy as well as warmth so that people required fewer calories to subsist and to work in towns, industry and agriculture.²⁴

A third factor, which again sets Britain somewhat apart from the rest of Europe, was the slow but visible rise of a skilled workforce over the course

of the sixteenth, seventeenth and eighteenth centuries. Neither economists nor historians have provided convincing theories or explanations as to how and why different labour forces and cultures acquire and accumulate skills over time. Nevertheless, in Britain proto-industrialisation and innovation depended upon elastic supplies of skilled labour. Merchants were the key group. Their organisational capacities, political acumen, and competitive spirit have been emphasised as critical for the growth of trade, for the development of financial intermediation, for investment in industry, social overhead capital and colonies overseas.²⁵ Indeed, Fernand Braudel has represented the development of European capitalism over the three centuries before 1815 as ‘Smithian growth’ led forward by a succession of maritime and mercantile cities (Genoa, Bruges, Florence, Venice, Hamburg, Antwerp, Amsterdam and London). The early stages of British industrialisation and economic expansion can certainly be accommodated within a Braudelian narrative which locates maritime towns, merchants, international trade and colonisation at its centre.²⁶

Fourthly, historians point to special features of the British State—particularly the characteristics of the regime which emerged after the Glorious Revolution of 1688, which carried the economy and its aristocratic mercantile and industrial elites to the peak of national power and wealth that they and the other social groups so clearly enjoyed for more than a century after Waterloo. During the final phase of Britain’s rise to ascendancy from 1688 to 1815, the state was almost continuously engaged in making or preparing for war, and in coping effectively with problems of internal order created by the actions of a disaffected urban underclass and a large minority of Celts—Welsh, Scots and above all, Irish—within an English kingdom. To hold an industrialising and urbanising society together, to defend the realm, to preserve the stability of an aristocratic and monarchical regime and to protect the kingdom’s trade and empire overseas, required a strong state. That strength came basically from two sources. First, from high and stable investment in the Royal fleet—public expenditures on the fleet consistently exceeded net private capital formation in industry. But to fund high levels of naval and military investment, the political elite constructed the most efficient fiscal state in Europe. Once Parliament had deposed James II and enthroned a Dutch monarch, between 1688 and 1815 taxes increased by a factor of 15, while national product went up just three times. This represents a massive rise in the share of national income appropriated by an early modern state, largely for geopolitical and mercantilistic purposes. Britain’s impressive fiscal capacity emerged as the product of civil war and a Glorious Revolution which reasserted the rights of a propertied elite to scrutinise, amend and

reject the King's requests for taxation. Secondly, the widening and deepening of the economic base for taxation allowed the state to assess and to collect more varieties of indirect taxes. Thirdly, the otherwise rapid, and potentially problematical, increase in taxation was moderated by the accumulation of a national debt which rose from a mere 4 per cent of national income in the reign of James II up to two and a half times the national income for 1820. Orange and Hanoverian governments managed to borrow extraordinary sums of money on the London capital market—some from foreigners, particularly the Dutch. Interest and repayment charges on Britain's national debt were unfailingly met from revenues derived from a carefully selected mix of taxes, assessed and collected by the most efficient revenue service in Europe.

Britain's taxpayers became relatively compliant towards their rulers' ever-increasing demands for taxes, presumably because the taxpaying public derived obvious benefits or returns from 'their' State's expenditures on imperialistic and mercantilistic policies, which were widely perceived to be profitable for the nation at large. In general, British opinion remained deferential towards its monarchical and aristocratic regime and a strong degree of consensus existed across all sections of the political elite, and the small electorate, about the role, objectives and expenditures of the state.

On the Continent, monarchical and aristocratic states seemed politically and culturally constrained when it came to raising revenues and borrowing money. By 1648, unlike the 'under-mortgaged' British state, European monarchs had already accumulated a considerable volume of outstanding debt as a result of participation in two centuries of dynastic and religious warfare. Their administrations for the assessment and collection of taxes became more corrupt and inefficient. Compliance with royal demands for revenues looks altogether more conditional. Royal officials confronted taxpayers strongly inclined to defend their interests by supporting regionalism and by active resistance and evasion.²⁷ Finally, and right at the end of an otherwise promising eighteenth century, the entire European state system ran into that overwhelmingly destructive and expensive crisis precipitated by the French Revolution and the geopolitical ambitions of Napoleonic France.²⁸ At the Congress of Vienna in 1815, a Prussian general astutely observed that 'Great Britain has no greater obligation to any mortal on earth than to this ruffian, Napoleon. For through the events which he has brought about, England's greatness, prosperity and wealth have risen high. She is mistress of the sea and neither in this dominion or in world trade has she now a single rival to fear.' A British statesman concurred and remarked 'we used to be first, now we are alone'.²⁹ By way of her own peculiar historical trajectory but also through opportunities

provided by the ineptitude of the country's rivals, Britain in 1815 was at long last prepared and offered the opportunity to exercise power over an international system of competing European states.

3. British Preponderance in Great Power Politics 1815-1914

Between the Treaty of Vienna and the outbreak of the First World War, that traditionally anarchic system passed through a century of 'relative' stability under a regime referred to as the Pax Britannica. That familiar depiction of international relations of the period does not imply that diplomatic conflict, sporadic aggression and even bouts of warfare disappeared. No, the representation suggests that compared to the previous three centuries of religious conflict, territorial warfare, imperialism and mercantilism, over the long nineteenth century, levels of interstate violence, the naked pursuit of national interest and predation on the movement of goods, people and capital across frontiers and overseas diminished, in large part, so the argument goes, because the British state exercised a benign hegemony over the world's international, political, economic and cultural order.³⁰

Although claims that Queen Victoria's navy and empire provided the basis for a Pax Britannica enjoyed by the rest of the world were frequently enunciated by a succession of British statesmen, they meant something more specific and altogether more limited than the range of implications for the operation of the international system that the modern American term of hegemony implies in practice and theory.³¹

After final victories over France and Spain at sea at Trafalgar (1805) and on land at Waterloo (1815), the persistent and essentially national strategic aims pursued by the British state were to provide for the security of the realm and its ever-expanding empire overseas. Secondly, and enjoying command of the world's largest navy, operating out of strategically located bases along almost all the lanes of every ocean and sea throughout the globe, the British government found itself well placed to offer proactive armed support and unrivalled protection for the nation's commerce with all other maritime economies of Europe, Asia, Africa, Australasia and the Americas.³² Within this uniquely powerful position, British commodity trade with the rest of the world flourished. British merchants, bankers, brokers, insurers and shippers continued to acquire extraordinary shares of the profitable multinational business involved in the organisation, transportation, financing and servicing of commerce around the globe.

Already over the course of the eighteenth century, the city of London had gradually replaced Amsterdam as the dominant centre for servicing international and inter-continental commerce. Its position of primacy over all other European mercantile cities—Hamburg, Bordeaux, Marseille, Venice, Genoa, Lisbon, Barcelona, Cadiz, Copenhagen and Stockholm as well as Amsterdam—became uniquely powerful during the Revolutionary and Napoleonic Wars, 1793-1815, when the armies of France occupied Europe's major commercial cities and when the Royal Navy won battle after battle and attained an almost unchallengeable command of the seas around Europe and the oceans of the world.³³

For more than a century (1815-1914) after the defeat of Napoleon, Britain held onto a position of maritime supremacy. The state maintained a huge navy at a level of technological and managerial efficiency that was capable of defeating the combined fleets of any two potential rivals. Maritime supremacy also involved sustaining high levels of public investment in the fleet during decades of peace as well as the retention and continued acquisition of a worldwide chain of strategic bases with the harbours and defensible positions required to shelter, refit and provision ships of the line, cruisers and frigates—stationed for service in the Channel, the Mediterranean, the Red and Black Seas, the Atlantic, Pacific and Indian oceans, and the seas of Arabia and China.³⁴ Whenever politicians and public opinion perceived a challenge might mature from the build-up of rival fleets, the British state raised the fiscal resources required to jack up the strength and technological efficiency of the Royal Navy. Fortunately, after the defeat of the French, Spanish, Dutch, Danish and American navies during the long wars with France (1793-1815), only trivial 'scares' emerged before the Anglo-German naval rearmament race of 1898-1905—a race that the Royal Navy won with ease.³⁵ Indeed, for several decades after 1815, Britain's rivals, including France, maintained rather small fleets and accorded far greater priorities to the reconstruction of their economies and political systems, damaged and de-stabilised by the French Revolution and Napoleonic Wars.³⁶ European states formulated no serious policies, let alone engaged in military preparations that could be construed as a threat to the Victorian kingdom or to its enormous and growing empire overseas. For several decades, France more or less abandoned all pretensions to becoming an imperial power. Spain and Portugal had lost most of their colonies in the Americas and suffered from political instability. Italy and Germany concentrated upon the problems of state-building, unity and national identity. Austria remained preoccupied with holding together the ethnically diverse and nationalistically militant populations ruled by the Habsburg monarchy. Both Russia and the United

States satisfied their aspirations for territorial expansion by moving their frontiers overland, to the east in the first case, and to the west and southwest in the second. Britain returned Dutch colonies in the East Indies to the Netherlands at the Treaty of Vienna and down to the early 1900s helped to prop up the vulnerable Ottoman Empire against Romanov ambitions for its dismemberment.³⁷

Before the Franco-Prussian War of 1870-71, the balance of power on the mainland of Europe settled into a state of equilibrium without any need for active diplomatic—let alone costly military—actions by the British government. Minor crises over the break-up of Holland and Belgium, Greek independence, Polish insurrections, national revolutions in 1848, Prussia's annexation of Schleswig-Holstein and the unification of Italy and Germany—all occurred without any serious attempt at intervention by Britain in European power politics. Although British public opinion and liberal statesmen vocally supported democratic and national causes against autocratic monarchs and emperors, no real national interests appeared to be at stake. Thus a minimalist participation in order to avoid enmity towards the Empire and envy at Britain's huge stake in overseas trade, shipping and investment seemed to successive Foreign Secretaries, except Palmerston, to be the best strategy to pursue.³⁸

In any case, unless and until Victorian governments became willing to reactivate Hanoverian policies of committing British troops to and/or subsidising allied armies on the mainland, they lacked military power to play anything but an entirely peripheral political role in the redrawing of frontiers, the changes of regime and foreign politics on the mainland.³⁹ Only in the Crimean War, 1854-56, when an Anglo-French alliance confronted and checked Russian ambitions in the Balkans, did the British army again operate in Europe. In most cases of conflict among and within European states, Britain's naval supremacy could not be utilised to really alter the course of events.⁴⁰ As on airpower today, in the nineteenth century, clear limitations on the effectiveness of naval supremacy existed. This implies that British power remained confined, as it had been since 1688, to preserving the security of the British Isles, to the protection of British commerce, and to the defence of the empire and all other interests abroad from aggression and potential attacks by sea.⁴¹ Victorian statesmen, educated in the classics, alluded to a Pax Romana but outside the empire the supposedly analogous Pax Britannica depended for its sanctions and force almost entirely on the Royal Navy and was therefore bound to be far more constrained than the 'penetrative' military power which allowed governments in ancient Rome and latterly in Washington to become really 'hegemonic' during their periods of ascendancy.⁴²

In the absence of a large standing army and/or a system of expensive alliances of the kind subsidised by the Hanoverian regime from 1688-1815, the parsimonious Victorian state concentrated on ‘co-opting’ other European, American and Asian powers into a system for the orderly and predictable conduct of international relations, especially commerce, that could remain efficient for the security of the empire and for the preservation of the dominant role that the British economy had attained in world trade and in servicing the global economy. Britain’s implicit grand strategy for securing the peace, order and stability that its national interest required can be exposed as the underlying and persistent assumptions that guided governmental negotiations and actions in the state’s dealings and conflicts with other powers, including the legally subordinate but in practice ‘quasi autonomous’ administrations in charge of Britain’s own dominions, colonies and dependencies overseas. The nation’s ‘strategic assumptions’ can only be exposed by careful historical analysis of the stance British ministers pursued, case by case, country by country, decade after decade in the connected but separable spheres of political, commercial, cultural and foreign—including imperial—policies.⁴³

British historians have hardly represented that stance as hegemonic in any Roman or modern American sense. In political relations with other great powers, the Victorian state normally placated the sensitivities and potential antagonism of European governments by continuing with its traditional policy of entertaining no claims to territory on the Continent and the Crown formally renounced all dynastic connexions with Hanover.⁴⁴ Up until the events leading to the 1904 Entente Cordiale with France, Britain virtually withdrew from active engagement in European power politics—except at levels that Britain’s friends often discovered to be merely ‘rhetorical’ and European statesmen considered to be no more than ‘diplomatically meddlesome.’⁴⁵ The one exception, namely, the Anglo-French declaration of war on Tsarist Russia in March 1854, was perceived in retrospect to have been a misjudgement by the Aberdeen government and secured almost no long-term gains for British interests.⁴⁶ Frictions with the growing power of the United States could be contained by keeping an open border with Canada, by maintaining an uneasy neutrality during the American Civil War and above all by ‘implicitly’ threatening to use the Royal Navy to uphold the Monroe Doctrine when and if Spain, France or any other European country resumed their dormant aspirations at ‘colonisation’ in the Americas. After a long history of diplomatic appeasement, by the turn of the century Britain had virtually withdrawn from any active participation in power politics on that continent.⁴⁷

Thus, before the unification of Germany (1870-71) and the Congress of Berlin (1878), the defence of the realm and of its vast Empire against any political threats from other states seems to have been secured by the balance of power on the mainland, assisted by Britain's disengagement from politics on the Continent and minimalist involvement in interstate rivalries in the Americas. Throughout the century of the Pax Britannica (1815-1914), British power was deployed only rarely to interfere with the territorial integrity or the political stability of established states either in Europe or elsewhere. There are only three clear exceptions. In 1823, the Royal Navy destroyed a Turkish fleet at Navarino, which contributed to the efforts of Greek nationalists to secure independence from the Ottoman Empire. Several years later, in 1840, the Royal Navy stopped Mohammed Ali of Egypt from taking Syria out of that same Empire.⁴⁸ In 1854-55, Anglo-French naval and military action prevented Russia from annexing Turkish territory in the Balkans.⁴⁹ The rest looks more like diplomacy and rhetoric.

4. Free Trade and the International Economic Order Before and After the Congress of Berlin (1878)

British power can be perceived as operating more clearly outside the realm of geopolitics where records show the Victorian state did attempt to persuade, to pressure, co-opt and occasionally force other states to participate in its pursuit of 'liberal strategies' for universal access to all the world's waterways, seas and oceans, for free trade, the enforcement of contracts, the safeguarding of property rights across legal systems, for a stable international monetary system and for the unimpeded movements of capital and migrants across frontiers. Well-documented histories of the precise ways that the British state may have provided 'public goods' (i.e. free trade and a monetary system) for the international economy between 1815-1914 are moreover available for this liberal interlude in world affairs.

Emerging victorious from the Revolutionary and Napoleonic Wars with an overwhelmingly large navy, strategically stationed at key maritime bases along all the oceans, seas and waterways of the globe, meant that the British state commanded enough power to influence transportation, commerce and warfare by sea in virtually any part of the world. Over the long nineteenth century, British naval supremacy seems however to have been benignly exercised and deployed in large part to promote the free and safe passage of commodities and persons by water. Only rarely did the Royal Navy interfere with the overseas trade of other national economies

and in 1856 Britain signed the Declaration of Paris which guaranteed the rights of neutral ships to trade even with the country's enemies in time of war.⁵⁰ Seven years before that momentous abnegation of power, Peel's government had repealed the Navigation Acts in order to allow foreign ships to sail freely into Britain's home ports and the ports of the Empire for purposes of trade. To promote safe navigation for the ships of all nations, the Royal Navy explored and charted seas, coastlines and harbours around the world, contained the attempts of states to extend territorial waters and suppressed piracy, not only close to home and around the Mediterranean, but also in the East and West Indies and China seas. In short, British naval power funded by British taxes guaranteed secure passage and uninhibited freedom to sail and to engage in trade by sea—except, laudably, for ships engaged in the slave trade.⁵¹

More significantly, the decisions of successive British governments from 1846-49 down to 1914, as rulers of the largest occidental empire since Rome, to keep the markets of the home islands and its dominions and colonies accessible to traders from all over the world cannot be represented as anything less than one important factor behind the growth of international trade. An unmeasurable, but nonetheless high share of world trade in goods and services, of capital flows, of new technology and the movement of migrants overseas passed through the ports of the United Kingdom and its possessions overseas and thereby maintained the volume of global commerce, evolving within the framework of a liberal economic order, at higher and altogether more stable levels.⁵²

Nevertheless, even with an open, affluent home market and a huge empire overseas under direct control, the influence of the British government over global trade, capital movements, technology transfers and migration moving across frontiers was constrained both in aspiration and in operation. For example, surveys of British commercial policy from the Peace of Paris (1783) to the outbreak of the Great War (1914) expose a state formulating policy in terms of traditional conceptions of the national interest. Nevertheless, any historical review must recognise that the policies pursued by the leading commercial power of the Victorian era incidentally, but surely, provided 'public goods' for the international trading system as a whole.⁵³

From the government of Pitt the Younger in the 1780s through to Henry Asquith's cabinet just before the outbreak of World War I, successive British governments had sought to extend an open trading regime within and beyond the boundaries of the Empire for the benefit of national commerce. At no stage did statesmen, diplomats or even proselytisers for free trade claim to be advocating policies that transcended

Britain's national interests. Yet, by the middle decades of the nineteenth century, when Britain held a preponderance of naval, economic and possibly cultural power in the international system, national and general interests coincided to form a 'liberal order' for global commerce among nations.

Indeed, Britain's commercial policy had followed a consistent line well before the country's rise to a position of economic hegemony. During the 'Second Hundred Years War' with France (1713-1815), British governments had sought exclusive or, where expedient, reciprocal advantages in trade that remained entirely subsidiary to the kingdom's imperial and strategic objectives.

Yet even after French ambitions to European dominance had been defeated at Waterloo, Castlereagh made no attempt to use the peace settlement concluded at Vienna to secure any kind of international economic settlement. Indeed, the Congress virtually ignored commerce. Thereafter, between 1815-46, British governments continued to pursue conjoined geopolitical and commercial objectives using traditional means, and retained the long established framework of mercantilist legislation in place. Over those decades, home and imperial markets were not really opened up to foreign imports and shipping, Britain's diplomats continued to bargain for arrangements with other states to obtain mutually agreed advantages which promoted 'somewhat' more open international commerce. Overt exercises of British power and threats did, however, secure some rather unenforceable agreements to admit traders from Britain and from all other nations into the markets of the Ottoman and Qing Empires.

Even when they finally 'embraced' free trade some seven decades after Adam Smith published *The Wealth of Nations*, British statesmen made no claims to be offering 'public goods' for the international economy as a whole. Not only might such pretensions from 'perfidious Albion' have been greeted with derision abroad, it is clear that major revisions to the kingdom's tariff and navigation policies that occurred from 1842-49 were promoted for purely domestic political reasons. Peel and other British leaders never claimed to be opening imperial markets for the benefit of the world economy. Nor did the political elite of that period expect to find future British cabinets presiding over the maintenance of an open international trading order. Between 1881 and 1906, when Peel's successors in high office came under strong attack from 'protectionists' and 'imperialists' and stuck rather obstinately to free trade, again they did so for reasons related overwhelmingly to the political situation in which party leaders found themselves at that time. In late nineteenth-century debates

over fair trade, imperial preferences and tariff reform, very few politicians or intellectuals formulated arguments that even suggested Britain owed or exercised responsibilities towards the world economy as a whole.

Thus the question is: When, where and how did Britain's implicit and unspecified exercise of power, that post-hoc and in outcome promoted a liberal international trading order, appear? The answer is multi-faceted. First and foremost, Nelson's victory at Trafalgar in 1805 and the consolidation of supremacy at sea effectively terminated naval warfare between great powers for more than a century. Secondly, in the cultural domain, during the 1848-73 mid-Victorian boom, but not really before that golden age of British capitalism, Britain's intellectuals, diplomats and politicians trumpeted the virtues of free trade in accessible and popular language around Europe and North America. They rarely hesitated to ascribe their country's success as the workshop of the world to free trade. That simple-minded and mono-causal explanation for Britain's technological and economic superiority impressed European intellectuals, politicians and governments as they attempted to formulate strategies to 'catch up' with their wealthier industrialised offshore rival.

Several other 'political and cultural' aspects of Britain's mission to 'co-opt' the rest of the Western world into a recognition of the virtues of free trade also became appealing, at least at the time, to wider sections of informed and politically important opinion in Europe and North America. For example, the intellectual clarity, coupled with the Ricardian rigour, of British political economy exercised a strong impact on economic thought about trade and commercial policy throughout the Western (and eventually the Eastern) world.⁵⁴ Unsurprisingly, links, frequently drawn between free trade, freedom and Britain's admired democratic institutions, made liberals everywhere susceptible to arguments that connected open trading regimes with political reform. The support accorded by John Stuart Mill and other radicals to European movements for democracy and self-determination (espoused at least as rhetoric) by some sections of the British political establishment reinforced 'messages' that free trade might undermine autocratic and reactionary regimes. Finally, and through the writings of the Manchester School and Cobden's missions to Europe, the potential geopolitical advantages of free trade attracted widespread support that transcended traditional British, European and American liberal constituencies in favour of peace and prosperity. After a prolonged, violent and costly confrontation with forces unleashed by the French Revolution, even emperors, monarchs, and aristocrats recognised that a stake in British commercial policies could conceivably maintain a stable and peaceful international order. In any case, their ministers of finance constantly

advised them that their country's fiscal systems and debt servicing commitments could not cope with renewed and even more expensive bouts of warfare.⁵⁵

In this hospitable climate, and for something like half a century after the Reform Bill of 1832, British endeavours to propagate an ideology of free trade became a component of whatever hegemonic power it possessed and which virtually (but conditionally) persuaded potential rivals and competitors to adopt or to go along with Britain's plans to reorder the culture of the international economic system. Meanwhile the Foreign Office and the Board of Trade concentrated on the legalistic business of spreading free trade through a network of formal diplomatic agreements embodied in MFN and MFN plus specified tariff reduction treaties. In an evolving geopolitical situation, which favoured peaceable relations, modest success crowned their efforts to co-opt other powers into a 'new' order that still seemed to German, French and other Russian sceptics to be nothing but entirely congruent with Britain's own commercial and imperial interests.⁵⁶

Britain deployed political and cultural influence to persuade European states to sign up to more open trade but that did not preclude her from employing more traditional and coercive methods against weaker states to achieve the same objective. Even before the repeal of the Corn Laws, under a stratagem, labelled by modern historians as the Imperialism of Free Trade, the British government used battleships, military might and diplomatic threats to 'intimidate' nominally independent polities in the Middle East, Asia, Africa and Latin America into opening their markets to the exports, ships and merchants of all nations.⁵⁷ This force, along with the co-optation of major European states, combined to produce an international economy. By the time of the Franco-Prussian War, the beggar-thy-neighbour policies of the previous mercantilistic era had receded into history. During a 'liberal interlude', 1846-78, other great powers, normally in pursuit of geopolitical and economic advantages of their own, became more willing to go along with British initiatives. For that all too brief period, only Britain possessed the naval power to change the political debate over trade and, by propagating a liberal ideology, persuaded other states not only to do what Britain wanted, but also to *want* what Britain wanted. In this domain and at this time, historians can observe and document the cultural, as well as the coercive, nature of Britain's nineteenth-century hegemony, and the essence of a Pax Britannica.⁵⁸

After 1871, when Britain's rivals regained lost ground both economically and geopolitically, its 'hegemonic position' began to erode and British statesmen vacated a position in the international economic order

that they had never presumed to occupy. They continued to pursue geopolitical and commercial objectives by pressuring the dominions, controlling colonies and whenever necessary, coercing Third World states to accept open trading. But in commercial relations with greater powers, Gladstone and his Tory counterparts, abetted by the Foreign Office, took Britain back towards a position of *unilateral* free trade. Their implicit view of British power suggests that the country's moral example would prove to be sufficiently strong to render direct pressures and/or protracted and tough negotiations over tariffs no longer necessary. As Lord Lansdowne told Cromer in 1905: 'We are continually hammered on account of our failure to do more for British enterprise and commerce... The public cannot be made to understand that apart from the objection to embarking public money in doubtful ventures ... we cannot condescend to the methods of our competitors... It is something to know that our reputation stands higher in consequence.'⁵⁹

Two years later, Sir Eyre Crowe in a famous memorandum on the German threat asserted that 'in proportion as England champions the principle of the largest measure of general freedom of commerce, she undoubtedly strengthens her hold on the interested friendship of other nations, at least to the extent of making them feel less apprehensive of a free-trade England than they would of a predominant protectionist power.'⁶⁰

Alas, the problem with moving towards a more *laissez-faire* stance in relation to British business overseas, and *mutatis mutandis*, to the international economic order in general, was that geopolitically the whole system became steadily more dangerous after the defeat of France in the Franco-Prussian War destabilised the balance of power. Germany's (Bismarck's) *Weltpolitik* offered challenges, perceived to be serious, to the paramount position of the economy, to the security of the realm and to the continued extension of the British Empire overseas.⁶¹ Unfortunately for Britain (and the global economy as a whole), that huge empire turned out to be the Cabinet's persistent obsession. Not only did its borders lengthen willy-nilly as the country acquired more territory, populations and responsibilities overseas, but late Victorian and Edwardian governments found they were no longer defending a kingdom surrounded by a moat of water, but involved with the security of distant frontiers, adjacent—or near enough—to the colonies, home territories and armed forces of several major and potentially hostile powers, especially Russia, but also France (the ancient rival), Germany (claiming its place in the sun), the United States (running out of territory for westward expansion), Spain, Portugal, China, Turkey and (making an abrupt appearance on the world stage)

Japan. What is more, the diffusion of railways from continent to continent brought prospects, however remote, of attacks overland by troops of rival powers located close to British possessions and populations. While 'our' men on the spot, even employees of the British government, pursued agendas of their own, statesmen, diplomats, admirals and generals became increasingly preoccupied with the extraordinarily complex problems of imperial defence, which were conflated in their perceptions with the security of the realm. The possession of that huge Empire evolved into an impassable barrier to the formulation of a clear and effective strategy to deal with the resurgence of neo-mercantilistic threats to the liberal international order.⁶²

Furthermore, as British politics and culture accommodated themselves more enthusiastically to an increasingly imperial role played by the State, other powers, and foreign intellectuals of liberal persuasion, became sceptical towards Britain's cosmopolitan ideals as purveyed through the rhetoric and attempts of the Foreign Office to co-opt them into the global regime for free trade. Anglophiles as well as rivals observed the occupation of Egypt (1882), Britain's ostensibly profitable participation in the New Imperialism (1882-1902), the Boer War (1889-1902), the Fashoda Crisis (1899), the continued annexation of territory and the acquisition by British capitalists of potentially 'scarce' minerals and raw materials in every part of the globe, as well as an occasional but ruthless use of military and naval power to intimidate or subjugate weaker states. Foreign governments and opinion could not have been unaware of the resurgence of jingoism among the nation's expanding electorate or have remained unmoved by the revival of serious political debates which considered (and albeit for the time being, rejected) alternatives to free trade—including fair trade, protection, imperial preferences and federation.⁶³ Rival states also knew that expenditures by the British government for the navy and the army stood close to the top of the European league table for the years 1871-1914. Hobson is right to calculate the ratios and to point out that measured in terms of *shares of national expenditure*, Britain's allocation for the 'defence' of the realm and its empire overseas cannot be represented as particularly high or potentially threatening. But such ratios were not available to feed into geopolitical perceptions at the time.⁶⁴

As Britain's culture and politics (especially its foreign and strategic policies) became permeated with imperialism, only a handful of isolated intellectuals, like Mill, Mallet, Hobson and Hobhouse, and old Cobdenite statesmen, such as Northcote and Gladstone, warned parliament and public opinion that the priorities accorded to empire could only compromise the Victorian state's cosmopolitan stance and thereby weaken any attempts that the Foreign Office might make to co-opt as many states as possible into a liberal international economic order.⁶⁵ In any case, that line of diplomacy became less effective as governments of the industrialising economies on mainland Europe moved to protect their agricultures against the influx of cheap grain from North America and Russia, and to impose the 'compensatory tariffs' that they felt compelled, for political reasons, to offer to their towns and industries, often at the expense of imports manufactured in Britain.⁶⁶ Meanwhile, disturbances to the European balance of power and the aggressive *Realpolitik* adopted by Bismarck and his nationalistic successors in the recently united Kaiserreich, made pan-European agreements on commercial (or any other) policy much harder to achieve in the post-1878 revival of imperialism, rearmament and rivalry among the powers, who were joined in that 'great game' around the turn of the century by the United States and Japan.⁶⁷

Thus Britain's 'feeble' stance towards the resurgence of neo-mercantilism disables any notion that governments of the day considered they held or could effectively exercise hegemonic responsibilities towards the international economic order in general. Their stance can be accounted for as the outcome of shifts in domestic politics, by the relative decline of the home economy, by the attenuation of Britain's former cosmopolitan cultural authority through association with the new imperialism, as well as by the serious disequilibrium in the balance of power created by the rise of Germany.

Nevertheless, these constraints, and even the economically unfounded perception of fiscal limits on the exercise of power, are surely not sufficient (except for Panglossian historians) to undermine a post-hoc representation of Britain's diplomatic attempts to maintain an open trading regime and to restabilise the international economic order as woefully inadequate. The 1878-1914 'twilight of the Pax Britannica' can in retrospect be seen in the gap between an official rhetoric in favour of free trade and the diplomatic, naval and military resources allocated to retain the commitment of other powers to a level playing-field in commercial relations with each other and with Britain and its empire overseas.⁶⁸ True, the late Victorian and Edwardian state kept the home economy, the colonies, but not the dominions more or less open to trade, investment and migration from the

rest of the world, even if it did so mainly to contain the rising costs of imperial defence. Furthermore, the Foreign Office gained some limited success in negotiating MFN treaties with Portugal (1882), Turkey (1883) and Spain (1886). Agreements signed with European powers and the United States over production and trade in sugar also indicate that there could be functional alternatives both to unilateralism and to what Salisbury acknowledged to be utterly futile protests against protectionism.⁶⁹

Nevertheless, at least three promising opportunities for negotiating an Anglo-German agreement along the lines of (and with similar potential for the diffusion of open trade as) the Cobden-Chevalier Treaty of 1860 seem to have been passed up by the Foreign Office in 1870, in 1892 and again in 1902-3. In suggesting diplomatic solutions to Anglo-German antagonism, the Kaiser's ministers at least look as if they were worried by Britain's power to retaliate against German exports.⁷⁰ Similar preoccupations emerged among French statesmen during discussions over the Meline tariff in 1891-2.⁷¹ Britain's leading commercial rivals in Europe, and the United States, must surely have been prepared to 'deal' in order to safeguard their own rather considerable stake in retaining open access to the kingdom's home and imperial markets.⁷² As they hid behind an ideology of unilateral free trade, successive British governments, liberal and conservative alike, allowed real, economic sanctions to remain dormant and their less and less reluctant embrace of 'imperialism' squandered the nation's waning cultural advantages.

In previous decades (1846-78), when liberalism in commercial policy was being extended, Britain had shown a willingness to pressure, to negotiate and to compromise with its trading partners in order to achieve results that made the international trade regime more open, much as the United States did after World War II.⁷³ In general, the treaties and agreements reached between 1846-78 tended to strengthen the hegemon's power within and over the liberal international economic order as a whole. Britain's *volte-face* to unilateral free trade after 1878 can now be criticised as a mistaken and unnecessary surrender of authority at a high point of British power, that simply cannot be correlated to relative economic decline (perceived or actual) arising from the industrialisation of other states in the system. The British Lion with its claws still sharp and its teeth in good order disdained even to roar.⁷⁴ On investigation, British policy towards the resurgence of protection within the international economic order bears only a mild resemblance to the pressures exercised and the sanctions used to promote a regime for open trading after World War II.

5. The Bank of England and the International Monetary System

Apart from its clear connexions to trade, the growth and stability of the international economy is related in much more complex ways to rules and conventions concerned with the conversion of currencies, the settlement of payments and the servicing and amortisation of debts and flows of capital across national frontiers. Along with protection, monetary policy in the pursuit of the national interest has implications for all other countries and also erects obstacles in the way of the integration of global markets, the mobility of capital, the migration of labour and technology transfers around the world. That is why economists recognise that some exercise of central authority to minimise fluctuations in prices and exchange rates, to adjust balance-of-payments deficits and to obviate debt crises arising from the unrestrained exercise of national sovereignty in monetary policy is invariably beneficial for the international economic order as a whole.⁷⁵ The historical question is: How, when and with what effect did Britain (or more specifically, the Bank of England) provide the hegemonic authority required for a more benign and efficient operation of the international monetary system during the century of the Pax Britannica, 1815-1914?

More by example than by any exercise of authority, is the short answer to this question. First (and most significantly of all), after a long wartime interlude (1797-1819) of operating with an inconvertible paper currency, the British state formally restored and maintained an interlocked domestic and imperial monetary system based on gold for roughly a century before the outbreak of World War I.⁷⁶

Unquestioned adherence by successive British governments to the gold standard meant that the nation's public authorities, private corporations, firms, partnerships, households and individuals conducting economic transactions within the realm, around the Empire and with the rest of the world, utilised paper money—currency, banknotes, bills of exchange, cheques, bank deposits, etc.—that could ultimately be exchanged for a fixed quantity of gold. By extension, all paper assets denominated in sterling and convertible into pound notes issued by the Bank of England became as functional, valuable and acceptable as gold for economic transactions, initially within the kingdom and its overseas empire, but very soon at predictable rates of exchange throughout the global economy.⁷⁷

The resolute and almost religious adherence to a fully convertible currency by one preponderant state, ruling over an extensive empire and presiding over the world's most successful economy, became a potent model for the management of efficient national monetary systems. Naturally, the British Government extended the rules and institutional

arrangements, adopted after the Napoleonic War, for the regulation of the metropolitan money supply to its extensive colonies and dominions overseas.⁷⁸

Thereafter Britain's prestigious political economists, following Ricardo and the bullionists, developed a logically coherent, persuasive and influential corpus of monetary theory designed to demonstrate how rules for the maintenance of convertibility at fixed parities would facilitate internal and external trade, reduce transaction costs, maintain price stability and stabilise the external values of all national currencies.⁷⁹

Their 'advice', conveyed in more accessible language by British statesmen, diplomats and journalists to the rest of the world, resonated through the speeches and actions of European and American liberals who were concerned to check the arbitrary powers of autocratic states to acquire command over resources by printing money and by depreciating metallic currencies.

British recommendations to detach the management of the national money supplies from direct political control by setting up independent central banks to regulate issues of paper money and credit, within the evolving availability of metallic, preferably gold, reserves, also appealed to political and business elites who wished to raise cheaper loans and credit for state-building and national development on London and other European capital markets.⁸⁰ Like free trade, British publicity for the diffusion of a common monetary system that constrained the power of governments to inflate domestic money supplies, destabilise rates of exchange and precipitate debt crises and defaults on loans can be represented as entirely congruent with the economic interests of a commercial power with the largest stake in global trade, financial intermediation and exports of capital over the course of the nineteenth century.⁸¹

Nevertheless, the perceived success of the British 'model' and conceptions of national advantage, rather than the harmony of interests claimed by liberal monetary theorists, persuaded other major powers to adopt their very own variants of the institutions, rules and conventions for the operation of national monetary systems, based upon a commitment to maintain the convertibility of their currencies to gold at fixed parities.

That commitment did not appear, however, for several decades after 1815. Indeed, before the united Kaiserreich formally adopted the gold standard after the defeat of France in 1871, apart from Britain, only a few sovereign governments, for example, Portugal, Argentina and Brazil, had pegged their paper currencies to gold. Many more, including France and the United States, maintained rules providing for bimetallic and/or silver

convertibility—which became increasingly inconvenient when prices of the two metals fluctuated one against the other.⁸²

Between 1871 and 1900, nearly all great powers (except China) adhered to some version of the gold standard. Although the British government undoubtedly supported and, in some cases, actively encouraged, moves to stabilise prices and rates of exchange, there is nothing equivalent in the records of the Bank of England to match the diplomatic endeavours and cultural offensives the state took in favour of free trade to rationalise and harmonise, let alone manage, the international monetary system. The diffusion of the gold standard simply evolved at its own pace. That pace depended partly on inconvenient changes in the bimetallic ratios between gold and silver, the structure and needs of each national economy (and particularly upon a political profile required to assure creditors on the London and other European capital markets about the prudence of its government and the stability of its exchange rate) as well as pressures from property owners and creditors for stable price levels.⁸³ Convertibility tended to appear at the discretion of sovereign governments as and when they predicted their central banks could adopt and enforce rules to adjust the balance of payments in order to protect national reserves of gold and other hard currencies. Thereafter, governments and their central banks seem to have adopted distinctively national and entirely flexible monetary policies for the maintenance of convertibility and the regulation of money supplies. The use of interest rates, open-market operations and direct interventions to regulate the import and export of gold differed significantly from ways that the Bank of England reacted to variations in the ratio of its gold reserves to outstanding liabilities and managed Britain's supplies of paper credit.⁸⁴

Yet, contrasting the instabilities in prices, exchange rates and international capital flows that afflicted the international economy in the interwar years (1919-39) to the more stable conditions that prevailed for some three decades before the Great War, a tradition of Anglo-Saxon economic thought has attempted to model the ostensibly benign and efficient operation of the gold standard for the growth of international trade and production before 1914.⁸⁵ As usual, theory preceded history and statistics. But under econometric testing, classical, Keynesian and monetarist theories of how the system supposedly operated to bring about stability and growth have now been virtually discarded. Institutional and historical investigations into the monetary policies actually pursued by a sample of central banks do not expose that national monetary authorities abided by 'rules of a game' as established and enforced by the Bank of England. There is no historical provenance to the metaphor of an orchestra

playing in tune to a score conducted by a powerful Central Bank in London.⁸⁶

Furthermore, historians are more inclined than economists to emphasise the particular circumstances within which the international economic order operated between 1871 and 1914. First, they point out that the order was not ravaged by major wars among the great powers. Secondly, adjustments to balance of payments deficits could be more easily achieved before the Great War when the expectations of the then-restricted national electorates concerning full employment, social welfare and rising real incomes could be more easily satisfied or ignored by central banks in favour of 'necessary' deflationary monetary policies required to correct balance-of-payments deficits and maintain stable rates of exchange. At that time, most of the world's governments hardly found themselves in positions where the exercise of autonomous monetary and exchange rate policies became politically possible or ideologically thinkable.⁸⁷ Many local economies remained parts of formal or informal imperial monetary systems regulated from London, Paris, Berlin, Amsterdam, New York and other financial centres.⁸⁸ Other, nominally independent, monetary systems controlled by 'comprador governments' accepted the dominant liberal view that national development would be effectively secured through trade and specialisation along established lines of comparative advantage. Political elites, often antipathetic towards more autarkic paths of economic growth, recognised their own and their country's stake in prudential monetary management and stable rates of exchange, which provided conditions for access to markets for credit and capital in London, Paris, Amsterdam and Berlin.⁸⁹

Fortunately, supplies of mobile capital available on European markets became increasingly elastic. In part that occurred because the information, institutions, and managerial techniques for investment beyond national frontiers improved radically, particularly in the City of London which consolidated a position—acquired during the Napoleonic Wars—as the preponderant financial centre for the deposit and allocation of the shorter-term credits and long-term loans demanded by an evolving and integrating global economy.

Flows of capital and credit certainly 'lubricated' the growth and structural economic changes observed between 1871 and 1914. But in no way can flows from Britain be represented, as Kindleberger suggested, as 'contra-cyclical' for the world economy as a whole.⁹⁰ They were just one among several factors promoting the integration of markets for commodities and factors of production, including the diffusion of technology and migrations of labour as well as capital, during the decades of the classical gold standard.⁹¹ There is, however, no need to go to the

other extreme and represent the international monetary system as merely 'responding' to 'real' demands for funds for investment, innovation, private consumption and governmental expenditures fluctuating with upswings and downswings in cycles of economic activity in various parts of the world economy.⁹² In the short run, the availability of funds conditions real demands and the emergence of restraints on access to liquidity could postpone, thwart and depress investment, innovation and consumption. Then and now, the international monetary system continued to matter for the growth and stability of the world economy.⁹³ The question is: How much and in what sense, in what ways and to what degree was the system managed by the Bank of England, and might the Bank be represented as an agency of Britain's hegemony before 1914?

Not really: because the Bank never presumed to be responsible for the maintenance of convertibility, for price and exchange rate stability beyond the boundaries of Britain and its extensive empire overseas. Unless asked, the Bank offered no advice to other monetary authorities about the management of national supplies of money, credit and loans.⁹⁴ During the years of the bimetallic controversy, the Bank certainly took a firm stand in favour of gold, but it never became diplomatically or proactively involved in encouraging foreign economies to adhere to, maintain or restore convertibility for national paper currencies.⁹⁵ The directors seem to have perceived that the Bank's own quasi-private status, non-negotiable adherence to the gold standard and periodic public discussions of rules for the regulation of its liabilities might be sufficient to persuade other central banks and states to simply emulate what they and successive Victorian and Edwardian governments regarded as a pre-eminently rational way of managing a paper currency in the national and imperial interest.⁹⁶

Of course, the directors also became aware that the terms and conditions upon which the Bank made sterling available could in some degree operate to inflate, or to deflate, supplies of paper assets beyond the borders of the realm and its empire. Over time, sterling became widely accepted as a means of payment, a store of value, a reserve asset for transactions around the world. That acceptability and trust reposed by foreigners in British paper currency transformed pounds sterling into a convenient substitute for bullion in international commercial transactions and enabled the Bank to regulate its liabilities upon tiny reserves of gold—supplemented on at least two occasions of crisis by borrowing from the Banque de France.⁹⁷ Nevertheless, the widespread utilisation of sterling as one key currency does not imply that the Bank accepted any responsibilities for shaping and managing the international monetary system or that it acted as a lender of last resort for the world economy as a

whole. The directors remained overwhelmingly concerned with their own reserve position and in managing the Bank's liabilities may even have diffused an unnecessary and avoidable degree of instability into the prices and outputs of primary producers (e.g., Egypt, Argentina and India) with national currencies pegged to the sterling-gold exchange rate standard.⁹⁸

Although the rest of the world opted to utilise sterling for a high—but unknown percentage—of international transactions, and the Bank of England provided a model of the norms, rules and procedures required for the prudent management of a national *cum* imperial paper currency, the Bank (neither in aspiration nor by way of unanticipated outcomes) managed the still dimly understood pre-war gold standard.⁹⁹ In short, for roughly a century before 1914, the potentially anarchic sphere of international monetary relations seems to have maintained a regime of stable exchange rates and operated reasonably smoothly without any discernible exercise of British hegemony.¹⁰⁰

6. The Irresistible Rise of the American Economy

Since World War II, the government of the United States has played a role in great-power politics and in stabilising the international economic order that in scale, persistence and intensity bears only an impressionistic resemblance to the foreign, strategic, commercial and monetary policies pursued by successive British governments from 1815 to 1914. Perhaps only one interesting question now remains, namely, why do Anglo-American politicians, journalists and academics find it necessary to search for precedents and antecedents for what is surely the sole example of geopolitical hegemony since the fall of Rome? My rhetorical question can, however, be postponed to a conclusion while this essay elaborates upon a range of substantive and clear contrasts between the Pax Britannica and American Hegemony that are included in essays published in this volume and which emerged time and again during discussions at the Windsor Conference.¹⁰¹

First and foremost, simple 'mercantilist arithmetic' exposes several large economic and politically significant facts about the sheer scale of the two economies and their populations within the world economy as a whole. As Johansson insists, economic size and power are connected.¹⁰² Over the long nineteenth century (1815-1914), as its European rivals industrialised and as the United States matured into a highly productive 'continental' economy, Britain's shares of global output, world population, international trade and industrial production as well as its temporary leads (quasi

monopolies!) in innovative technologies and scientific knowledge diminished towards the predictable ratios of another advanced medium-sized 'national' economy.¹⁰³ For several decades after 1815, Britain's modest weight in the world economy exceeded anything that might have been predicted on the basis of the population, cultivable land, minerals and other natural endowments located within the borders of the realm and even in relation to potentially exploitable resources included within the frontiers of its extensive empire overseas.¹⁰⁴ Britain's fortuitous economic position flowed from precocious industrialisation, its exploitation, as a first mover, of 'European-' inspired discoveries of utilitarian and reliable knowledge and the negative impact of the French Revolution upon the economies of its continental rivals.¹⁰⁵ Eventually (but probably as early as the 1870s), 'relative' economic decline set in. Even if that 'climacteric' now looks all too predictable, the timing as well as the 'avoidable' degree and components of British decline continues to be a subject of unresolved and somewhat provincial debate among historians,¹⁰⁶ although it has now become clear that the state's persistent commitment to empire may be more closely connected to the country's loss of economic and geopolitical power than simplistic notions of fiscal overstretch or entrepreneurial failure.¹⁰⁷

American historians and social scientists have analysed and elaborated upon the particular constellation of natural endowments, demographic growth, technologies, institutions and social capacities that allowed the United States not merely to overtake Britain but to achieve and maintain a fluctuating but always unmistakable preponderance of economic and geopolitical power over all other national states and economies throughout the twentieth century and perhaps in economic terms for some decades before 1900.¹⁰⁸

Before that, following Europe's recognition of their independence at the Peace of Paris (1783), the United States of America formulated federal policies and used power to increase the size of the territory, the resources and populations under the sovereignty of the government in Washington. The new nation evolved rapidly, by way of extraordinary rates of population growth, the tragic displacement of native peoples, the exploitation of slaves, imperial expansion at the expense of France, Mexico, Russia and the Spanish Empire, the persistent attraction of investible funds and enormous inflows of young, healthy and semi-skilled migrants from Europe, into an economic and political entity that very quickly became much larger than the United Kingdom.¹⁰⁹ Shortly after the Civil War which denied the white confederacy of the south its right to self-determination, the United States probably included greater endowments of potentially exploitable territory, wealth and human capital than the

combined resources then available to Britain, France and Germany.¹¹⁰ Moreover, the country had been consolidated into a political and economic unit by a bloody and costly conflict between the North and the South and was set to become integrated into a 'homogeneous' nation by a top-down process of linguistic, legal and religious and cultural assimilation, seemingly without parallels outside the Confucian Chinese empire.¹¹¹

Some economic historians conjecture that standards of living and the productivity of labour employed in the United States may have been above the levels achieved in the United Kingdom and the Netherlands, Europe's advanced economies, since late colonial times.¹¹² Modern data from national accounts suggests that real income and productivity differentials that had become superior to Western Europe (including the United Kingdom) as early as the 1870s, became unmistakable by the 1890s and widened almost monotonically down to the 1950s.¹¹³ By the mid-twentieth century (when the United States had clearly assumed responsibilities as the hegemonic power), output per worker employed in the economies of Western Europe amounted to less than half of American levels. Convergence occurred rapidly from 1950 to the oil crisis of 1973 but falteringly thereafter. Catch-up between two 'continental economies', Western Europe and North America, comparable in size and resources, has not yet occurred. Recent differentials in labour productivity have remained in the 20 per cent range and have recently widened again.¹¹⁴

Since the United States certainly never promoted and only became involved reluctantly and late in European power struggles, Europeans can only observe, ironically, that their internecine conflicts (1914-18 and 1939-45) and their pursuit of neo-mercantilism (1919-39) must be responsible for their individual and collective failure to converge more rapidly towards American standards of living and economic efficiency over the last century. Indeed, one counterfactual scenario currently canvassed by some British historians, who bemoan the decline of their country and resent the rise of the United States, is the missed opportunity of an agreement whereby Britain accommodated the aspirations of the Kaiserreich to dominate Europe in return for the retention of the Empire and continued pre-eminence in global commerce.¹¹⁵ Just as the Revolutionary and Napoleonic Wars (1793-1815) consolidated and perpetuated conditions for Britain's relative economic success, in outcome, the world wars of the twentieth century operated to enhance the wealth and power of the United States and to retard the economic and development of all its European competitors, except Switzerland.¹¹⁶ By how much remains an interesting counterfactual question to contemplate; conjectures seem impossible to quantify, although most European economic historians would not be inclined to treat their

continent's 'Civil Wars' as anything other than a 'significant' part of any rounded appreciation for the top economic position enjoyed and the political power exercised by the United States over the past century.¹¹⁷

They are certainly less inclined than their American colleagues to search for the origins of Europe's retardation in stark variations in 'social capabilities' between the two continents.¹¹⁸ Apart from the problem of reducing even clearly specified differences in institutions, cultures, legal frameworks, the organisation and scale of firms, managerial systems, work ethics, enterprise and entrepreneurship, etc. to what Paul David calls 'meaningful scalar magnitudes', the temptation, commonplace in too many binary comparisons, to reify each and every feature of a manifestly successful but highly particular American system of production into universal 'best practice', not only leaves out two world wars, but rarely stands up to close historical scrutiny.¹¹⁹ Small family firms, 'mis-represented' as modal forms of organisation in Britain, France and Germany, were not necessarily, for their times and objectives, any less efficient than larger-scale corporate enterprises, again, often 'mis-represented' as the dominant and superior organisations for the production of goods and services, in the United States.¹²⁰

In relative terms, Americans gained massively from both wars. They may also have been mercifully preserved from aristocratic values, social immobility, class conflict and tastes for distinctions and differences—perceived to have hampered the efficient reorganisation of European business into large-scale corporations producing a homogeneous range of products for sale on mass markets.¹²¹ Yet it remains difficult to find many historical examples of European firms resisting the logic of 'American' ways and institutional arrangements that were demonstrably profitable to adopt.¹²²

Moses Abramovitz, Paul David, Gavin Wright and the Stanford School of 'economic history' have recently published well-specified and quantified arguments which convincingly suggest that for several decades after 1875, the rapid rise of the American economy occurred within the context of territorial expansion, rapid population and income growth, the discovery and exploitation of cheap supplies of energy and metallic ores, linked to an evolving but specific array of congruent technologies.¹²³ None of these underlying 'structural conditions' were accessible on anything like the same terms to the separated and politically antagonistic national economies of Western Europe. Even without wars and the asserted but unproven handicaps of their social structures and inflexible institutions, the resource base and the related technological regime available to European businessmen and investors did not allow for anything more than gradual

adaptation and convergence towards American standards of productivity and per capita incomes. Meanwhile, many European capitalists took the opportunities afforded by the rapidly expanding economy across the Atlantic, and invested heavily in American towns, housing, dense transportation networks, mines, plantations, farms and firms.

Stimulated by high wages relative to rates of interest, American production functions became resource- and capital-intensive. Despite its rapid growth in population, by 1890 non-residential capital per head reached four times the levels attained by the advanced economy of the United Kingdom.¹²⁴ In 1913, the size of the American home market—unified by transportation and integrated by a common language, homogeneous tastes, a relatively egalitarian distribution of income and a unified monetary system—was already roughly equal to the combined domestic markets of Britain, France and Germany. America's large-scale, capital-intensive system of mass production became entirely compatible with the resource-abundant, empty continent which had nurtured and sustained it over long stretches of the nineteenth and twentieth centuries.¹²⁵

Gradually, as European economies modified their institutions and organizations to meet the American challenge, the singular advantages the latter had derived for decades from access to cheap sources of energy and raw materials, mass markets, and larger-scale production, diminished. Where appropriate and profitable, Europeans diffused American methods. Reductions in the costs of transportation enabled them to take advantage of economies of scale, access to raw materials and new forms of energy—such as oil—available from closer engagement in intra-regional and intercontinental trade.¹²⁶ Finally, an array of new science-based technologies that came slowly on stream over the first half of the twentieth century eroded traditional and path-dependent comparative advantages based upon fertile land, mineral endowments and associated capital-intensive technologies of mass production. Thus our own modern technological regime required investments in research and development, education and human capital formation in which America has continued to lead the way, but in which European (and eventually Asian) economies could compete, and in several areas of industrial production and services, surpass, the leads in productivity established and maintained by American agriculture, mining and industry for most of the twentieth century.¹²⁷ After the end of World War II, and within a liberal international economic order re-established and sustained under the benign hegemony of the United States, at long last economic convergence across continents began to occur.¹²⁸

Since the American government had clearly commanded a larger and more efficient economic, technological and demographic base—perhaps as long ago as 1900—the question of why it took the United States decades to assume, and presumably, to profit from, hegemony, comes logically as a preface to any analysis of how and with what effect American power over the international system of competing states has been exercised?¹²⁹

7. Political Preparations for American Hegemony 1783-1941

Although American preoccupations for more than a century after independence remained overwhelmingly domestic, three facets of the young nation's identity and stance towards the rest of the world look like harbingers of its eventual assumption of global hegemony. They were expressed early in the history of the Republic, in the form of President Monroe's doctrine of 1823, which 'proclaimed' that the United States would resist attempts by European powers to interfere in relations between states throughout the Americas. In rhetoric at least, that famous doctrine reserved the whole of the Western Hemisphere as a sphere of power and influence and mediation for federal governments in Washington. No European state or Asiatic empire presumed to make comparable claims over such an enormous expanse of territory on their continents. Monroe's doctrine embodied the widespread American belief that, within rules set by a constitution for the operation of commodity and factor markets, private enterprise could and would efficiently bring into production the vast expanse of cultivable land, forests, and natural resources that lay within the shifting frontiers and borders of the United States, and eventually of Canada and Southern America as well.¹³⁰ The doctrine also testified to a powerful myth that the Americas contained a totally new geopolitical regime of republics which would avoid the atavistic imperialism of *ancien régime* Europe and settle disputes among themselves through peaceable negotiation and compromise rather than through wars of conquest and colonisation.¹³¹

With its territory implicitly protected by the Royal Navy against all further attempts at colonisation by Portugal, Spain, the Netherlands, France or any other European power, for more than a century, most of the young Republic's diplomatic confrontations were with its 'rejected mother country'. After the war of 1812, the diplomatic 'incidents' between 'parent and child' involved trade with the South during the Civil War and disputes over territorial expansion into Oregon, Texas, California, Canada, Venezuela and Panama. Recalling the War for Independence (1776-83) and

the problem of dealing with guerrilla warfare on the mainland of the Americas, the British state invariably appeased governments in Washington.¹³² Meanwhile, Americans achieved their 'manifest destiny' by subduing and efficiently exploiting a sparsely inhabited wilderness, rich in natural resources. With the closing of the frontier and during the high tide of European imperialism (1882-1907), the United States began to project power outwards into its 'home waters' which just happened to be the Atlantic and Pacific oceans. American warships appeared off Japan just after mid-century. Shortly thereafter, Washington 'annexed' Cuba, Puerto Rico, the Philippines, Hawaii, Guam and other islands, and collaborated (with European powers and Japan) in attempting to 'stabilise' and open up the moribund Qing Empire to foreign trade and investment.¹³³

Shortly after their last, and least profitable, wave of imperialism, Europeans sustained massive human and economic losses associated with their Great Civil War (1914-18).¹³⁴ For three years, until 1917, the United States maintained an uneasy neutrality with the Central Powers, while profitably supplying the Allies with weapons, munitions, transport, equipment, food and raw materials—as well as the massive loans and credits—required to fund deficits in their balance of payments—incurred to wage war against Germany, Austria and the Ottoman Empire. Late, reluctantly and with equivocal public support, Washington decided to commit militarily to the Anglo-French alliance and effectively thwarted the aspirations of the Kaiserreich to dominate Western Europe.¹³⁵

President Wilson's plans for a lasting peace settlement, delivered in the form of his famous 'Fourteen Points' to America's victorious allies in 1918, sought to construct a radically reformed international order. During negotiations at Versailles, the United States rejected the *ancien régime*, based upon the balance of power, in favour of national self-determination (at least for the peoples of the defeated Habsburg, Ottoman and Romanov empires) and embraced disarmament, open trading and a gradual end to colonialism. To monitor, and in some unspecified way, enforce, rules for the reconstructed political and economic order, America and the allies agreed to set up and fund a forum and secretariat for a new international body—the League of Nations.¹³⁶

Unfortunately, for reasons that have been elaborated upon in great detail in strategic, diplomatic and economic histories covering the period 1919-39, the United States did not, and perhaps politically could not, at that juncture in its history assume the hegemonic responsibilities and fiscal burdens required for restoring stability to a geopolitical economic order that had been irreparably disrupted by the Great War, resurgent nationalism and the emergence of mass democracy.¹³⁷

In a context of totally new political and economic circumstances, marked by a clear discontinuity with the ‘liberal, aristocratic and imperial’ regime that prevailed between the Congress of Vienna (1815) and the Treaty of Versailles (1918), the notion that democratically elected governments of the United States could and should have ‘taken over’ Britain’s responsibilities for stabilising the international system between the wars looks anachronistic—simply because the British state had never presumed to supply the public goods required for peace and economic order and had simply pursued national and imperial interests.¹³⁸ True, in outcome and for a time, the Victorian state’s naval, tariff and monetary policies contributed in positive ways towards the stability of that system and, tangentially and contingently, to the extension of international commerce among nations. But to only a limited degree could the ‘relative’ stability of the international order that prevailed for decades before 1914 be attributed to the exercise of power by the United Kingdom or to the invisible hand of British capitalism.¹³⁹

Between the wars (and because the United States had opted to intervene decisively in a European civil conflict), a gap opened up between Wilsonian rhetoric on the one hand, and the foreign policies implemented by successive governments in Washington on the other. For example, the American contribution to the relief of the European populations and economies devastated by the war looks miserly if a lot more generous than anything Britain did for the reconstruction of Europe after the Revolutionary and Napoleonic wars. America’s insistence on the full repayment of loans and credits—extended to its allies to fund warfare against common enemies—the Central Powers—did not help European governments to cooperate in promoting the re-establishment of a viable international monetary system. Alas, the re-imposition of protective tariffs, the maintenance of an overvalued rate of exchange—together with the erratic fluctuations in volume of dollars extended by banks and investors in the United States as loans and credits to the rest of the world, exacerbated the deflationary impact of persistent balance of payments crises experienced by many European, African and Asian economies during the cycles of the 1920s and 1930s.¹⁴⁰

Nevertheless, several policies pursued by Washington can be represented in a more positive and cosmopolitan light. For example, although the United States pulled out of the League of Nations, the Dawes and Young plans can be depicted as helpful attempts to solve the problem of German reparations.¹⁴¹ In the 1920s, the State Department ‘brokered’ a series of treaties to bring greater stability to Asia and signed up to ‘utopian’ initiatives (such as the Kellogg-Briand Pact) to foster generalised

disarmament.¹⁴² Yet the economic incentives prompting American governments of the day to pursue more active foreign and commercial policies were not powerful. Less than a tenth of America's gross domestic product was exported. The continent's dependence on imports remained negligible and the service sector continued to be overwhelmingly involved with distributing financing and insuring and transporting agricultural and industrial commodities produced and consumed within the United States.¹⁴³ Under the impact of the greatest depression that ever afflicted their economy (1929-33), the concerns of American voters, presidents, politicians and businessmen turned inward. Political pressures for protection and for the insulation of the home economy against all forms of foreign competition, investments overseas and unnecessary governmental expenditures beyond the frontiers of a deeply depressed domestic economy became irresistible. Roosevelt's 'New Deal' was for Americans and did little to assist recovery in the rest of the world.¹⁴⁴

Not until World War II, and after another serious cyclical downturn in 1937/38, did the government of the United States belatedly realise that German and Japanese militarism, together with British, French, Dutch and Iberian imperialism and Soviet Communism, were dividing the world economy into protected and regulated zones which intensified the problems of maintaining the American economy in a state of full employment, impacting adversely on the gains to be made from foreign trade and overseas investment and conceivably posing a threat to the Republic's interests throughout the Americas and perhaps even to its own external security.¹⁴⁵ In a prescient speech delivered at Yale shortly after the German invasion of Poland, Dean Acheson warned Americans 'that our vital interests do not permit us to be indifferent to the war in Europe and Asia', that peace and the reconstruction of the world economy would require an open trading regime, a stable international monetary system and 'a navy and air force adequate to secure us in both oceans simultaneously'.¹⁴⁶

The timing, and perhaps the occasion, can be imputed to the Japanese attack on Pearl Harbour, but between 1939 and 1941, a stage had already been set for the Republic's entry into a second European war which for four years involved a massive commitment of military, naval and air forces to conflicts on all continents washed by America's 'home' waters from both the Pacific and Atlantic oceans.

Although the United Kingdom had made large naval, military, fiscal and financial commitments to bring about the defeat of Revolutionary and Napoleonic France, there can be little doubt that the share of total outlays required for the victory over the Axis and Japan—which were funded by the taxpayers of the United States—dwarfed the resources contributed by

Britain to coalitions of Russian, Prussian, Austrian and other European powers that restored the *ancien régime*, and preserved British maritime, imperial and commercial supremacy for roughly a century after the Treaty of Vienna.¹⁴⁷

For Britain, the ‘Imperial Meridian’ (1783-1825) consolidated a mercantilist quest for security, colonies and dominance in international trade that began in the reign of Elizabeth and, after Trafalgar, left the Royal Navy in virtual control of the world’s seas and oceans, the realm secure from any conceivable threat of seaborne invasion from the mainland and a home economy which had surged ahead of its war torn rivals on the continent.¹⁴⁸ After Wellington’s famous victory at Waterloo, content with a clear improvement in its own relative geopolitical, economic, fiscal and commercial position within a restored *ancien régime*, Britain formulated no post-war plans, let alone offers of financial aid, for the reconstruction of a peaceful and stable international economic order.

In contrast, once President Roosevelt declared war, the economy of the United States recovered from the Great Depression and the recession of 1937-38 and produced a ‘large’—alas, still unmeasured—proportion of the resources—particularly the advanced military technology—utilised to inflict decisive defeats on German, Japanese and Italian imperialism.¹⁴⁹ Given the scale of its commitment, Washington quickly assumed a position of undisputed leadership within the military alliance of powers confronting the Axis.¹⁵⁰ That alliance must be distinguished from the coalitions cobbled together by Britain during the wars against Revolutionary France. Very soon (in consultation with its junior partner), Washington began to draw up plans for the reconstruction of a post-war international order. Many of the wartime aspirations discussed by the Council on Foreign Relations, floated at Dumbarton Oaks and contained in the Atlantic Charter of 1941, as well as first-draft constitutions for new international institutions such as the United Nations, the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Trade Organisation never matured either at the pace or in the directions envisaged by statesmen and planners at the time.¹⁵¹ Nevertheless, the American input into their formulation, evolution and gradual implementation can be recognised as an exercise of hegemonic power, funded by the Republic’s highly productive continental economy and fiscal system and promoted by the widespread appeal of American culture. That hegemony rested ultimately upon the United States’ latent economic and geopolitical position of primacy that became overwhelming as a result of a second world war and which remained more or less, but very clearly, preponderant for the rest of the twentieth century.¹⁵²

Wars involving a large number of leading rivals and allies in an international regime of potentially antagonistic states do provide occasions for a reordering of power within the system and for the emergence of a paramount state.¹⁵³ Britain occupied such a leading position for roughly a century after the Congress of Vienna, but the Victorian state neither aspired to nor exercised hegemonic power. That kind of power cannot be represented as being in play in relations between imperial governments and their colonies and dominions overseas. It includes but means much more than mere example, influence or even leadership. Although it is not difficult to construct a league table displaying a succession of a 'top' states, the historical record exposes nothing approximating to economic cycles ('intervals') marking the rise, emergence and inevitable decline of hegemons. The sustained exercise of hegemonic power has really occurred only once during a highly particular period in the history of international relations. Hegemony appeared when a young, extremely well endowed state, after just a century or more of relevant experience in successfully managing the colonisation of a largely uninhabited continent, of assimilating diverse ethnic and religious populations into a nation with a self-confident and homogeneous identity, decided to take on the task of creating external conditions for peace and prosperity, primarily for its own capitalists, but by extension for the rest of the world as well.¹⁵⁴ Since Rome only the government of the United States has set out to formulate and enforce rules for the operation of an international system and utilised its considerable military, naval, economic and cultural resources to command, implicitly coerce and/or persuade other states to abide by these rules.¹⁵⁵

8. The Exercise of American Hegemony over the International Economic Order 1941- 2001

Clear-cut and decisive victories over the Axis powers, followed by military occupation of Italy, Germany and Japan, provided American elites with the confidence to manage the affairs of defeated enemies and to proactively 'advise' former allies on the reconstruction of European economies devastated by six years of global warfare. In the aftermath of World War II, the capital goods, skills, technologies, food and raw materials required for recovery emanated in large part from the continental and stronger economy of the United States.¹⁵⁶ Thus 'conditionality' could easily be attached by American governments to the terms of the loans, credits, Marshall and other forms of aid required for the reconstruction of Europe, Japan and other parts of the world economy.¹⁵⁷

In effect that ‘conditionality’ implied the exercise of pressures on allied, client and ‘supplicant’ governments for a gradual movement away from national protection, from imperial and other forms of discrimination and towards an open trading regime.¹⁵⁸ There will be no need to trace post-war histories of the ad hoc and slow return towards freer international trade or to elaborate in detail on the tactics, devices and influence used by successive American governments to bring about reductions in tariffs and other forms of restraints on global commerce. Traditional bilateral and MFN treaties, of the kind favoured by Britain’s Board of Trade before 1914, as well as the powers ceded by Congress to the President under the reciprocal Trade Agreements Act of 1934, were supplemented and, in their overall effects, superseded, by a sequence of multilateral negotiations, convened and led by the United States, of all national signatories to a new global General Agreement on Tariffs and Trade (1947).¹⁵⁹

For purposes of these periodic negotiations—the so-called Dillon, Kennedy, Smithsonian, Tokyo, Uruguay and Seattle Rounds—the Secretariat of GATT (now the World Trade Organisation) prepared proposals designed to promote ‘across the board’ and mutually balanced reductions in tariffs.¹⁶⁰

Successful steps, taken since 1947 to reduce tariff levels around the world, are inconceivable without the strong leadership and determined pressures exercised by governments of the United States and their own commitment, often despite opposition from Congress, to the principles of open trade. Furthermore, early American support for the formation of the European Economic Community as well as other free-trade areas and customs unions can be read as consistent with that commitment and regarded as the promotion, albeit for strategic reasons, of moves towards a global economy with national frontiers open to trade with all and to investment from the United States and from every other economy in the world.¹⁶¹

Unfortunately, until after 1989, former communist states (the Comecon bloc as well as China) remained resolutely outside any ‘General’ Agreement. Indeed, during the Cold War, the United States used its political and economic power to restrict the type and volume of trade conducted with communist countries, famously with Cuba and China. As designed, amended and monitored, the General Agreement has not been particularly effective, except at the level of exposure and publicity, in arresting the proliferation of a wide range of modern non-tariff barriers to trade, including governmental subsidies to domestic producers and legislation ostensibly imposed for the preservation of local health, safety and technical standards, and above all in preventing significant shares of

world trade from becoming subjected to bilateral agreements, providing for voluntary export restraint and orderly marketing arrangements. Indeed, the United States, through its own International Trade Commission, has initiated, promoted and enforced protectionist agreements of this kind.¹⁶² On the other hand, recent tendencies to utilise reciprocal agreements, strategic trade policies and retaliation to prevent the closure of markets to American exports of goods and services may in their effects be interpreted as pressures which push the international economic order back in the direction of open trading.¹⁶³

Less consistency, an abnegation of authority and misuse of power has marked American policy towards the creation and maintenance of an International Monetary System. The historical record of the past six decades exposes a powerful state exercising what might be plausibly represented as responsive and responsible hegemony over the system down to the break-up of the Bretton Woods Agreement (1971-73), followed by an altogether more *laissez-faire* and, some critics would argue, irresponsible and overly self-interested stance thereafter.¹⁶⁴

Formulated towards the end of the war, designed by Americans with help from British officials, the Bretton Woods system obliged sovereign governments and their central banks to move national currency systems gradually towards the maintenance of full convertibility at stable rates of exchange 'pegged' to the United States dollar, fixed in value, before 1971, at \$35 to one ounce of gold.¹⁶⁵

Generalised commitment by governments to the new gold-dollar exchange-rate standard would, Anglo-American planners hoped, obviate the frequent and widespread resort to devaluation as a matter of dictate, which had led to serious and unpredictable fluctuations in the international values of national currencies during the interwar years.¹⁶⁶ Framers of the Bretton Woods system also expected that a reformed international monetary regime, characterised by more or less stable rates of exchange, would promote international trade and specialisation, facilitate the migration of labour and capital across frontiers, diffuse advanced technology, discipline the proclivities of governments to devalue currencies, and in general promote economic growth throughout the world economy as a whole. They, and after some initial hesitation, the American government also appreciated that full convertibility could not come into operation until European, Japanese and other national economies, and their monetary systems, had recovered from the malign dislocations of World War II. American statesmen also recognised that sustaining a regime of stable rates of exchange required flexible rules and the provision of international liquidity to assist national economies surmount their balance

of payments, problems and crises,¹⁶⁷ given that the most desirable form of liquidity used for the support of post-war economic recovery and later on for the transition to convertibility at stable rates of exchange took the form of dollars. Thus net revenues from trade and (failing that) the credits and longer-term loans needed and demanded by all countries outside the communist bloc could only come from the United States.¹⁶⁸

Although the American market became much more open to foreign goods than it had ever been prior to the war, its continental scale, diversity and persistently superior productivity meant that even the more advanced European and Asian economies experienced serious difficulties in narrowing the ‘dollar gap’, that is, the difference between exports to and imports of goods and services required from the United States. Over time, through convergence in productivity standards, that difficulty diminished. Meanwhile, the free world’s excess demand for dollars could only be met in the form of aid, credits and loans, extended to non-communist societies in Europe, Asia, Africa and the Middle East through three channels: firstly, direct but unequal negotiations with the American government, secondly, through international agencies such as the UN, IBRD and IMF, largely supported and ‘virtually’ controlled by Washington and, thirdly, by way of loans from private American financial intermediaries and/or from direct investments overseas by large ‘multinational’ corporations who recognised their dependence on diplomatic persuasion and ultimately on military power to ‘protect’ American-owned assets located beyond the frontiers of the United States.¹⁶⁹

Nothing approximating to a ‘sterling’ equivalent of the ‘dollar gap’ afflicted European economies as they slowly recovered from the Revolutionary and Napoleonic wars and began to catch up with the smaller and less diversified British economy between 1815-71. During this ‘pre-democratic’ era their governments left recovery and convergence to private enterprises and could not, therefore, be subjected to direct political pressures arising from clearly perceived and subordinate positions occupied by their national economies in relation to the United Kingdom.

Before the era of the classical gold standard (1871-1913), sterling remained as *a* but hardly *the* key currency.¹⁷⁰ After 1871, when a steadily growing number of sovereign states opted to fix their currencies to gold and by implication—never by agreement—to maintain a stable parity with the pound, sterling matured from an important currency into *the* leading (but still one of several) currencies—used to settle imbalances for transactions across frontiers, as a reserve asset behind the issue of notes and the extension of credits and loans denominated in national units of account, for purposes of purchasing goods, services, inventories and fixed assets in any

part of the world.¹⁷¹ For these functions, sterling never reached the predominant position attained by the dollar between, say, 1941-2001, when the shares of international transactions settled in the national currency of the United States could only have been of greater significance for global commerce and for the development of the international economic order.

Above all, in a geopolitical context, the (albeit important) place occupied by sterling within the international monetary system hardly constituted a serious component of British hegemony. Victorian and Edwardian governments ran budgetary deficits for only brief periods during the Crimean and Boer wars. Britain's balance of payments on income account remained in surplus throughout the period.¹⁷² The extension of credit and loans by the British state to the rest of the world (including its dominions and colonies) occurred upon an entirely limited scale and normally on terms and conditions that can be represented as virtually commercial.¹⁷³ Very little advantage appears to have been taken either by intention or in practice to exploit sterling's role as a key currency for political or strategic ends. Yet, and without reference to cabinets of the day, the autonomous Bank of England became aware that it could manage the national money supply on low reserves of bullion and with only modest manipulation of domestic rates of interest. That flexibility certainly encouraged overseas commerce and the export of capital and thereby imparted greater scope to the role that British investors, firms, merchants and other businessmen could play in an increasingly integrated global and imperial economy.¹⁷⁴ Nevertheless, the connexions between British power and the role of sterling look altogether more tenuous and constrained by Victorian canons of fiscal prudence and sound monetary policy than has been the case for the past six decades of American hegemony.

For long stretches of the twentieth century, the oscillating but always supreme status of the dollar as the key reserve asset for the non-communist and, since 1989, the world monetary system has allowed the successive regimes in Washington—together with American investors, banks, firms and consumers—to purchase goods, services and assets produced outside the borders of the United States. In their dealings with the rest of the world, Americans have operated virtually without reference to the country's budgetary and balance-of-payments deficits, and on a scale that could only have been unthinkable to contemplate and impossible to achieve even at the apex of British power and at the height of sterling's prestige as a sound currency. The dollar's extraordinary status first emerged as a plan—at Bretton Woods, and was gradually consolidated into an operational set of arrangements, widely accepted by most countries outside the communist bloc because post-war governments welcomed the establishment of a new

monetary order as a viable alternative to the disorganised system of the interwar years.

Despite the misgivings some may have shared with the Soviet Union and its satellites about the potential for ‘American imperialism’—latent in the Bretton Woods agreement, governments everywhere recognised their need for a ‘hard currency’ which would underpin the transition of their monetary, fiscal and national security systems from war to a peacetime footing. Furthermore, after six years of destruction, depreciation of their capital stocks, and misallocation of resources arising from the need to cope with global warfare, demands by national economies—victorious, defeated and neutral alike—for the foodstuffs, raw materials, capital goods and technologies needed for economic recovery and political stability were insatiable. At every significant margin their needs could only be met in the form of import surpluses funded directly or indirectly in dollars.

For more than a decade, this situation provided Washington with extraordinary degrees of leverage over intra-governmental credits and loans extended to the ‘free world’.¹⁷⁵ Furthermore, as national economies recovered and settled down into holding and utilising dollars for international transactions, the system allowed, indeed encouraged, American governments to meet persistent demands for international liquidity by running annual deficits on their own budgets and, by implication, on the current account of the Republic’s balance of payments. In short, the international monetary system, as it evolved after three decades of neo-mercantilism and warfare, placed American governments in a uniquely powerful position of being far less restrained or inhibited than all other states by normal fiscal and foreign exchange constraints when it came to funding whatever foreign or strategic policies Washington decided to implement or to the commercial or investment policies the government decided to encourage American corporations to pursue beyond the borders of the Republic. Insofar and as long as foreign central banks, firms and individuals remained willing to hold dollars (or liquid securities denominated in dollars) as reserve assets, the foreign exchange costs required to pay for military and naval expenditures outside the United States, for normal imports of goods and services and for investment expenditures overseas could be met by persuading (or virtually compelling) institutions abroad to hold or to spend dollars issued in the United States. That unique and ostensibly curious position originated from the scale, scope and efficiency of a continental economy; arose out of the circumstances surrounding two world wars; and persisted because, for purposes of reconstruction, recovery and convergence towards American standards of productivity, European and Asian economies ran deficits on

their accounts with the United States and for years thereafter remained willing to utilise dollars as basic reserves for their monetary and foreign exchange systems.

Over time, this extraordinary and widespread complicity to use and accept dollars changed. During the 1960s, when a combination of mounting fiscal and balance-of-payments deficits coincided with the beginnings of serious price inflation in the United States, foreign holders of dollar assets became alarmed about their future purchasing power and switched massively into gold.¹⁷⁶ Over five subsequent years of crisis (1971-76), Washington unilaterally abrogated core elements of the Bretton Woods system but managed to maintain a somewhat attenuated but still powerful position for the almighty dollar as the world's key currency and reserve asset for international transactions. Between 1971-73, President Nixon suspended the government's obligation to redeem dollar-denominated liabilities in gold at a fixed value per ounce, devalued the dollar against the mark, yen and other strong currencies, and instituted a system of managed floating. Essentially the new Nixon regime demonetised gold, and removed the commitment of the American government to maintain a stable value for dollars in terms of rival currencies.¹⁷⁷ Over the past three decades, successive American governments deliberately eschewed any form of direct intervention in the foreign exchange market in order to stabilise the value of the dollar and relied heavily on monetary and interest-rate policies for domestic macro-economic management. As a result, the dollar has fluctuated (sometimes sharply) in value against other currencies and a worldwide trend to utilise 'baskets' of gold, marks, yen, Swiss francs and other strong currencies as well as dollars as reserve assets appeared, and that has imparted degrees of instability to international currency markets that critics find incompatible with American claims to exercise a prudent hegemony over the international monetary system.¹⁷⁸

Although the dollar has not retained the cachet, the hallmark for reliability and reputation for stability it carried under the Bretton Woods system, the American currency has retained its *primus inter pares* role among currencies utilised in international transactions simply because no effective substitute has yet emerged to replace dollars. That status, coupled with cycles of looser and tighter interest rate policies, has continued to allow successive American governments under Nixon, Carter, Ford, Reagan and Clinton to run fiscal and balance-of-payments deficits until very recently, on an unprecedented scale. Perhaps the persistence of this extraordinary privilege can only be explained in terms of an implicit compact with other states who grudgingly comply with the method used by their hegemon to appropriate their national resources in payment for the

public goods—particularly peace and security—that the United States continues to provide for the international economic and political order as a whole.¹⁷⁹

But to return to comparison with the ‘classic case’ of hegemony: not only have the domestic economic and fiscal bases utilised by American governments for purposes of taxation and borrowing been on a scale that simply dwarfs the actual and potential volume of resources available to British governments before 1914, but the status of the US currency as the indisputable and indispensable reserve asset for international transactions for all kinds allowed Washington to evade the otherwise universal constraints of balanced budgets, rules for convertibility and avoidance of chronic balance-of-payments deficits. Such real constraints relegated any aspirations that the Victorian and Edwardian state might otherwise have entertained to play a more serious hegemonic role in geopolitics into the realm of utopian ambition. The British state never enjoyed access to a ‘gold mine of paper’.¹⁸⁰

9. America’s Unique Geopolitical Role 1941-2001

On examination, the similarities as well as the really significant differences between American hegemony and the Pax Britannica become clear enough in relation to the global economic sphere. Geopolitical contrasts between the two regimes are too stark to require any similar degree of historical elaboration. Neither in the long struggle against Revolutionary France nor during the Great War did the United Kingdom assume anything comparable to the military, naval and fiscal responsibilities of leading a formally constituted alliance of states committed, as Washington has been for the last half century, to the containment of two rival superpowers: China in Asia and the Soviet Union and its satellites, primarily in Europe, but also in Asia, the Middle East and Africa.

Between 1815 and 1914, no enemy or enemies appeared to challenge the maritime security provided by the Pax Britannica on the world’s oceans and seas. Threats from the Romanov empire to British imperial and commercial interests, and possibly to peace in Asia, were contained by the Royal Navy and the Indian army; complemented eventually by a limited 5-year treaty of alliance with Japan signed in 1902 and renewed in 1907.¹⁸¹ After a final and futile war (1812-15), Britain appeased the United States whenever they came close to conflict in the Americas.

To maintain a balance of power on the mainland of Europe, Britain preferred the flexibility and the minimalist cost of diplomatic accords,

understandings and, late in the day, the half-baked ententes with France and Russia against the Kaiserreich's ambitions to dominate the Continent, to alliances, treaties and formal commitments of any kind.¹⁸²

That kind of detachment and strategic vacillation even continued in the face of the Nazi threat (1933-39). Readings of international history suggest that World War II marked a fundamental discontinuity in geopolitics which renders comparisons between the Pax Britannica and American hegemony anachronistic, if not obsolete. For example, through the North Atlantic Treaty Organisation and a proliferation of mutual security pacts and formal alliances with Asian, African, Middle Eastern, Australasian and Latin American, as well as with major Western European powers and Japan, successive governments of the United States signed up to an extraordinary range of more or less comprehensive and costly commitments to defend the sovereignty, territorial integrity and national interests of states on every continent. For more than five decades, America's strategic commitments—directed explicitly against visible incursions (and also implicitly towards internal subversions) by Soviet, Chinese and other forms of communist power—have provided a basis for the exercise of a unique form of power, or hegemony, that is not without analogies but surely without parallel in the geopolitical history of the world.¹⁸³

Apart from the binding stipulations and the understandings of the small print contained in treaties and other diplomatic documents which testify to the construction of this new system of international relations, tangible manifestations of American hegemony, foreshadowed in National Security Council Memorandum 68 of 1950, include: the presence of garrisons, naval bases, airfields and other strategic facilities in numerous countries around the globe; fleets, dominated by modern aircraft carriers and submarines, patrolling the world's oceans and sea lanes; and finally, the day-to-day, usually open but sometimes covert, American engagement in the formulation, funding and implementation of defence and strategic policies pursued by all its major allies and clients.¹⁸⁴

Nothing approximating to that kind and degree of close and protracted involvement in the external (and internal) security of other sovereign states (including the affairs of their own dominions) could be inferred from the histories of diplomatic relations between Victorian and Edwardian governments and other states over an entire century before 1914.¹⁸⁵ Coalitions, not alliances, were put together during the wars against France (1793-1815). Although the Royal Navy and its American successor policed the seas and utilised a string of imperial bases around the world, after the Napoleonic wars, the British state extended only negligible amounts of military aid to other governments. Industrial Britain became a significant,

but hardly the primary, supplier of the advanced weapons and equipment and knowledge required for either naval or military warfare between 1815 and 1914.¹⁸⁶

Above all, even at the height of its powers to defend the realm, expand the empire and protect its allies against all-out enemy attacks, the British state never possessed the weapons required to offer anything like the kind of deterrence and retaliation against assaults and takeovers by hostile enemies which are provided by America's nuclear arsenal. First deployed as an awesome demonstration against Japan, that arsenal, constantly augmented and updated, continues to afford the United States a position of formal and informal supremacy over the North Atlantic Treaty Organisation and also over its relations (through its 'mutual' security treaties) with Japan and an evolving range of other non-communist states. In a world ostensibly menaced throughout the long Cold War by the widely perceived ideological and geopolitical ambitions of the Soviet Union and Communist China, the only escape from voluntary participation in a 'nuclear protectorate' managed by governments in Washington was for rival states to embrace the unpredictable outcome and costly option of constructing an independent nuclear capability and to bear the entire fiscal burden for national defence.¹⁸⁷

Before the termination of the Cold War, only Britain and France (and even then as committed or as tacit members of NATO), found the resources and took the risks involved in pursuit of the chimeras of national independence and some comforting measure of detachment from the benign refuge of American hegemony.¹⁸⁸ Most Western European states, including France, but particularly Britain, bent on retaining vicarious illusions of power through its special relationship with trans-Atlantic elites in Washington, actively promoted the engagement of the United States with their national security.¹⁸⁹ With varying shades of rhetoric and degrees of enthusiasm, European governments, preoccupied with their economic and social problems after two world wars and an interregnum of serious instability (1914-45), welcomed all the help Americans could be persuaded to offer to relieve them of expenditures on defence and to assist with plans for economic recovery and social welfare. In any case, they lacked the knowledge and skills as well as the resources to maintain technological parity with the Soviet Union in an ongoing race for superiority in the development of nuclear and other weapons systems. Finally, during an era of decolonisation and state formation, numerous governments in Asia and Africa also turned to the United States for assistance with external security, internal order and economic development. Several, for example, Egypt, espoused interludes of 'socialism' and obtained a modicum of aid and

military hardware from the Soviet Union. Others, like India, adopted a stance of non-alignment towards all superpowers that was surely based on the unstated premise that the United States would almost certainly come to the aid of major democracies that either the Soviet Union or China threatened to overrun.¹⁹⁰

Over time, Europe's advanced economies recovered and during the long boom, 1948-73, their productivity levels converged towards American standards. After their incorporation into the North Atlantic Treaty Organisation, which occurred as the outcome of considerable financial help and political pressure from the United States, the former Axis powers, Germany and Italy, ceased to pose any threat to the security of their European neighbours. Meanwhile, the American policy of 'repositioning' a demilitarised Japan as an honorary member of the Western alliance also proceeded in short compass towards a successful conclusion. Washington formally guaranteed Japan's security against Chinese and Russian aggression, but left large and 'permanent' concentrations of troops, aircraft and warships stationed on all the main islands of its former foe. Meanwhile, the State Department and Pentagon did everything possible to ensure that the devastated but potentially powerful Japanese economy recovered rapidly. Thus, American, European and Asian markets were opened up to the exports of Japanese manufactures. During and after the Korean War, American expenditures for military and naval procurement overseas became concentrated on Japan. Institutional and managerial reform, inspired by American models, and the protracted toleration of a grossly undervalued yen all contributed to a Japanese economic miracle.¹⁹¹

Beyond Europe and Japan, numerous powers, newly emancipated from colonisation throughout Africa, Asia and the Middle East, supplicated for aid and military assistance and became clients of the American government as they established and consolidated sovereignty over the populations, territories and resources left under the rule of local but fiscally impoverished elites with aspirations to rule over the 100 or more countries that had rapidly emerged at the end of Empire.¹⁹²

As worldwide dependence on the United States gradually diminished and the 'interference' of Washington began to be perceived as inimical for the formation of national identities and compromising for real autonomy, resistance to the fiscal blandishments, insensitive diplomacy and the coercive sanctions of the hegemon began to undermine the uniquely powerful but unsustainable position the United States had occupied for, say, some twenty-five years after World War II in relation to its European allies and former enemies as well as clients and would-be non-aligned governments of former European empires.¹⁹³

Given the heterogeneity of spheres, and the range of political spaces and politics into which the government of the United States projected power during that era, it remains difficult to demarcate a conjuncture when some discernible attenuation of hegemony over the international system as a whole occurred. Many commentators trace the beginnings of 'decline' to the period which witnessed the loss of the Vietnam War, the break-up of the Bretton Woods system and the oil crisis of the early seventies.¹⁹⁴ Several episodes during the sixties when the President and the State Department clearly failed to achieve the strategic goals or objectives of American foreign policy might equally well be selected to mark the onset of hegemonic decline. In particular, the beginnings of disagreements and compromises between the United States and its powerful partners within the North Atlantic Treaty Organisation over strategic policy or over French and German initiatives towards détente with the Soviet Union and Eastern Europe during the Kennedy and Johnson presidencies might also be represented as a shift back towards some traditional form of balance of power politics of the kind favoured by General de Gaulle. American hegemony had never been omnipotent. It had waxed and waned with the shifting perceptions of its allies and clients concerning potential threats to their security emanating from the Soviet Union and China. Paradoxically, it must be observed that connexions between the hegemonies exercised by America in relation to its allies and clients and by the Soviet Union over its satellites in the Warsaw Pact remained symbiotic throughout the Cold War. Some degree of complicit recognition of this fact and their joint interest in preventing the proliferation of nuclear weapons promoted the maintenance of a status quo. In their respective hegemonic spheres, both superpowers, 'assisted by fears about China', derived mutual support from each other for the geopolitical positions they held until 1989.¹⁹⁵

10. Conclusions: American Hegemony, British Primacy and the Stability of the International Order

Nevertheless, over time some attenuation of American hegemony has occurred and manifestations of fallibility, diplomatic failures, errors in foreign policy and a growing recognition by the American electorate of the domestic economic costs involved in operating as a hegemonic power has

spawned a voluminous literature among journalists, social scientists and historians on American decline. In participating in that debate, some famous Anglo-American intellectuals have been concerned to draw parallels with an Anglo-Saxon predecessor and with British precedents.¹⁹⁶

Their intellectual endeavour propagates both the myth of British hegemony and/or traduces several other 'cases' supposedly representing a long-term historical process traced in so-called cycles which accounted for the rise and inevitable decline of hegemonic powers, built systemically or structurally into all world orders of competing nation-states, both before and after the Treaty of Westphalia in 1648.¹⁹⁷

Most historians remain deeply sceptical of theories formulated by political scientists and historical sociologists, which claim to track the evolution of interstate rivalries as 'long cycles' of hegemonic stability succeeded by interludes of warfare and mercantilism.¹⁹⁸ Except at the level of handy labels or chapter headings, that kind of 'slack' periodisation for the comprehension of geopolitical history offers nothing particularly illuminating. Furthermore, when theorists attempt to explain the predictable rise and inevitable decline (i.e. cycles) of historical succession of hegemonic powers they again offer little but obvious comparisons, simplistic analogies, vacuous vocabularies and an occasional taxonomic distinction. They seem to be unaware of the problems involved in the measurement of economic cycles and trends over long periods of history. They have ignored the logical requirements for transforming 'stages' of history into theories of change.¹⁹⁹

Does it not seem more in keeping with Marc Bloch's insistence on contrasts and differences to label the sort of power exercised for the past six decades by governments of the United States over the international system as hegemonic and to reject the extension of that term (or accolade) to all other states which, in totally different historical contexts and circumstances, can be represented as simply holding some preponderance of coercive, and (what looks much less probable) persuasive power over their allies, clients and potential rivals. No Italian city, and not the relatively affluent Dutch Republic or industrialised Britain, ever provided its rulers with fiscal bases and markets for loans and credit that came anywhere near to being equivalent to the richly endowed, diversified and highly productive continental economy taxed by federal governments in twentieth-century Washington.²⁰⁰ Yes, in their day, ducats, guilders and pounds operated as 'key' currencies for the conduct of international commerce and investment overseas, but unlike the dollar they never became the basis for an international monetary system that allowed monarchs in Iberia, republican oligarchies in Genoa, Venice, Florence and the Netherlands, let alone

Cabinets in London, to run fiscal deficits year after year and to absorb—to appropriate—significant volumes of real resources from the rest of the world by issuing bills of exchange, writing cheques and printing paper money.²⁰¹

In their day, Italian, Iberian, Dutch and British merchants, bankers and investors would presumably have preferred open trade and investment to the prevailing system of mercantilist regulation, tariffs, taxation and other governmental impediments that restrained commerce across national boundaries. But before the second quarter of the nineteenth century, mercantile lobbies everywhere remained weak in relation to ruling, landed and aristocratic elites.²⁰² Furthermore, as markets and sources of supply, the medieval and early-modern economies of the Italian peninsula, Iberia and the Low Countries were simply too small and undiversified compared to Britain and its Empire, let alone compared to the continental economy of the United States, to carry any real weight when it came to reciprocal or more generalised negotiations over foreign trade.²⁰³

In contrast, for decades after 1919, and particularly after 1945, access to American technology, capital goods, weapons, foodstuffs and raw materials, as well as to the rich and extensive American home market, provided powerful counters for bargaining which Washington deployed bilaterally and multilaterally as political pressures for the promotion of an open trading regime.²⁰⁴

Clearly, both Britain, post-1846, and the United States, after 1934 or 1941, supported free trade. American governments have surely carried far greater weight in sustaining that cause for the world at large and they could, moreover, operate through modern international institutions (GATT and WTO) that the Americans set up 1947 to counter and reverse national tendencies towards protectionism wherever they appeared. Furthermore, and unlike governments in Victorian and Edwardian London, Washington never eschewed ‘hard bargaining’ in favour of that peculiarly British idealised and ineffectual version of unilateral free trade.²⁰⁵

For purposes of understanding the operation of the modern international economic order, there seems to be limited illumination in searching for precursors going back to Genoa or Sung China for the role played by the United States since World War II.²⁰⁶ Some analogies can be found in the liberal commercial policies pursued by Britain 1846-1914. Sterling performed somewhat similar functions to those performed by dollars for the post-war international monetary system. Nevertheless, and before 1914, there seems to be no clear direct channels through which the widespread utilization of sterling as the world’s leading reserve asset and unit of account contributed significantly to the geopolitical power of the imperial

state in London.²⁰⁷ Ideologically constricted by a heritage of *laissez faire*, low taxation, balanced budgets and unilateral free trade, as well as its myopic imperial isolation from European power politics, the Victorian and Edwardian state never possessed the fiscal and financial base, the aspiration or the culture required to play a truly hegemonic role in great power politics.²⁰⁸

Above all, the geopolitical context which prompted, encouraged and allowed the United States to occupy that unique role had not appeared before 1918. Before that conjuncture, departures by Britain from the circumscribed strategies that successive liberal governments in London had adopted in relation to continental Europe and the Americas could only have intensified rivalry, compromised Britain's freedom to trade and threatened its unmanageable imperial possessions and assets overseas.²⁰⁹ Arguably, the United States found itself economically well placed and could have been proactive in the restoration of stability after World War I. But Wilsonian forays into 'foreign affairs' were unpopular at home, resisted by Britain, France and Germany, and threatened Japan's imperial ambitions in Asia and the Pacific.²¹⁰ Two decades of unprecedented political and economic instability between 1919 and 1939, when the United States appeared as a reluctant hegemon in waiting, were followed by an even more destructive bout of warfare, the appearance of nuclear weapons, the extension of Soviet frontiers into the heart of Central Europe, the emergence of Communist China, and by rapid decolonisation and state formation throughout Asia, Africa and the Middle East. No wonder resistance to the exercise of a benign and well-funded hegemony by a power seemingly untainted by the burdens of European and Asian history virtually collapsed.²¹¹ Neither the United Kingdom nor any of the other states now selected by social scientists as putative hegemons ever emerged or operated in such a propitious geopolitical context.

Thus, in the middle of a barbaric century, at the end of empires and all other European pretensions to civilised superiority over other peoples, governments of the United States offered states and their citizens around the globe an alternative to fascism, authoritarian communism and their possible incorporation into an expanding Soviet empire. America's nuclear weapons and military subsidies provided security, on the cheap. Washington's elite seemed ready for power and responsibility and exuded the confidence recently acquired from managing the military and naval forces mobilised to defeat German and Japanese imperialism, although a large minority of the American electorate and important strands of opinion within the Republican party of the United States at the time evinced, and have continued to voice, doubts about the assumption of a world role that

ranged from anachronistic isolation, through anxiety over potential costs to expressions of diffidence.²¹²

Nevertheless, the 'East Coast Establishment' (which includes a majority of intellectuals, big bankers and managers of multinational corporations) found the will and have continued to display the enthusiasm required to convince 'business', domestic taxpayers and foreign governments that any ambiguities and vacillations in American foreign and strategic policies are but temporary lapses from an otherwise firm and necessary commitment towards a hegemonic role for the United States.²¹³ In any case, economists and political scientists can usually be mobilised to tell Congress, the American public and their co-opted transatlantic collaborators that free trade, American investment overseas and the diffusion of technology is in everyone's best interest. With less theory but more rhetorical conviction, they have also supported presidential claims to historically unthinkable levels of peacetime taxation and budgetary deficits required for the containment of communism and the isolation of disruptive states (North Korea, Cuba, North Vietnam, Nicaragua, Panama, Sudan, Iraq, Libya, Serbia, etc). Presidents and their entourage of advisers and political allies have helped to convince often sceptical domestic constituencies that such expenditures serve to preserve international stability and that they will pre-empt the expenditure of even greater fiscal resources over the long run.²¹⁴

Between 1846-1914, British aristocratic elites referred to altogether smaller and more deferential electorates and in the tradition of leading European oligarchies, often alluded to themselves as successors to a long lost, lamented Roman imperium. But they never even considered running budget deficits in peacetime or seriously aspired to occupy positions of global hegemony. Furthermore, within that 'metropolitan' elite, serious opposition to Britain's more circumscribed imperial role, especially among economists, remained far stronger and more persistent than the sporadic and unsustainable attacks on inept examples of foreign policy, particularly the Vietnam War, pursued by some Presidents. Over the last half century, the American elite has appeared altogether more confident about strategy and hegemony than British aristocrats did about their nation's civilizing mission and responsibilities towards the rest of the world.²¹⁵

Perhaps that exceptional source of American 'strength' springs only partly from an indigenous strain of national pride and populist self-righteousness, absent from the cynical *Realpolitik* which marked diplomacy and rivalries between Europe's aristocratic regimes before 1914. That strength is derived basically from the accessibility and popularity of American culture throughout the world for long stretches of the twentieth

century.²¹⁶ In geopolitical and economic negotiations with allies, neutral states, rivals and even enemy states, American leaders and their advisers have carried with them inestimably greater cultural advantages than anything embodied and represented by those gentlemanly politicians and officials in charge of Britain's foreign strategic and commercial policies before 1914.²¹⁷ Of course, the British political elite also negotiated and bargained on behalf of a great power whose image and culture conveyed attractions for their cosmopolitan counterparts in European cities. After Waterloo, England came to be recognised as the home of advanced science and technology and its 'quasi democratic' system of government, royal navy and commitment to open commerce among all nations were admired among liberal elites everywhere. In their day, the British too enjoyed some cultural power, derived from their country's history of tolerance and enlightened behaviour in international affairs as well as qualities of 'Englishness' that outsiders found seductive and which permeated their reactions and responses to British demands. These politically advantageous attributes, which flowed largely from and remained powerful within elite European culture, provided the British state with some unmeasurable power to impose its modes of thought upon clients, rivals, even enemies, so that foreign governments not only complied with, but approved and shared Britain's aspirations for the conduct of international affairs.²¹⁸

Yet no historian would pretend that all aspects of British culture were universally admired. French style and taste continued to dominate high culture. Albion was also perceived as perfidious, imperialistic, arrogant and materialistic. En masse, British society continued to be perceived as intolerant towards Catholics and xenophobic towards foreigners, many of whom reciprocated and represented the new urban civilisation of Victorian England as squalid, unhealthy, degrading and violent.²¹⁹

The argument that English culture conveyed and carried anything as pervasive and, therefore, as powerful as twentieth-century American culture, looks spurious. For a start, the ways and means of diffusing information and images about American modes of thought, standards of living, styles of behaviour, military might, technological superiority and everything else from the United States that both attracts and intimidates foreigners, have become immeasurably more effective than they might have been in the days of books, newspapers, letters, paintings and the oral testimony of travellers to the United Kingdom moving there by ship and train.²²⁰

During the twentieth century, messages, pictures, images about Washington's policies and all things American have been conveyed rapidly, easily and cheaply to all parts of the world by a range of modern

media of communication, including photographs, magazines, films, videos, television, radio, telephones, computers, aeroplanes, mass tourism and such universally desirable consumer goods as junk food, Coca-Cola and jeans.²²¹ Of course, the medium is not (or rather is merely one element of) the American message which an ever increasing share of the world's literate and educated population now reads and hears in English—the language of commerce, scholarship, diplomacy, science and popular entertainment.²²² Diverse messages are advertised around the globe, not all of them positive. Some are confusing, and others are not congenial to the taste of clerics, mullahs and intellectuals self-fashioned in the traditions of European and Asian civilizations. Nevertheless, powerful images have been efficiently diffused and have clearly permeated the perceptions and eroded national identities, religions and local loyalties of masses of people living in every country of our increasingly integrated world. Such messages tell people and their leaders that if societies aspire to become modern, if their populations hope to enjoy higher standards of living, if citizens wish to be free to enjoy individualistic and hedonistic life styles, then they—and by implication their governments—must at least accept, if not embrace, American values and aspirations.²²³

This significant and recent discontinuity in mass consciousness and communication came on stream during the age of populist democracy and has provided the government of the United States with an incalculable supplement to its already massive coercive and economic powers not merely to compel and pay others to do what it wants, but also to want what it wants.²²⁴

11. An Epilogue

Social scientists have constructed histories of the world before and after 1941 in order to explain oscillations and vacillations in American policy, account for its successes and failures, and predict the future of the hegemonic role that the United States has exercised over the international order since World War II; they have attempted to draw illuminating parallels and precedents and to offer predictions for the future, based upon comparisons between the Pax Americana and the rise, operation and decline of the Pax Britannica.²²⁵

Predictions of American decline look less tenable at the beginning of the new millennium than they did before the end of the Cold War, the break-up of the Soviet Union, the Asian economic crisis and the Pentagon's successful coordination of coalitions of armed force to deal with deviant

states in the Gulf and Yugoslavia.²²⁶ America's economy has recently enjoyed its longest boom since the war and revisions to the national accounts suggest that previous representations of economic slowdown may have been exaggerated.²²⁷ Meanwhile, under the Clinton presidency, the budget deficit all but disappeared.²²⁸ American science and technology commands the heights. Its popular culture seems to have lost none of its universal appeal.²²⁹ Despite warnings from 'chattering Cassandras' there is now not even a challenger, let alone another superpower on the horizon.²³⁰ Requests for assistance, intervention and even 'interference' to solve problems on all five continents continue to all but overwhelm Washington and to strain its capacities to set new global agendas to deal with terrorism, environmental deterioration, human rights, Third World debt and other issues of universal concern for Europe as well as the rest of the world, which sustain conditions for the continuation of American hegemony.²³¹

That unique and persisting hegemony should not be confused with the management of distant and dispersed empires, with mere leadership or the possession of some temporary preponderance of economic primacy or military power. Social scientists appreciated that any 'theory' of hegemony logically requires more than one case to sustain it and to render the theory relevant for the analysis of geopolitical history.²³² Unfortunately, attempts to construct a general theory based upon histories of the rise and decline of 'major powers' going back to Genoa in the late thirteenth century (or even to the Sung Dynasty, 930-1120) conflate hegemony with geopolitical and economic significance.²³³ Meanwhile, the weakness of the case for representing the Pax Britannica, 1815/46-1914, as an antecedent or precedent for the operation of American hegemony over the geopolitical, economic and cultural spheres of interstate relations has been exposed and elaborated upon in an introduction deliberately designed to survey, contextualise and take a view within an ongoing discourse about the Pax Britannica and the Pax Americana.

Since the Windsor conference placed the geopolitical histories of two great Anglo-Saxon powers side by side in order to discuss their presumed equivalence and supposed teleological development from 1815 to 2001, I will allow myself a final and possibly tendentious reflection. The myth of two interconnected and evolving hegemonies propagated by historians and social scientists is part of the cultural foundations of a prolonged and now indisputably unprofitable special relationship (of Greece to Rome, as Macmillan suggested to Kennedy) pursued by British political elites since the War.²³⁴ Since the 1890s, a transatlantic intellectual and political community of Anglophiles has found the notion of a historical tradition of benign, protestant and liberal leadership of the world congenial to

contemplate and entirely profitable for that particular elite to pursue.²³⁵ In their dealings with a great power and potential rival moving reluctantly under pressure to dismantle an empire, to rejoin Europe and to vacate spaces for Americans, Washington's politicians, generals, admirals, diplomats, bankers and directors of multinational corporations and intellectuals will have found the myth of hegemonic succession all too convenient to propagate.²³⁶

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