War & Change in World Politics

ROBERT GILPIN

War and Change in World Politics

War and Change in World Politics

ROBERT GILPIN
Princeton University

CAMBRIDGE
UNIVERSITY PRESS

CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo, Delhi

Cambridge University Press
The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org
Information on this title: www.cambridge.org/9780521240185

First published 1981
First paperback edition 1983
Reprinted 1984, 1985 (twice), 1986, 1987 (twice), 1988, 1989, 1990, 1991,
1993, 1994, 1995, 1997, 1998, 1999

A catalogue record for this publication is available from the British Library

ISBN 978-0-521-24018-5 hardback
ISBN 978-0-521-27376-3 paperback

Transferred to digital printing 2009

IN MEMORY OF HAROLD SPROUT
1901–1980

The great events of history are often due to secular changes in the growth of population and other fundamental economic causes, which, escaping by their gradual character the notice of contemporary observers, are attributed to the follies of statesmen or the fanaticism of atheists.

John Maynard Keynes, *The Economic Consequences of the Peace*

Contents

3

Growth and expansion

Assumption 3. A state will seek to change the international system through territorial, political, and economic expansion until the marginal costs of further change are equal to or greater than the marginal benefits.

As the power of a state increases, it seeks to extend its territorial control, its political influence, and/or its domination of the international economy. Reciprocally, these developments tend to increase the power of the state as more and more resources are made available to it and it is advantaged by economies of scale. The territorial, political, and economic expansion of a state increases the availability of economic surplus required to exercise dominion over the system (Rader, 1971, p. 46). The rise and decline of dominant states and empires are largely functions of the generation and then the eventual dissipation of this economic surplus.

If this relationship between the growth of power of a state and its control over the international system were linear, the result would be the eventual establishment by one state of a universal imperium. That this has not yet happened is a result of the fact that countervailing forces come into play to slow and eventually arrest the impulse to expand. Because of the influence of these countervailing forces, as a state increases its control over an international system, it begins at some point to encounter both increasing costs of further expansion and diminishing returns from further expansion; that is to say, there are decreasing net benefits to be gained from further efforts to transform and control the international system. This change in the returns from expansion imposes a limit on the further expansion of a state.

The expansion of a state and of its control over the system may be said to be determined in large measure by a U-shaped cost curve (Bean, 1973, p. 204; Auster and Silver, 1979, p. 28). The initial phase of expansion is characterized by declining costs due principally to economies of scale. However, as the size of the state and the extent of its control increase, at some point it begins to encounter decreasing returns to scale. The increasing cost of expansion relative to the benefits eventually limits the size and expansion of the state and its control over the system. The point at which this crossover will occur is an empirical question dependent on technical and other circumstances (Mansfield, 1979, p. 162).

At the point at which expansion and efforts to change the system cease to be profitable, the international system may be said to have returned to a state of equilibrium, as the marginal costs of further expansion are equal to or greater than the marginal benefits of expansion. As a consequence of the interplay of these forces promoting and retarding expansion and growth, the expansion of a state and of its control over an international system is best described by a logistic or S curve.[1] Thus, a would-be expanding state at first increases its power and control over the system; the power of the state and the expansion of its control reinforce one another with the enhanced flow of resources into the coffers of the state. Eventually, countervailing forces come into play to slow down and finally arrest the expansion of the state, and the system returns to a condition of equilibrium.

The phenomenon described in the preceding paragraphs is universal. From the earliest civilizations, states and empires

[1] This task has been carried out by Hornell Hart, who fitted the territorial growths of ancient and modern empires to a logistics curve (Ogburn, 1949, pp. 28–57). For a more recent effort, see the work of Taagepera (1968).

have sought to expand and extend their dominance over their neighbors in order to increase their share of the economic surplus. However, the precise mechanisms they have employed have differed, depending on the nature of the state, the environment, and what Samir Amin called the "social formation" (1976, p. 16). These several factors have profound influences on the behavior of groups and states and hence on the process of international political change.

The type of social formation is extremely important because it determines how the economic surplus is generated, its magnitude, and the mechanism of its transfer from one group or society to another (Amin, 1976, p. 18); it influences the distribution of wealth and power within societies as well as the mechanism for the distribution of wealth and power among societies. The following discussion reformulates Amin's conception of social formation so as to facilitate an understanding of international political change.

According to Amin, a social formation combines modes of industrial and agricultural production within societies and organizes economic relationships among societies. There are, he pointed out, five basic modes of production: (1) the primitive-communal mode of primitive societies, (2) the tribute-paying mode characteristic of feudalism and certain types of empires; (3) the slave-owning mode; (4) the simple petty-commodity mode; (5) the capitalist mode. In every social formation, one or another of these modes of production tends to predominate and gives a society its peculiar character. Social formations also differ significantly with respect to their dependence on or involvement in long-distance trade, which affects the transfer of wealth among societies.

In contrast to Amin's elaborate formulation, in this study we identify three categories of social formations. In the first place, there are the localized social formations of the primitive-communal, feudal, and simple petty-commodity types. These economies are characterized by inability of the society to generate a sufficiently large economic surplus to invest in political or economic expansion; frequently these economies do not operate much beyond the subsistence level. This is the situation, for example, with most tribal societies; it was the condition in feudal

Europe prior to the revival of long-distance trade in the twelfth and thirteenth centuries. Because these localized types of society seldom play important roles in international political change, they will not be considered in detail here.

It must be noted that localized social formations can undergo transformations that can launch them on imperial careers. Two outstanding examples are the Mongols and Arabs, who created vast empires. A third example is provided by the rise of several black African empires in the early modern period following the opening of trade with Europe, which led, for the first time, to the generation of substantial economic surplus. Also, unique circumstances have enabled one type of relatively localized social formation to play an important role in the history of international relations: the city-state. In the river valleys of ancient civilization, classical Greece, and Renaissance Italy, city-state systems flourished and displayed all the characteristics of larger international systems. In every case, however, these city-state systems were eventually absorbed by expanding land empires. Only one independent city-state survives in the contemporary world: Singapore.

The second category of social formation is the empire or imperial system. Amin distinguished three types of imperial social formations based on the predominant mode of production: tribute empires, slave-owning empires, and empires based on long-distance trade. Although these three types of empires have important differences, they have in common the fact that the economic surplus is generated by agriculture and is siphoned off through direct or indirect means for the benefit of a warrior, religious, or bureaucratic elite. For these reasons, the dynamics of the rise and decline of all three types of traditional imperial systems are sufficiently similar to be treated as one.

Finally, the third category of social formation is the modern industrial nation-state. Amin referred to "capitalist formations," thereby emphasizing the private ownership of the means of production, with profit as the characteristic form of economic surplus. Amin's formulation, however, is too circumscribed. The "industrial nation-state" is a more apt characterization of the modern social formation, whether it be capitalistic or communistic. This is not to deny that capitalism has important features and dynamics that distinguish it from communism. The more important consideration, however, is that under both capitalism and communism the economic surplus is generated by industrial production, and this common characteristic has significant implications for the behavior of the society in international relations.

The social formation is significant in that it strongly affects the generation and distribution of wealth and power among groups and states and hence plays an important role in the dynamics of international systems. The distinguishing features of premodern and modern international relations are in large measure due to significant differences in characteristic social formations.[2] The displacement of empires and imperial-command economies by nation-states and a world market economy as the principal forms of political and economic organization can be understood only as a development associated with the change from an agricultural formation to industrial formation. The effects of these interrelated transformations on the nature of international political change are examined in the following sections of this chapter.

THE CYCLE OF EMPIRES

Although scholars acknowledge the contemporary primacy of the nation-state in referring to international relations, the predominant form of political organization before the modern era was the empire. Although city-states, feudalism, and other forms of localized social formations existed and frequently were of decisive importance, the history of interstate relations was largely that of successive great empires.[3] The pattern of international political change during the millennia of the premodern era has been described as an imperial cycle (Rader pp. 38–68, 1971; Rostow,

[2] The idea that modern society differs fundamentally from premodern ones is an idea that engaged the attention of such nineteenth-century writers as Auguste Comte, Karl Marx, and Herbert Spencer. This belief has been revived by a number of recent writers, although there is intense controversy today, as in the past, regarding the nature and causes of this difference.

[3] By "empire" we mean an aggregation of diverse peoples ruled over by a culturally different people and a political form usually characterized by centralization of power in an emperor or sovereign.

1971, pp. 28–9). World politics was characterized by the rise and decline of powerful empires, each of which in turn unified and ordered its respective international system. The recurrent pattern in every civilization of which we have knowledge was for one state to unify the system under its imperial domination. This propensity toward universal empire was the principal feature of premodern politics, and as earlier scholars of international relations have emphasized, it contrasts dramatically with the pattern of the modern European balance of power.[4]

During the imperial era, the governance of an international system (what some today would call the international order) was provided by these imperial structures. Because each empire tended to represent, or at least to be dominated by, a particular civilization and religion, empires held few values and interests in common; they evolved few rules or institutions to govern their relations. The principal ordering mechanisms were territorial control and spheres of influence. These imperial orders constituted merely a system of states, not what Hedley Bull (1977) characterized as an international "society." International conflict was at once economic, social, political, religious, and civilizational. This was true until the Treaty of Westphalia (1648) and the subsequent triumph of Western civilization over its Islamic and other rivals.

The principal determinant of this cycle of empires was the underlying agriculture-based social formation. During this imperial era, before the advent of modern industry, the wealth of societies and the power of states rested on the exploitation of peasant and slave agriculture. Before the massive increases in agricultural productivity of the modern world, the size of the economic surplus from agriculture and imperial tribute was principally a function of the extent of territorial control. Therefore, other things being equal, the greater the territorial extent of an empire and of its political control, the greater the taxable surplus and the greater the power of the empire. As in all things, however, this was true up to the point at which the extension of

[4] This was the view, for example, of such diverse writers as Edward Gibbon, Montesquieu, and A. H. L. Heeren. Later writers who have made the same point include Leopold von Ranke, Arnold Toynbee, and Ludwig Dehio.

control began to encounter diminishing returns and expansion ceased to be profitable.

A fundamental feature of the era of empires was the relatively static nature of wealth. In the absence of significant technological advances, agricultural productivity remained at a low level, and the primary determinant of economic growth and wealth was the availability of land and the man/land ratio. For this reason, the growth of wealth and power of the state was primarily a function of its control over territory that could generate an economic surplus. With only limited and intermittent periods of real economic growth, the dynamics of international relations were provided by the continuous division and redivision of territory and the conquest of slaves (or a docile peasantry) to till the land. Thus, when agriculture was the basis of wealth and power, growth in power and wealth was nearly synonymous with conquest of territory.

Imperial economies tend to be command economies in which the state has control over and disposition of the society's goods and services. Because empires are created by warriors, bureaucracies, and autocracies in their own interests, the primary function of the imperial economy is to advance the wealth and power of these dominant elites. The economy and economic activities are subordinate to the perceived security and economic interests of the state and the ruling elite. A major function of economic exchange is to enhance the war-making capability of the state. The Assyrians of antiquity exemplified this type of economy.

Although the generation of an economic surplus during the imperial era was dependent on agriculture, its distribution was frequently influenced by commerce and international trade. At least since the time of the expeditions of the Greeks under Agamemnon against Troy, the control of trade routes has been an objective of states and a source of great wealth and power. The great and enduring empires frequently have arisen at the crossroads of trade, and struggles over control of the principal arteries of commerce have been constant sources of interstate conflict. Changes in the control of these trade routes and changes in the locations of the routes themselves have played decisive roles in the rise and decline of empires and civilizations. It was with good reason that Brooks Adams in his provocative study *The Law of Civilization and Decay* (1943) considered changes in trade and trade routes to be the key to history.

The history of the Middle East attests to the significant impact that shifts in trade routes have had on international relations. From the time of the earliest empires in this region, shifting control over the caravan routes of Asia has given rise to a succession of empires. Even under Rome the economic center of gravity of the empire remained in the eastern Mediterranean basin. The Byzantine Empire or later Roman Empire survived for 1,000 years after the collapse of the western Roman Empire into barbarism; it survived largely because it retained its hold on these trade routes until the rise of the Ottoman Turks. The economic growth of western Europe and the discovery of the New World and of new ocean routes to Asia resulted in the eventual decay of the Middle East and shifted the locus of world power away from the Mediterranean basin.

Historically, taxation of trade was a major source of state revenue; this accounts for the importance of trade in the distribution of the economic surplus and hence of power. In contrast to other sources of state revenue, such as taxation of land or internal trade, international trade is relatively easy to administer and tax. This critical role of trade revenue in the formation of empires was analyzed by Max Weber in the following terms:

> Scholars have often overlooked one constant that has been historically important in the development of strong, centralized patrimonial bureaucracies – trade. We saw previously that the power positions of all rulers transcending the level of the primitive village headman were based on their possession of precious metals in raw or finished form. They needed this treasure above all for the maintenance of their following, the bodyguards, patrimonial armies, mercenaries and especially officials. This treasure was supplied through the exchange of gifts with other rulers – this was in fact often an instance of barter –, through the ruler's own regular trade (in particular, the coastal intermediate trade), which can lead to a direct monopolization of foreign trade, or finally through other uses of foreign trade. This was done either directly in the form of taxation through tariffs, tolls and other tributes, or indirectly through market-privileges and the founding of cities, which were

princely prerogatives that yielded high ground-rents and subjects capable of paying high taxes. Throughout history, this last type of utilizing trade was systemically undertaken; as late as the beginning of modern times, Polish seigneurs founded countless towns and settled them with Jews emigrating from the West. Typically, patrimonial political structures persist and expand territorially, although their trade is relatively moderate or outright weak in comparison to their size or their population – see the case of China and of the Carolingian empire –, but the genesis of patrimonial political rulership is infrequent without trade playing a considerable role; it has happened – witness the Mongolian empire and the kingdoms of the Teutonic Migration –, but nearly always according to the pattern that tribes who live adjacent to territories with a highly developed money economy invade these, take possession of their precious metals and found new polities on these territories. The royal trade monopoly can be found all over the world, in Polynesia just as much as in Africa and in the ancient Orient (Weber, 1968, p. 1,092).

The dynamics of the cycle of empires were built on the economic reality of primitive agriculture and taxation of trade. Although empires might break up, as did the Roman, when one group or another sought to suboptimize (i.e., increase its own gains at the expense of the whole), the more prevalent pattern was the overthrow and conquest of the imperial civilization by outside barbarians. In this recurrent struggle, the empire initially had the advantage of a large economic surplus and usually superior military technique. The barbarian, although at a lower level of economic development, was able to counter the advantages of the more advanced civilization because "the surplus available for war in a barbarian economy constitutes the whole resources at that economy's disposal aside from minimum requirements for food and other 'necessities' " (Rader, 1971, p. 55). It frequently happened that with sufficient time the barbarians surpassed the empire in military capabilities as well:

An explanation of the empire cycle now appears. As the empire and the barbarian meet, the barbarian gradually learns the civilized method of war making. Only steady technical progress in military affairs can keep the empire a step ahead of the barbarian. On the other hand, as the barbarian learns to defend himself against imperial slave expeditions, the slave inflow falls, causing slave incomes at home to rise in order to preserve population equilibrium. Nevertheless, even with no slaves at all, the soldiers of the empire are not likely to be as healthy as the barbarians. Some empires may recruit their soldiers from barbarian lands, but this has the disadvantage of hastening the day when the barbarians can make war as skillfully as can the empire. Eventually, the barbarian is knowledgeable enough to use this superior strength. Small armies of barbarians are able to conquer areas of relatively large population. The empire passes over to plunder and perhaps some barbarian leaders set themselves up as rulers. The outside culture is imposed; the cities which were constructed on tribute disappear, and a "dark" age reigns. So long as the cost of conquest by nearby empires or by a given region is in excess of the tribute from empire, the barbarian economy remains intact. Only the advent of a technical improvement can give one region an advantage over another. When this finally occurs, that region spreads its domination, likely as not enslaves those who are conquered, and constructs a new capital city. There are available cities with substantial resources, which can be the basis of real economic surplus beyond a totally decentralized economy. The empire is reborn under new masters and the cycle begins again (Rader, 1971, pp. 56–7, footnote).

During the cycle of empires, the rise and decline of dominant states were governed principally by (1) the tendency for the cost of the best military techniques to increase with time and (2) the fact that the financial burdens of scale were large relative to the cost of the best armaments (Elvin, 1973, pp. 20–1). For the empire to survive, the economic surplus had to increase faster than the cost of war. In an age of static or low economic growth, this was difficult to achieve over a long period of time; although state revenue might be increased through territorial expansion, at some point this method encountered diminishing returns as territorial expansion added to the financial burden. Under these circumstances of increasing costs, the empire either fragmented or was forced to reduce its territorial control and financial burdens. If it was unable to retrench successfully and thereby bring costs and resources into equilibrium, the empire declined and eventually was succeeded by the next cycle of empires.[5]

[5] In a subsequent section this process will be discussed in greater detail.

THE MODERN PATTERN

The cycle of empires was broken in the modern world by three significant interrelated developments: the triumph of the nation-state as the principal actor in international relations; the advent of sustained economic growth based on modern science and technology; the emergence of a world market economy. These developments reinforced one another and in turn led to displacement of the cycle of empires by the European balance-of-power system and, later, a succession of hegemonies in the nineteenth and twentieth centuries.[6] In place of the imperial cycle and imperial control of the international system, the dominant nation-states have balanced one another, or one state has achieved preeminence over the other states in the system. Thus the principal entities, modes of interaction, and mechanisms of control were transformed. An explanation (or at least a first approximation thereto) of this sytems change is the principal purpose of the following sections.

The triumph of the nation-state

The predominant feature of modern international relations has been the emergence of the nation-state as the dominant form of political organization. In the premodern era, the multiethnic empire and localized social formations (tribes, city-states, and feudal entities) constituted the principal actors or entities in international relations. In the modern world, the nation-state has eclipsed every other type of political actor. The reasons for this systems transformation are, of course, extremely complex, provoking intense debate among scholars (North and Thomas, 1973; Anderson, 1974; McNeill, 1974; Wallerstein, 1974; Tilly, 1975). Our discussion here draws heavily on the arguments of Joseph Strayer (1970) and of Douglass North and Robert Thomas (1973) that the nation-state succeeded because it was the most efficient form of political organization for the set of environmental conditions that developed in early modern Europe.

As Strayer put it, the modern state was a political innovation

[6] Hegemony, from the Greek, refers to the leadership of one state (the *hegemon*) over other states in the system.

that solved the dilemma faced by the predominant forms of premodern political organization, especially empires and city-states (1970, pp. 11–12). On the one hand, although empires were militarily strong, they were able to enlist and secure the loyalty of only a small fraction of their inhabitants. This lack of identification between the public good of the empire and the private objectives of most citizens was a source of serious weakness; it accounts for the ultimate fragility of empires in the face of internal revolts and external pressures. On the other hand, whereas city-states enjoyed the passionate loyalty of their citizens, they were severely limited in their capacity to generate power; they could not easily incorporate new territories and populations and thereby add to their power. Thus the city-state became either the nucleus of an empire (Rome) or the victim (Greek *polis*) of an empire. As for feudalism, based on a warrior elite and docile serfs, it was characterized both by fragmented political structures and by loose ties of loyalty. Its weakness lay in its failure on both accounts; both scale and strong loyalties were absent. In brief, premodern political forms were plagued by the inevitable trade-off between scale and loyalty.

The modern nation-state solved the dilemma posed by this trade-off and in doing so triumphed over its political competitors: the city-state, empire, and feudalism. It was able to join large scale with intense loyalty. As Strayer wrote,

> The European states which emerged after 1100 combined, to some extent, the strengths of both the empires and the city-states. They were large enough and powerful enough to have excellent chances for survival – some of them are approaching the thousand-year mark, which is a respectable age for any human organization. At the same time they managed to get a large proportion of their people involved in, or at least concerned with the political process, and they succeeded in creating some sense of common identity among local communities. They got more out of their people, both in the way of political and social activity and in loyalty than the ancient empires had done, even if they fell short of the full participation which had marked a city such as Athens (Strayer, 1970, p. 12).

One reason for this achievement and the systems change it entailed has been explained, at least in part, by North and Thomas (1973). The fragmented feudal system of political organization that the nation-state system displaced was the consequence of a peculiar set of economic, political, and military conditions, especially the absence of long-distance trade and the weakness of central political authority. The late Middle Ages were a time of intense personal insecurity, with marauding lawless bands and robber barons alike plundering the weak. Because of the prevailing social conditions and the existing military techniques (the fixed castle and the mounted knight), the localized economy and government of the feudal manor and kingdom were the most efficient mode of economic and political organization (North and Thomas, 1973, p. 19). The lord and his knights supplied protection and welfare (what there was of it) in "exchange" for the labor services of the peasantry. The king (little more than a feudal lord himself) sought to keep the peace and keep his kingdom intact with scarcely adequate resources.

The creation of a market economy and a revolution in military affairs between 900 and 1700 transformed the optimum scale of political organization. On the one hand, the growth of trade and the reemergence of a money economy expanded the revenues available to governments. On the other hand, a series of military innovations (the crossbow, the longbow, the pike, gunpowder, and, most of all, the rise of professional armies) meant an increase in the cost and optimum size of the most efficient military unit (North and Thomas, 1973, p. 17). As a consequence, a halting but ultimately self-reinforcing process took place that led to the displacement of feudal organization by the modern nation-state. First, the revival of trade meant a vast increase in taxable revenue provided that new forms of property rights for traders could be created and also protected. Second, the new types of military weaponry and organization greatly increased the economies of scale and expanded the effective range of military power; these military innovations were extremely costly to finance and were beyond the means of most feudal lords and the traditional resources of the king, thus causing a fiscal crisis for the feudal mode of social organization.

This fiscal crisis of feudalism, as Joseph Schumpeter argued, was produced by the disjuncture between the ever-mounting cost of government, especially warfare, and the inadequate tax base of feudal government (Schumpeter, 1954*a*, p. 14). The technological revolution in warfare greatly increased the cost of the most efficient weaponry, and the fragmented, inefficient feudal form of economy that preceded the development of a market economy was unable to generate sufficient revenues to pay for the new modes of military power. As a consequence, feudal political organizations were decreasingly able to protect themselves and thus to survive in the changed economic and military environment.

Under this new set of economic and military conditions, it paid some entrepreneurs to provide protection for persons and property rights in exchange for enlarged revenues collected on a much larger scale than previously. However, the changing of economic and political arrangements is a costly affair, as individuals must be forced to alter their behavior in ways contrary to what they regard as their interests. This task of organizational innovation was beyond the military and financial capabilities of the feudal lords. The feudal mode of organization could not adapt to the new set of conditions. Feudal lords had little incentive to expand and protect trade because they lacked the organizational means to collect the revenue generated by increased trade. The protection of economic activities through use of the expensive new military techniques and the collection of the revenues generated by the expansion of trade necessitated a far larger form of political organization than ever existed under feudalism. In short, the new economic and military environment made it possible and profitable to create a new type of economic and political structure that usually was larger.

A fierce struggle began among rulers for revenues to finance the new forms of military power. The transformation of the economic and military environment triggered a Darwinian struggle among political entrepreneurs in which only the strong would survive; the survivors would eventually create the nation-states of Western Europe:

> As the demands of a growing market economy thus imposed pressure to establish larger units of government, the multitude of local manors faced the choice of enlarging their own jurisdictions over neighboring manors, combining with other manors to do so, or of surrendering certain of their

traditional political prerogatives. Beginning with the rise of the market, throughout Western Europe more and more of the functions of government were assumed by regional and national political units in a growing groundswell leading eventually toward the creation of nation-states.

At this point we can usefully pause in our historical narrative to offer an analogy from economic theory. Take the case of a competitive industry with a large number of small firms. Introduce an innovation which leads to economies of scale over a substantial range of output so that the efficient size for a firm is much larger. The path from the old competitive equilibrium to a new (and probably unstable) oligopoly solution will be as follows. The original small firms must either increase in size, combine, or be forced into bankruptcy. The result is a small number of large firms of optimum size, but even then the results are unstable. There are endless efforts toward collusion and price fixing, but equally ubiquitous are the advantages that will accrue to an individual firm which cheats on the arrangement. The result is periods of truce interrupted by eras of cut-throat competition.

When we translate the above description to the political world of this era we have an exact analogy. Between 1200 and 1500 the many political units of Western Europe went through endless expansions, alliances and combinations in a world of continual intrigue and warfare. Even as the major nation-states emerged, the periods of peace were continually interrupted. In short it was an era of expanding war, diplomacy and intrigue. The magnitude of the increasing cost was staggering. A year of warfare represented at least a fourfold increase in costs of government—and most years were characterized by war, not peace. Monarchs were continuously beset by immense indebtedness and forced to desperate expedients; the specter of bankruptcy was a recurring threat and for many states a reality. The fact of the matter is that princes were not free—they were bound to an unending runaway fiscal crisis (North and Thomas, 1973, p. 95).

At the same time that the feudal form of economic and political organization was inefficient and too small, the other traditional form of organization (the empire) proved to be too large for the prevailing modes of transportation and military techniques.[7] At least in continental Europe, large-scale territorial

[7] In effect, the new forms of military power created no economies of scale whose exploitation would necessitate an organization larger than the traditional nation-state within Europe. However, they did permit the creation of mercantile empires outside the European political framework in Asia and the New World.

conquest and empire building became prohibitively expensive; the effort to demonstrate otherwise ruined Spain and the Hapsburgs. The fragmented topography of Europe created barriers to communication and made political unification of the Continent difficult. The existence of comparable levels of development among the several emergent European states and rapid rates of diffusion of technology and organizational techniques among them prevented any state from acquiring a massive advantage over its neighbors (Montesquieu, 1965, p. 39).[8] Finally, that uniquely European institution, the balance-of-power system, kept expansionist powers in check. As a consequence, the several attempts to unify Europe under a universal imperium failed.

The nation-state proved to be the optimum size for political organization under the new set of military and economic conditions. Although the cost of the best military techniques had incrased as in the past, the financial burdens of scale had decreased because of advances in organization and transportation (Elvin, 1973, p. 21). Additionally, the increased rate of economic growth and the expansion of the tax base meant that state revenues could rise faster than the costs of the best military techniques. For these reasons the nation-state displaced the feudal, city-state, and imperial forms of organization; it was simply more efficient, given the changed economic and military environment.

Although the state as an institution has a long history, the modern nation-state is qualitatively different from its predecessors in the premodern era.[9] In the first place, there is a strong central authority that is differentiated from other social organizations, and it exercises control over a well-defined and contiguous territory. The sovereign has a monopoly over the legitimate use

[8] As oligopoly theory tells us, the intense political rivalries of these European states gave a major stimulus to technical innovation. In contrast to the relatively static empires of Asia (political monopolies), European states were forced to innovate new forms of military technology and social organization simply to stay ahead of their competitors (McNeill, 1974, pp. 124–6). The impetus given by this oligopolistic competition to European energies was a factor in their supremacy over older civilizations.

[9] The general characterization of the nation-state presented here obviously has exceptions. It is, in Max Weber's terms, an ideal type. The primary sources from which this description has been drawn include the following: Bendix (1973), Gilbert (1975), Hawtrey (1952), Hicks (1969), North and Thomas (1973), Schumpeter (1954a), Strachey (1964), and Tilly (1975).

of force and is served by a bureaucracy and single set of laws that reach down into the everyday lives of the people. In contrast, the Roman state restricted its interests to the army and finances (Hintze in Bendix, 1973, p. 164). Second, the society and the economy of the modern state are characterized by a complex class structure and division of labor; earlier societies, based on simpler economies, tended to be composed of an elite and a mass, or else of functional estates. Third, the ideology of nationalism fosters internal cohesion and intense loyalty to the state; the identification with and commitment to the welfare of the state by its populace seldom occurred in earlier societies, with the exception of tribes and city-states.

The essence of the modern state is that it consists in a set of laws, beliefs, and institutions for creating and using power. It is consolidated and organized internally in order to increase its power externally (Collins, in Bendix, 1973, p. 59). The modern state, in contrast to premodern empires, tends toward intensive rather than extensive development (Hintze in Bendix, 1973, pp. 163–4). Through its taxation and conscription policies the modern state has the capacity to mobilize the wealth and services of its citizenry to advance the power and interests of the state. As noted earlier, however, whether these interests are defined as the aggrandizement of a Louis XIV or as the welfare of the people is dependent on the nature of the society; no attempt is being made here to reify the state and set it apart from the society to which it is ultimately responsible.

A fundamental and novel feature of the modern state is its role in the economy. Although there were important exceptions, the economic function of the premodern state was primarily to facilitate exploitation of the masses by the elite and to protect society from being exploited by foreign conquerors. In contrast, the primary function of the modern state has become the promotion of economic development through creation of an internal technical infrastructure, removal of obstacles to the formation of a unified domestic market, and intervention in the economy in more direct ways. In effect, the state (representing the emergent middle class and its interests), as Schumpeter argued, liberated people to work and create wealth that could then be taxed for purposes of domestic welfare and national power (Schumpeter, 1954*a*; Hawtrey, 1952, p. 57).

The nation-state triumphed over other forms of political organization because it solved the fiscal crisis of feudalism (Schumpeter, 1954*a*, p. 14). As mercantilist writers appreciated, the success of the nation-state was due to its war-making capability and its fiscal capability; the military evolution and fiscal evolution of the modern nation-state were part and parcel of the same historical development. This fact accounts in large measure for the continued viability of the nation-state. For the past several centuries it has transcended all other forms of political organization. Contrary to the oft-repeated idea that the nation-state is disappearing as a form of political organization, it is encompassing more and more of mankind. The process of state formation that began in western Europe is still transforming the rest of the globe as one people after another demand their own state in order to secure what they regard as their rights.

The breakthrough to economic growth

The second major change in the character of international relations in the modern era has been the greatly enhanced role of economic growth and technological advance in the international distribution of wealth and power. In the imperial age, various societies had known periods of economic growth (i.e., an increase in wealth per capita), but their magnitudes and durations were modest. In these preindustrial societies, social, political, and especially technological constraints placed severe limits on the capital accumulation and productive efficiency necessary for long-term economic growth. Although these limits began to disappear in the early modern era, it was the enduring technological breakthroughs associated with the Industrial Revolution that first caused the great, unprecedented advances in wealth and power. Economic growth became cumulative and self-sustaining because modern industrial technology made it possible for certain societies to escape, at least for a time, the classic Malthusian problem of diminishing returns.

Modern economic growth strengthened the relationship between wealth and power, and in doing so it profoundly altered the nature of international relations. As already noted, the cycle of empires was generated largely by the tendency for the costs of the best military techniques to rise faster than state revenues, causing the state either to fragment or to fall behind its rising rivals. The breakthrough to economic growth overcame this limit. A growing economy could afford the best military techniques and stay ahead of its rivals with lower rates of economic growth. Henceforth, the relative rates of economic growth among societies, the sizes of the economic bases of the societies, and the proportions of total outputs devoted to defense would increasingly determine the power and position of states in the international system (Elvin, 1973, p. 18).

In the premodern world, wealth and power did not necessarily coincide. On the contrary, as McNeill demonstrated in *The Shape of European History* (1974), throughout the premodern era the more wealthy and more economically advanced societies were frequently destroyed and plundered by economically less advanced societies. These rougher peoples were more powerful militarily because they had numerical superiority or had developed a radical new form of military organization and technology or simply were a more hardy and martial breed. Moreover, as was pointed out earlier, in barbarian societies, although the economic surplus available for war was relatively small, it constituted all the resources of the society above the subsistence level.

When agriculture was the basis of wealth, demographic changes, innovations in military or political organization, and random technological developments were frequently the foremost factors underlying political change and the uneven growth of power among states. The accumulation of wealth through exploitation usually followed rather than preceded military conquest; through the exacting of tribute, plunder, and enslavement of conquered peoples, the militarily powerful acquired wealth. Although the advent of modern industry obviously did not end the exploitation of the weak by the strong, it did enhance the direct relationship between wealth and power. Economic wealth and military power became increasingly synonymous.

The frequent separation of wealth and power had continued as late as the seventeenth century. After the Thirty Years' War and the decline of the Hapsburg hegemony (Spain and Austria), the centers of political-military power were France and Sweden, whereas England and Holland were the expanding economic and commercial centers of Europe. Mercantilists who appreciated the increasing economic dimensions of power recognized that a change was taking place. Treasure was needed to purchase arms, hire soldiers, and finance foreign campaigns; to obtain treasure, a nation had to have a favorable balance of trade. But it was not until the Industrial Revolution that economic and military power became securely united in the modern world.

Although, the Spanish Empire was the last in which massive accumulation of wealth followed conquest, the relationship between wealth and power began to change in the late medieval period. It was then that Europe began to surpass its rival civilization in economic growth (Jones, 1981). The supremacy of Europe was based on its technological mastery of sea power, its perfection of artillery, and its social organization, as well as its overall economic superiority (Cipolla, 1965).[10] In its early phase, European imperialism brutally plundered the non-European societies of their precious metals and luxury goods. Then, with the advent of modern industry, technological advance and economic efficiency became the most efficient means to gain wealth and power. Thus, there took place a shift in the relative importance of productive technology and control of territory as factors in the uneven growth of wealth and power among political entities (McNeill, 1967, p. 299). Although both economic development and territorial control (or at least access to territory) were and continue to be the bases of wealth and power, the Industrial Revolution greatly enhanced the relative importance of productive technology in the generation of wealth and power. As Friedrich List (1856, p. 208) put it, "the power of creating wealth is then vastly more important than wealth itself."

As several writers have argued, the reason for this change in the basis of state power was that the western European nation-state succeeded for the first time in history in creating a rela-

[10] A major factor contributing to this supremacy was "the extraordinary bellicosity of Europeans" (McNeill, 1954, p. 29).

tively efficient economic organization (North and Thomas, 1973, p. 157; Anderson, 1974, p. 399). Through trial and error, Europeans created and protected a set of property rights and a concept of human freedom that narrowed the gap between the private and social rates of return; consequently, individuals (though obviously a privileged number) were induced to undertake productive economic activities. In contrast to the situation with its predecessors, a major objective of the modern state has been to use its authority to favor the activities of those individuals who contribute most to economic development (Hawtrey, 1952, pp. 18–19). To give an example, the creation of the first patent law in the seventeenth century (the concept of intellectual property) gave individuals an incentive to engage in inventive activities and thereby set the stage for the Industrial Revolution (North and Thomas, 1973, pp. 155–6).

The initial creation of an efficient economic organization and the breakthrough to sustained economic/technological development took place in the Netherlands and shortly thereafter in Great Britain. In these countries, "a fortunate conjuncture occurred between the interests of the state and the interests of the progressive sector of society" (North and Thomas, 1973, p. 132). In these societies the rising middle classes refashioned social and economic arrangements in order to take advantage of the new opportunities for gaining wealth that environmental changes had created. They invented new forms of property rights and economic institutions that facilitated economic growth and technological advance. As is the case with any successful innovation, this new institutional framework for economic growth was subsequently adopted with various modifications and improvements by other European countries, the United States, Japan, and more slowly today by the so-called developing countries. As a consequence of this economic and technological transformation, the German historian Otto Hintze observed that the primary determinant of the wealth and power of a state in the modern world is the internal efficiency and ordering of the society itself: "The characteristic feature of modern international relations is not the states' drive toward unlimited expansion of their power, but is rather their drive to round off their territory in a more favorable way and to consolidate more firmly" (quoted in Gilbert, 1975, p. 432).

From the seventeenth century onward the character of modern statecraft was profoundly affected by the discovery that economic growth contributed to the national interest and power (Hicks, 1969, pp. 61–2). Mercantilism and its identification of the pursuit of power and plenty as desirable and inseparable goals provided the initial acknowledgment of the changing relationship between the economy and the state (Viner, 1958, p. 286). Expansion of exports and manufactures and achievement of a favorable balance of payments became major goals of state policy. Statesmen became increasingly preoccupied with the international economy and the position of the state in the international division of labor. This concern was a response to the third characteristic of modern international relations: the creation of a world market economy.

The creation of a world market economy

In the modern era, both the domestic and international economies that have replaced the previous localized and imperial economies have become increasingly integrated into a complex web of market relations in which relative prices determine the flow of goods and services among groups and states. Although the more recent rise of socialist and communist-type economies has partially slowed, if not reversed, this trend toward economic interdependence, the world market economy remains a principal feature of the international system in the final decades of the twentieth century.

A market economy constitutes a significant change from more traditional types of economic exchange in both domestic and international terms. Previously, three types of economic exchange were predominant. First and most prevalent was localized exchange. This type of exchange was highly restricted in terms of goods and geographic scope; in general, it was barter trade. Second, there were the command economies of successive great empires; in these planned economies, the production, distribution, and prices of commodities were controlled by the state bureaucracy. Third, there was the long-distance trade in high-value goods. The caravan routes of Asia and Africa were the principal loci of this trade. Although this trade may be said to have constituted a world market, in comparison with modern world trade it involved only a narrow range of goods (spices, silks, slaves, precious metals, etc.) and was based on the absolute advantages of different geographic regions in the production of particular goods.

Stated in simple terms, a market economy involves a marketplace wherein goods and services are exchanged to maximize the returns to individual buyers and sellers. Although markets can exist with respect to all types of commodities (goods, labor, capital, etc.), the nature of the market depends on two characteristics: openness and competition. This means that markets may differ with respect to the freedom of individuals to enter and with respect to the extent to which particular buyers or sellers can influence the terms of the exchange. A perfect or self-regulating market is one that is open to all potential buyers and sellers and in which no individual can determine the terms of the exchange. The relative prices of various commodities tend to govern this flow, and a tendency exists for all factors of production (land, labor, and capital), depending on their mobilities, to be rewarded equally throughout this market.

At least in theory, and occasionally in practice, a market system is not subordinate to society or the state. Although the parameters of exchange are set by the larger goals and needs of the society, market forces operate by a logic of their own. The market is composed of individuals seeking to enhance their own objectives, and the outcome of exchange in a self-regulating market is determined by economic "laws," such as those of comparative advantage and of supply and demand, subject to constraints set by the society's values and the security interests of the state. Thus, under a market system, the economy constitutes a more or less autonomous sphere.

The rationale for a market system is that it increases economic efficiency and maximizes economic growth. The objective of economic activity is not explicitly to enhance the power and security of the state (though it usually does so nevertheless) but ultimately to benefit consumers. It holds, if you will, that it is more blessed to consume than to produce. Thus, Smith and other proponents of the market system have tended to deemphasize the security and other costs of the market system. However, disruption of the society's traditional values and increased vulnerability to external influences are frequently among the costs of increasing market interdependence among national economies.

A market system of exchange is a radical departure indeed from the ways in which societies had traditionally organized their economies. Societies throughout history placed much greater emphasis on security values, such as military power, social stability, and self-sufficiency, than on rises in real income through an unfettered market mechanism. This was the case with feudal societies, ancient empires, and tribal kingdoms. There were, of course, exceptions. The city-state systems of classical Greece and the Hellenistic Mediterranean economy, for example, did contain a peculiar set of conditions that enabled markets to break free from social and political constraints. But their durations were brief on the scale of historical time.

Societies freely enter into extensive market relations only when the perceived gains are much greater than the perceived costs or when the market relations are forced on them by a superior society. Therefore, it is not surprising that the champions of an interdependent world market economy have been politically the most powerful and economically the most efficient nations. Both elements, hegemony and efficiency, are necessary preconditions for a society to champion the creation of an interdependent market economy. Hegemony without efficiency tends to move toward imperial-type economies, as is the case in the Soviet bloc. National economic efficiency without a corresponding political-military strength may not be able to induce other powerful societies to assume the costs of a market system. Thus the economically efficient but militarily weak Japanese continually fear exclusion from foreign markets by tariff barriers. Because the precondition of combined political hegemony and economic efficiency has infrequently existed, it is not surprising that market systems have been few in the past and that the two great champions of market systems in the modern world have been

Great Britain in the nineteenth century and the United States in the twentieth.

The association of the global market system with the political and economic fortunes first of Great Britain and then of the United States provides one clue to the reasons why the market system of exchange emerged in the modern era and in time became the predominant mode of organizing international economic relations. However, it is not enough to focus on these two economies and their interests. The market system (or what today we call international economic interdependence) runs so counter to the great bulk of human experience that only extraordinary changes and novel circumstances could have led to its innovation and triumph over other means of economic exchange.

The rise of a world market economy was the result of a number of factors: dramatic and rapid improvements in communications and transportation; the political success of the rising middle class; the discovery of the New World. Three other factors should also be emphasized because of their impact on the nature of international relations: the monetarization of economic relations; the "innovation" of private property; the structure of the European state system.

The monetarization of an economy has a revolutionary effect on politics because it deepens and extends the market. A monetarized market greatly accelerates the accumulation of wealth, the expansion of international commerce, and the centralization of political power; it dissolves traditional social relations and encourages the creation of larger and more complex forms of social, economic, and political organization. It makes possible an extensive and more efficient division of labor (Clough, 1970, p. 165). It facilitates the mobilization of wealth for war and thereby increases the scale of military power and warfare. Money itself becomes a form of power.[11] For all these reasons, the introduction of a monetarized market economy into an international sys-

[11] As Ralph Hawtrey has shown, the power of society is dependent not so much on the quantity of its wealth as on the mobility of its wealth. Mobility refers to the availability of taxable wealth to the state, especially for military purposes. It is vitally affected by the transportation system, the concentration of wealth in economic centers, and the degree of monetarization of the economy (Hawtrey, 1952, pp. 60–3).

tem has far-reaching consequences for political and military relations as well as economic relations (Andreski, 1971, pp. 84–7). The monetarization of the ancient Greek economy, for example, transformed all aspects of international relations, as revealed in the following observation:

> The consequences of the spread of money and markets are, clearly, enormous. Even warfare is affected. The Greeks who fought the Trojan War took ten years to do so, because their forces had to scatter and live off the countryside. By the time of the great Peloponnesian War, however, the market and its sutlers (merchants following an army to buy up booty for resale elsewhere) had coped with the logistical problems of servicing major concentrations of manpower. The scope and scale of warfare changed in consequence (Carney, 1973, p. 25; footnote deleted).

In similar fashion, the flow of New World gold and silver into Europe in the sixteenth and seventeenth centuries and the gradual diffusion of the market system had a profound economic, political, and security impact (Clough, 1970, p. 193). The vast expansion of the money supply led to increasing monetarization of the economy and vast expansion of the market exchange system. The demand for money grew apace, and the accumulation of bullion became a major preoccupation of the state.

In particular, the monetarization of the European economy financed the revolution in military affairs and the modern nation-state. Both the rise of professional armies and the creation of supporting national bureaucracies required money, and lots of it. The nature of war changed; war was transformed from a clash between societies to an instrument of national policy for emerging nation-states in pursuit of their various national interests (Clark, 1958). The monetarization of economies and the rise of the nation-state as essentially a war-making machine went hand in hand. On a world scale, the rise of a monetarized market economy and the mobilization of wealth it made possible were major factors in the military triumph of the West over earlier civilizations (Clough, 1970, pp. 165, 192–5).

A further reason for the rise and spread of a market economy and for its impact was a decrease in transactions costs, especially the costs of defining and enforcing property rights. In the premodern era, the non-price-based allocation of goods and services was more efficient because the costs of enforcing property rights exceeded the benefits. For this reason, reciprocity and distributive forms of exchange predominated. Improvements in transportation, the revolution in military affairs, and the growth of the money supply decreased the costs and increased the benefits of creating new forms of property rights. This development, in turn, made it possible to organize economic transactions in terms of free competitive markets (i.e., the exchange of property rights over goods and services on the basis of price). The greater efficiency of this form of exchange led to stimulation of economic growth and displacement of premodern non-price-based systems of exchange (North, 1977, p. 710).

The diffusion of the market economy throughout western Europe and the enforcement of private property rights throughout the world vastly increased the role of economic factors as important elements of national power; this enabled the Europeans to mobilize their resources in the interest of growth and power, surpassing all other civilizations. Subsequently, the incorporation of more and more countries into the global market economy through the universal recognition of European private property rights (rights protected by Western military power) meant that the market became an increasingly important nexus of international relations. As a consequence of these developments, the position of a state in the world market (the so-called international division of labor) became a principal determinant, if not the principal determinant, of its status in the international system.

In the new international environment created by the advent of sustained economic growth and a world market economy, the tendency of states to expand as their power grew underwent a profound transformation. Whereas in the premodern world, expansion principally took the form of territorial expansion, political expansion and economic expansion have tended to characterize growing states in the modern world. The primary objectives of increasing numbers of states have been to extend their political influence over other states and to increase their dominance over the world market economy. Through specialization and international trade an efficient state could gain more than through territorial expansion and conquests. The expanded market and the diversity of available resources made possible by trade were spurs to the growth of wealth and power of those states best able to take advantage of the change in world conditions. For these states, trade proved to be more profitable than imperial tribute (Lane, 1942, p. 269).

A further condition that was necessary for the emergence of a world market economy was the structure of the international political system. An economy exists within a social and political framework that both permits and proscribes certain types of economic activities; the economy, at least in the short run, is subordinate to the larger social and political goals of the society. It does not exist in an autonomous sphere governed solely by economic laws. In the words of E. H. Carr, "the science of economics presupposes a given political order, and cannot be profitably studied in isolation from politics" (1951, p. 117).

In the modern world, the emergence of a world market economy was dependent on the pluralistic structure of the European (and, subsequently, the global) political system. In the premodern era, flourishing international markets such as those of Greece and the Hellenistic period were eventually displaced by expanding imperial economies (Hicks, 1969, p. 41). But in the modern period, the failure of the several efforts to unify Europe politically permitted the expansion of a market-type international economy. The absence of an imperial power to organize and control production and exchange gave free rein to market forces.[12] As a consequence, the market system has come to encompass more and more of the globe since its beginning in the seventeenth century.

The first phase of this emerging world market economy was the mercantilist era of the seventeenth and eighteenth centuries. Mercantilist doctrines and policies were responses to the increasing importance of commerce and overseas colonies to the power of the emerging European nation-states. The conflicts of this era

[12] This interpretation of the rise of a market economy was put forth by two contemporary authors with very different ideological perspectives. Jean Baechler (1971) used this idea to support the superiority of capitalism over other forms of economic organization. Immanuel Wallerstein (1974) presented a quasi-Marxist critique of capitalism.

largely revolved around the efforts of one state or another to gain control over the new sources of wealth in Asia and the New World (Gilbert, 1961, pp. 20, 46). This era came to a close with the British defeat of France in the Napoleonic wars and the creation of the Pax Britannica, which ushered in the second phase of the modern world market economy. In an earlier work, we set forth in brief terms the nature of and reasons for this change:

Throughout the late seventeenth and eighteenth centuries, the five littoral states of Western Europe – Portugal, Spain, the Netherlands, France, and Britain – fought over the economic exploitation of Asia and America. One by one, these contenders for control of overseas mercantilistic empires and for European hegemony were eliminated until only France and England remained. The former, supreme on the continent of Europe, was the dominant power at that time. The latter, dominant on the high seas, was the rising challenger.

Although both powers were growing in wealth and power, after 1750 British power had begun a more rapid advance due to the accelerating pace of the Industrial Revolution and to British control of access to America and Asia. Favored by rich veins of coal, deposits of iron, and an enterprising population, Britain began to take the lead in the technologies of the first phase of the Industrial Revolution – textiles, iron, and steam power. The growth of the British economy and the relative decline of French power caused increasing disequilibrium between France's dominant position and her capacity to maintain it. Eventually this struggle between a declining France and a rising Great Britain gave rise to the wars during the period of the French Revolution and Napoleonic era.

At issue in the clash between industrial Great Britain and Napoleonic France were two fundamentally opposed systems for organizing the world's economy – and ultimately, of course, for dominating the globe. Whereas the ideal of the older mercantilism had been the integration of national economies with colonial dependencies, the struggle between England and France reflected the commercial and productive potentialities of the Industrial Revolution. Great Britain, in command of the sea and leading in the productive technologies of the Industrial Revolution, desired the creation of a world economy centered on her industrial and financial core.

The objective of Napoleon, on the other hand, through the instrumentality of the Continental System, was to develop the economy of Continental Europe, with France as its main center. As the dominant power of an integrated regional economy, France would be able to arrest her own decline and destroy England's lucrative commerce with the continent; eventually a unified Europe under French leadership could itself take to the sea. This regionalization of the world economy under France would destroy the economic basis of British power and restore French grandeur. But with the final defeat of Napoleon at Waterloo, the last French effort to challenge British economic and political predominance came to an end. From then until the latter part of the nineteenth century, no nation would have the economic and territorial base to challenge British world hegemony.

The *Pax Britannica,* which determined the general structure of international relations until the collapse of the system under the impact of World War I, transformed the conduct and general features of international economic relations. At its height (1849–80), the *Pax Britannica* emphasized an open, interdependent world economy based on free trade, nondiscrimination, and equal treatment rather than one based on the control and possession of colonies. Although Great Britain and several other European powers retained the remnants of colonial empires, the conquest of territory and colonies declined in importance. Behind the shield of British command of the seas, British trade and investment had relatively free access to the world's markets and sources of raw materials.

The political order identified with the *Pax Britannica,* which constituted the necessary condition for the British strategy of portfolio investment, had two critical elements. The first was the redistribution of territory following the Napoleonic wars. The territorial settlement reached at the Congress of Vienna and the related negotiations may be divided into two parts. First, the redistribution of territory on the continent of Europe checked the ambitions of Russia in the east and France in the west. Second, the overseas conquests of the continental powers were reduced and Great Britain acquired a number of important strategic bases abroad. As a consequence, the four major powers on the continent were kept in check by their own rivalries and by Britain, which, having no direct interests at stake on the continent, could play a balancing and mediating role.

The second major element of the *Pax Britannica* was British naval supremacy. It was able to exercise a powerful and pervasive influence over global politics owing to a fortuitous juncture of other circumstances. Britain's geographic position directly off the coast of continental Europe and her possession of naval bases strategically located throughout the world enabled her to control continental Europe's access to the outside world and to deny overseas colonies to her European rivals. Among these strategic control points were what Admiral Lord Fisher called "the five keys" which "lock up the world": Gibraltar, Singapore, Dover, the Cape of Good Hope, and Alexandria. As a consequence, from 1825, when Great Britain warned Russia not to take advantage of the revolt of Spanish America, until the latter part of the century, the greater part of the non-European world was either largely independent (at least, politically) of European rule or else under British rule. It was in the British interest and was within British power to prevent both the reemergence of mercantilism and the struggle on the part of the European powers for exclusive overseas empires. Controlling the seas and access to the globe, the British had little need for the possession of overseas colonies in order to exploit the world's markets and riches.

In effect, as noted above, two complementary subsystems emerged from the Napoleonic wars and the subsequent peace treaties. Outside Europe there was the maritime realm, governed by British naval power. On the continent, the status quo was preserved partially by the British in their role as balancer, but principally by the distribution of power among the major states. The central features of this continental equilibrium were: the fragmentation of German power among scores of minor principalities, a growing but still relatively small Prussia, and a conservative, multi-ethnic Austro-Hungarian Empire. Thus, politically fragmented, largely agrarian, and lacking good land transportation, continental Europe was relatively stable until the unification of Germany under Prussian hegemony by the force of arms and the railroad.

The British possessed the further advantage of being able to preserve their global hegemony and the status quo at a minimal cost. Given their geographical position, they could bottle up the continent with relatively few ships; only with the re-emergence of the French navy and, more importantly, with the German navy in the latter part of the century could a continental naval power threaten British supremacy. Outside the continent there were really no challenging states until late in the century when the United States and Japan became important naval powers. With the rise of these challenging naval powers, maintaining hegemony would become a heavy economic burden for the British. But until then, as Susan Strange has put it, the British empire was like a Model-T Ford: "It was comparatively easy to assemble and comparatively cheap to run."

In addition to these political and strategic factors, another necessary condition for the British strategy of portfolio investment was a technological revolution in transportation. Communications and transportation by land and by sea were revolutionized with the invention of cheap steel and the application of steam power to sea and land transport. The steamship decreased the time, cost, and risk of marine transportation, thereby having a profound effect on economic relations as well as on the exercise of military power. It made possible specialization and an international division of labor on an unprecedented global scale.

To understand why Great Britain took advantage of this strategic and technological situation so as to create an interdependent world economy, one must appreciate the revolution which took place in British economic thought, namely, the triumph of liberalism.

The essence of the teaching of Adam Smith and of later free traders was that wealth from trade was due to the exchange of goods, not to territorial possession. Smith and other liberals argued that the costs and disadvantages of empire and territorial control outweighed the benefits; that imperial self-sufficiency and exclusive economic spheres impeded the natural flow of trade and handicapped growth; and that British supremacy rested on manufacturing, not on empire. They pointed out that England, with only half the population of France, was turning out two-thirds of the world's coal and half of its iron and cloth. Technologically more advanced than her competitors, the liberals argued, Britain could capture world markets with cheaper goods. Why, then, they inquired, should Britain restrict her trade to a closed empire when the whole world lay open and desired her goods? Britain's interest lay in universal free trade and the removal of all barriers to the exchange of goods. Through concentration on industrial efficiency, Great Britain could create an empire of trade rather than one of colonies.

The objective of British foreign economic policy became the creation of complementary economic relations between the British industrial core and an overseas periphery which would supply cheap food, raw materials, and markets. Through the migration of labor and the export of capital to developing lands (the United States, Canada, Australia, and so forth) Britain could acquire cheap imports and also develop a market for her growing industrial exports. She could sell her textiles, invest her capital, and purchase necessities nearly wherever she pleased. In the words of the distinguished economist Stanley Jevons, "Unfettered commerce . . . has made the several quarters of the globe our willing tributaries" (Gilpin, 1975, pp. 79–84; text revised).

Thus the message of Adam Smith and other liberal free traders in their attacks on mercantilism was that empire was no longer cost-effective. In the industrial era, Great Britain had more to gain by exploiting her comparative industrial advantage and technological superiority in world markets than by acquiring an overseas empire. In the early nineteenth century, these doctrines of free trade and laissez-faire were accepted by Great Britain's rising middle class. In time, a primary objective of British foreign policy became the creation of a world market economy based on free trade, freedom of capital movements, and a unified international monetary system. The achievement of this objective required primarily the creation and enforcement of a set of international rules protecting private property rights rather than the more costly and less beneficial task of conquering an empire.[13] In the nineteenth century this responsibility fell mainly on Great Britain; in the middle of the twentieth century the United States assumed this task.

In the modern era, expansion by means of the world market economy and extension of political influence have largely displaced empire and territorial expansion as a means of acquiring wealth (McNeill, 1954; 1974). The principal reason for this change is that markets are much more efficient than other forms of human organization. Through specialization in the international division of labor, everyone can benefit from international exchange. The larger the market and the greater the volume of transactions, the greater the efficiency of the market and the overall maximization of wealth. Thus states have an incentive to participate in the international economy and share in the benefits of an enlarged trading system.

Although most states tend to benefit in absolute terms from the operation of the world market economy, the more efficient and more technologically advanced economies tend to benefit relatively more than other states. They enjoy higher rates of profit and more favorable terms of trade. As a consequence, a market economy tends, up to a point, to concentrate wealth in the more advanced economies. For this reason, the dominant economic (and military) powers in the modern era (Great Britain

[13] The major exception to this anti-imperial stance of the British until the revival of empire-building in the late nineteenth century was India. The possession of India was a critical factor in England's global political and economic position.

in the nineteenth century and the United states in the twentieth century) assumed the responsibility of organizing and defending the world market economy; they promoted free trade, provided investment capital, and supplied the international currency. In effect, they provided the public goods necessary for the functioning of efficient world markets because it was profitable for them to do so.

A distinguishing feature of the modern world has been that superior economic competitiveness and superior military power have tended to accompany one another. Great Britain and the United States have had an incentive to use their military power to create a competitive world market economy. In the past, on the other hand, economic efficiency and military efficiency did not necessarily coincide. Historically, in fact, as Montesquieu long ago observed, commercial powers in the premodern period usually became the prey of more aggressive military powers (Montesquieu, 1965, p. 47), and even today this still occurs. It should be noted that the Soviet Union has used its superior military power to organize the Eastern European economies into a rather traditional imperial-type command economy. Also, a relative decline in the economic efficiency of a dominant power stimulates moves toward economic protectionism, as is happening with the United States in the latter decades of the twentieth century. In short, although the efficiency and benefits of a world market economy were factors in its predominance over localism and imperial-type economies, it is worth noting that the dominant powers enforced the rules that made this possible, and they did so because they believed it to be in their economic interests. This may not be the case in the future.

The numerous wars and conquests of the past century and a half appear to challenge the thesis that the significance of territorial control and expansion has declined in the modern world. However, we do not intend to assert that territorial control and noneconomic forms of expansion have ceased to be important; indeed, this is obviously not correct. However, it is the case that, at least for established states (an important qualification), internal economic efficiency has become the more important source of wealth. Although Alastair Buchan overstated the point, there is a fundamental truth in his statement "that there is nothing which a country can now do to augment its prosperity, power, or status by way of territorial expansion which it cannot also do by the stimulation of technology and by capital investment within its existing boundaries" (Porter, 1972, p. 177).

Furthermore, if the importance of territorial conquest has declined, how is one to account for the late-nineteenth-century overseas imperialism in which, during three or four decades, sub-Saharan Africa and many other territories were colonized by the major powers? Again, this is a valid point. It is noteworthy, however, that these overseas conquests had become relatively inexpensive because of nineteenth-century advances in transportation and the vast military superiority of the Europeans. In effect, outside of Europe, empire building had once again become profitable. Yet, by historical standards, these late-nineteenth-century empires in themselves were of relatively little consequence. They did not weigh heavily in the global balance of power.[14] They were remarkably short-lived because the colonized people quickly learned the ways of the colonizers, and in a few decades revolting colonial peoples made empire once again no longer cost-effective. Today, these former colonial peoples are creating states of their own.

Of more significance is the fact that the purpose of these overseas empires was less to plunder and exploit (though both occurred) than to provide a stable legal and political framework for trade and investment, that is, protection of European property rights (Hawtrey, 1952, p. V–VI). What the colonial powers most frequently desired was to have exclusive commercial rights or, alternatively, to prevent other nations from excluding their traders and investors from potential markets. In the judgment of Lionel Robbins, the primary motive (certainly in the case of the biggest imperialist power of them all, Great Britain) was to keep overseas territories open for British traders and investors (Robbins, 1971, pp. 246–7). When Great Britain was no longer able

[14] The major exception, as stated earlier, was India, which was a major ingredient in Great Britain's world position. However, it was a holdover from the earlier preindustrial phase of colonialism. Even so, its profitability for the British is a matter of dispute among scholars.

to contain the imperialist ambitions of its continental European rivals because of its relative decline in power, it engaged in a massive effort of "preclusive" imperialism; the object of colonialism, in other words, was to minimize potential losses more than to maximize potential gains. Indeed, with the exception of minerals production in particular areas (the gold of South Africa, the copper of the Belgian Congo, the tin of Malaya, etc.), these late-nineteenth-century empires were not especially profitable (Condliffe, 1950, p. 235).

For the colonized peoples themselves, the most significant impact of these empires resulted from the unleashing of market forces. It was market forces, more than deliberate exploitation and political subjugation, that had such a devastating effect on traditional cultures (McNeill, 1954, p. 45).[15] As has already been noted, markets and a money economy are highly destructive of traditional society; they transform every aspect of life. It is precisely for this reason that they are frequently resisted by those who suffer their impact. In retrospect, the most serious charge made against the nineteenth-century imperial system is that it weakened the traditional cultures and the localized economies while putting little in their place (Condliffe, 1950, p. 316). Deprived of a government of their own, colonies lacked the opportunity to resist these forces and create an efficient internal economic organization. Whether or not they would have done so in the absence of colonial rule is, alas, a large unanswerable question.

Finally, although there were major military conflicts and territorial conquests on the continent of Europe and elsewhere during the nineteenth century, they were basically incidental aspects of state building. The obvious success of the nation-state as an economic and political entity stimulated one people after another to seek national unity and thereby gave rise to the several wars of national unification. However, a fundamental purpose of na-

[15] A major difference between ancient and modern empires is that the former transformed the religion and civilization of the conquered peoples; thus, Arab and other conquerors converted a great swath of humanity to Islam. In contrast, the primary impact of Western imperialism and the market forces associated with it was to uproot traditional peasant societies. Whereas these societies have tended to accept Western science and technology, they have generally rejected its moral and religious values, especially in those cases in which powerful religions held sway.

tional unity was to create the social and political framework for internal economic development and to resist untoward consequences of the world market system; it was seldom a revival of the imperial game of territorial conquest for the sake of exploitation – a game discovered by Napoleonic France to be costly in an age of nationalism.

Contemporary Marxists and dependency theorists would object to the preceding analysis. In particular, they would counter that capitalistic exploitation of lesser-developed peoples, rather than efficient internal organization, explains the maldistribution of wealth in the contemporary world. The rich are rich, and the poor are poor, it is argued, because the latter have been exploited and stripped of their wealth by the former.

Although plunder and exploitation have taken place, they have not been of sufficient magnitude to account for the existing distribution of wealth among countries. The external transfer of wealth from colonies to colonial powers cannot possibly explain the distribution of wealth and power in the contemporary world. Moreover, international economic relations have existed primarily among the more advanced countries themselves. Furthermore, as Marx and Lenin correctly acknowledged, trade and investment between advanced economies and less advanced economies tend to favor and develop the latter (Avineri, 1969; Lenin, 1939). A more legitimate point would be that the patterns of trade and investment created by capitalist economies distorted or bypassed certain less developed economies, thus thwarting economic growth and development.

Although capitalist economies had an incentive to colonize the world, they also have an incentive to develop it, as Marx and Lenin fully appreciated. The capitalists cannot realize even their ill-gotten profits unless they are willing to transfer capital, technology, and managerial skills to colonies and dependent economies. It was precisely for this reason that nineteenth-century Marxists regarded capitalist imperialism, despite its many crimes, as ultimately progressive and a necessary step to the emancipation of the human race from poverty and millennia of stagnation: "England has to fulfill a double mission in India: one destructive, the other regenerating – the annihilation of old Asiatic society, and the laying of the material foundations of Western society in Asia" (Marx, quoted by Avineri, 1969, pp. 132–3). On the other hand, one does not find a similar redeeming feature in socialism or communism. Such economies must be based either on strong bonds of fellowship and community or on governmental coercion. The human capacity for community and cooperation with one's fellows appears to be very limited, and socialist economies of this communal type (e.g., utopian communes, Israeli kibbutzim) have been based on strong ideological or religious ties. Although these socialist communities may not exploit others, they have little incentive to benefit others outside the narrow bounds of the religious or ideological community.

Likewise, communist systems based on coercion have no strong incentive to develop other societies, including fellow communist economies. The Soviet Union, for political reasons, has provided financial and technical assistance to several underdeveloped countries such as Cuba, Egypt, and, of course, China. As has been the case with American official foreign aid, such economic and technical transfers are motivated more by political and military considerations than by the economic and developmental needs of recipient countries. Finally, although trade involving communist countries may benefit all concerned, it is seldom of sufficient magnitude to be "the engine of growth" that one finds in capitalist trading relations.

The political significance of the world market economy created by capitalism was that it developed the world. For Marx, this was indeed the historic mission of international capitalism. Although the dominant capitalist power may gain the most (at least initially) from the capitalist international division of labor, other economies (including colonies) may benefit as well. As a consequence, the world market economy has become a principal mechanism for both concentration and diffusion of wealth and power among states.

A world market economy does develop the world; yet it does not do so evenly. Although most states may gain in absolute terms from participation in the world market, some gain relatively more than others, and some are certainly harmed by their integration into the world economy. Whether this differential growth in wealth is due to the greater economic efficiency of certain states (as most Western economists would agree) or to exploitation of the weak by the strong (as contemporary dependency theorists assert), a market economy does have a profound effect on the international distribution of wealth.[16] This development has brought into existence a profoundly divisive political issue unique to the modern world.

In the premodern world, the distribution of wealth within countries was usually wider than the distribution of wealth among countries; the poor in nearly all societies were at comparable levels of material wealth. In the modern world, wealth is more evenly distributed within societies than among societies; the "poor" in industrialized nations of the Northern Hemisphere are immensely more wealthy than the great fraction of mankind in the Southern Hemisphere. Whether one is well off or poor today has become primarily a function of one's nationality. As a consequence, the distribution of wealth has become "internationalized" and has joined security and the distribution of power as a major issue in world politics.

The succession of hegemonies

These several developments (the nation-state, economic growth, and the world economy) resulted in the nineteenth century in the displacement of the cycle of empires by a succession of hegemonies. First in the European system and then on a global scale, successive political and economic hegemonies have supplanted the pattern of successive empires as the fundamental ordering principle of international relations. Since the Industrial Revolution, the two successive hegemonic powers in the global system (Great Britain and the United States) have sought to organize political, territorial, and especially economic relations in terms of their respective security and economic interests. They have succeeded in this hegemonic role partially because they have imposed their will on lesser states and partially because other states have benefited from and accepted their leadership.

As was the case with premodern empires, the hegemonic

[16] For a balanced assessment of these matters, see the work of Gould (1972, pp. 218–94).

powers may be said to supply public goods (security and protection of property rights) in exchange for revenue (Hirsch, Doyle, and Morse, 1977, pp. 19–21). The Pax Britannica and Pax Americana, like the Pax Romana, ensured an international system of relative peace and security. Great Britain and the United States created and enforced the rules of a liberal international economic order.[17] British and American policies fostered free trade and freedom of capital movements. These great powers supplied the key currency and managed the international monetary system. As has already been noted, they assumed these responsibilities because it was profitable to do so. The benefits to them of a secure status quo, free trade, foreign investment, and a well-functioning international monetary system were greater than the associated costs. While bringing benefits to themselves, however, the policies of the hegemonic powers were also beneficial to those other states that desired to and could take advantage of the international political and economic status quo.

Although in this study we argue that the cycle of empires has been replaced by a succession of hegemonies in the modern world, a major qualification must be posited. Ours, of course, is not the first international system to experience a succession of hegemons – witness the classical Greek city-state system from which the concept of hegemony or leadership comes. Now, as then, the reason for this situation is a particular set of environmental circumstances rather than the eradication of the imperial impulse itself. When environmental conditions seem to make it profitable and domestic incentives are sufficiently strong, ambitious states seek to create empires and unite the international system by force. Indeed, this was the case during World War I and World War II. There are no guarantees that there will be no future attempts to forge imperial systems, and it is conceivable that the succession of hegemonies of the nineteenth and twentieth centuries (like the Greek city-state system) will be seen as merely an interlude in the more universal pattern of unifying imperialisms.

[17] In a very interesting article, George Modelski (1978) argued that a cycle of global powers characterizes the modern world: Portugal, the Netherlands, Great Britain (twice), and the United States. Although the first two certainly did dominate world trade, their political dominance over the international system never equaled that of Great Britain or the United States. For this reason, the present formulation is preferred.

LIMITATIONS ON CHANGE AND EXPANSION

Thus far it has been argued that states seek to change the international system through territorial, political, and/or economic expansion until the marginal costs of further expansion and change are equal to or greater than the marginal benefits. In the imperial era this expansion took place primarily through territorial conquest. In the modern world, domestic consolidation and economic expansion in world markets have complemented and partially supplanted territorial expansion. Furthermore, it has been pointed out that the growth of power of a state and its expansion tend to reinforce one another, as expansion increases the economic surplus and resources available to the expanding state.

In the absence of countervailing forces, the logic of this situation would culminate in a universal political empire or global economic monopoly. As was indicated earlier, however, the growth and expansion of a state and economy at some point encounter and even generate countervailing forces. As a consequence, the marginal benefits of expansion decline, and the marginal costs increase, thereby decreasing the economic surplus and placing a limit on further expansion. We shall next examine the character of these countervailing forces: First will be those forces that apply particularly, although not exclusively, to the expansion of empires and territorial expansion, followed by examination of the special case of economic expansion in the modern world.

Among the countervailing forces that limit expansion, the most important historically have been natural barriers and the loss-of-strength gradient, as described earlier. Modes of transportation, topography, climate, precipitation, fertility of the soil, disease, etc., affect the costs and benefits of expansion and conquest. Consequently, at some point as a state expands its territorial base and political influence, the net benefits and resulting economic surplus decline. Thus, "the extent of the Roman empire was limited by the desert to the South, the Germans and the forest to the North, the sea to the West, and the early Parthian 'empire' to the East" (Rader, 1971, p. 47). Although this type of natural limitation is less significant in the contemporary world, it is still a factor in world politics – witness the American debacle in the jungles of Southeast Asia.

A second countervailing force that limits the expansion of a state and international change is the generation of opposing power. In all international systems of which we have knowledge, we find the notion of the balance of power. As David Hume observed in a statement on the balance of power, the idea of allying forces to resist an expanding state has always been a universal principle of prudent politics (quoted by Seabury, 1965, pp. 32–6). Although this technique is not always effective, the tendency is for opposition to an expanding state to be generated in the form of counterbalancing political and economic alliances. What is unique about the modern world is that this technique of balancing power with power became a systematic and institutionalized feature of the European state system and a major reason that the European states retained their independence in the face of the several attempts to unify the Continent. As a result, the European state system escaped the fate of all previous systems of being unified by a universal empire.

The operation of the balance-of-power mechanism is a function of the "density" of an international system. International systems differ with respect to the room or space available for territorial or economic expansion. In the early phase of an international system there is open space or frontier for the expansionist ambitions of states. A Carthage, Rome, or Parthia may grow in power for decades and expand in relative isolation from other states. As states expand, the open frontier shrinks, and they begin to encroach on one another. They increasingly collide, and conflict intensifies among them, raising the costs of further expansion. In time, either one state becomes dominant or a balance is established among states.

A third and more speculative limit to the territorial, political, and economic expansion of a state is the notion that economic, technical, and other factors determine an optimum size for political entities in a particular historical era (Bean, 1973; Auster and Silver, 1979, Chapter 3). Below that optimum size the state cannot generate sufficient resources to protect itself and survive. Above that optimum size, diseconomies of scale, political fragmentation, and problems of centralized command begin to chip away at the power of an expanding state and arrest its further growth. A number of theorists and historians have observed this phenomenon. Mark Elvin, for example, in his brilliant study of the Chinese Empire, suggested that the costs of empire tend to increase geometrically as its size increases, whereas its resources increase only arithmetically. This situation is due to the need for a larger army to defend its borders and a larger bureaucracy to manage the society. Thus the scale and limits of an empire are determined by the trade-off between the "burdens of scale and technological capacity" (Elvin, 1973, p. 110). As a consequence, "the larger the unit the more it has to excel its neighbours if it is to survive for long" (Elvin, 1973, p. 19).

Other scholars have made similar observations regarding the limits to the scale of political organization. Kenneth Boulding speculated that the size of political organization is governed by the law of the optimum size of organization due to the increasing cost of administration (Boulding, 1953, pp. 22–5). Anthony Downs (1967, p. 143) spoke of the law of diminishing control, and Karl Wittfogel (1957, p. 110) spoke of the law of diminishing administrative returns. Another theory is William Riker's size principle: As the size of a political coalition increases, the returns to its members decrease. At some point a coalition member can increase its gains by leaving the coalition (suboptimization). This trade-off between the size of a coalition and the returns to its members is said to impose a limit on the size of coalitions (and states) (Riker, 1962).[18] Yet a third theory is that a trade-off exists between the size of a political entity and the optimal returns to individuals (Olson, 1968); although enlargement of a political unit creates economies of scale with respect to the provision of public goods, the total range of individual preferences to be satisfied becomes more diverse. As a consequence, individuals and groups begin to believe that their own interests will be better served by bringing government closer to home (Cox, Reynolds, and Rokkan, 1974, p. 129). The limiting effects of this tendency toward suboptimization will be discussed later.

[18] The theory of clubs addresses this question (Frey, 1978, p. 99; Russett, 1968, pp. 50–63).

The fact that political entities of greatly varying sizes coexist in a particular age suggests that the notion of an optimum size should be regarded with some reserve (Dahl and Tufte, 1973). Yet it must also be noted that the sizes of the principal actors within a particular international system differ from the sizes of the actors in another. Furthermore, as economic and technological conditions change, the characteristic size of the dominant powers increases or decreases. Thus the Italian city-state was eclipsed by the larger western European nation-state, just as the latter is now subordinate to the continental superpower. One must ask, therefore, if this tendency is mere chance or if economic, technological, or other environmental conditions in a particular era place a limit on the scale of political organization.

The basic principle at work was stated most succinctly by Brian Barry: "The important criterion for size . . . is that the unit of collective decision-making should be one that . . . internalizes all costs and benefits" (Barry, 1974, p. 492); see also the work of Buchanan and Tullock (1962, p. 113). Unless an actor can capture the benefits of increasing size, it will have insufficient incentive and capacity to pay the necessary costs of expansion. As has already been noted, this situation limited the sizes of feudal organizations; it was not until the economic-technical environment changed that a larger political entity, the nation-state, was possible. In the contemporary world, economic and technological developments may call for even larger units of political organization.

In addition to administrative, economic, and technical limitations, the scale of a society is limited by a tendency toward political disintegration and fragmentation as size increases. This is due to suboptimization on the part of peripheral groups.[19] The fundamental political problem of any large state or empire is how to organize power and resources over a large area while keeping the periphery loyal to central control (Elvin, 1973, pp. 20, 63–8). As the scale of a state, empire, or even a market economy increases in size, groups frequently begin to believe that they can increase their own gains by breaking off or, in the case of markets, by erecting tariff barriers in order to tax trade

[19] By "suboptimization" we mean the effort of a subgroup to increase its relative gains at the expense of the larger group.

or to protect domestic industries (Rader, 1971, p. 48). The success and endurance of many large states and empires have been possible partially because they have invented devices to counter centrifugal forces. The principal unifying devices have been a centralized bureaucracy, a universal religion (or ideology), and the sharing of material benefits (so-called side payments).[20] In the modern world, perhaps the most effective devices for creating loyalty to a large-scale state have been the institution of federalism and the ideology of nationalism. The common feature of these devices is that they give potential breakaway groups a stake in the larger system and identity with the larger system.

The tendency for suboptimization and fragmentation to take place is frequently a function of economic development. An integrated political and economic area tends to foster commerce and economic development because of the decline of trade barriers and the increased flow of resources. However, commerce and development do not take place evenly throughout the system. Trade flows through particular channels, and economic development tends to concentrate at particular nodal points in an economic system. As trade increases and economic centers develop, particular subgroups in a society or trading system develop an incentive to capture increased gains for themselves by breaking off from the center. This tendency toward suboptimization and fragmentation was the curse of successive premodern empires.[21] In the modern world, suboptimization has frequently taken the form of economic nationalism and tariff protectionism as developing states seek to industrialize and reduce their dependence on more advanced economies.

Every empire and dominant state has pursued policies to prevent the phenomenon of suboptimization from taking place. Imperial bureaucracies, for example, sought to maintain a monopoly

[20] The short-lived nature of barbarian conquest was due to the inability of tribal and nomadic peoples to manage the economies they periodically overran. The military superiority of the steppe peoples was seldom supported by an internal political organization and competence that could enable them to consolidate their advanced positions. Sustained expansion requires consolidation, centralization, and a bureaucracy.

[21] For the example of Alexander's short-lived empire that fragmented into three parts, see the work of Clough (1970, pp. 106–7).

of economic resources. The Chinese Empire pursued a deliberate policy of preventing the development of economic centers that might break off. Chinese cities were administrative centers responsive to the imperial center; they seldom became commercial centers. The stability of the Roman Empire was due largely to the fact that Rome under Augustus offered colonial elites Roman citizenship and gave them a stake in the system (Syme, 1939). Soviet Russia has populated its Islamic cities and republics with Great Russians to prevent fragmentation as these republics develop. The modern democratic welfare state pursues regional and redistributive policies that seek to counter the political destabilizing effects of uneven economic development. Dominant economies employ both positive and negative inducements to counter tendencies toward economic nationalism and protectionism.

The most important inhibition against the dangers of suboptimization is the existence of an economic core controlled by the central government or, in the case of a market economy, by the dominant economic power. This means that the central government or dominant economic power is in control of resources superior to those of potential breakaway groups or states. Although he was speaking about the political cohesion of an empire, the following observation by Trout Rader is equally relevant for large states and international markets:

> In addition there is a condition for internal stability of the empire. This requires that no combination of regions could break off and obtain a higher return than the empire. If such a grouping did exist, it would be motivated to revolt and the capital would be unable to expend the resources to return the region to its control. From the stability condition and the fact that transportation costs are positive, there would be no reason for the expansion of the empire beyond the locale, were it not that the capital is in command of resources which are not available to smaller sub-units, even acting in consort. Part of the resources might be due to superior military technology, but surely this would be a short-lived advantage. Indeed, were the empire's dominance entirely dependent upon the military factor, generals would be tempted to initate the breakup of the empire and place themselves at the head of a new sub-empire. Therefore, the basis of the empire must rest upon some economic grounds such as the key location of a city *vis à vis* trade or minerals.

In particular, there are the gains of *pax Romana* which appear when wars between states are lessened. One should keep in mind that states who do not war must nonetheless be ever prepared for war since threats of retaliation require actual and not just potential resources. This itself should be regarded as an economic resource of large organization.

In general, it is by taking advantage of the diverse resources of different regions that an empire can obtain extra resources which a smaller region cannot provide. Of course, many of the advantages of conglomeration might accrue to a group of smaller regions practising free international trade. However, the smaller regions would be tempted to put up barriers to trade in hopes of collecting taxes and/or protecting home industries (Rader, 1971, p. 48).

In brief, the scale of a state, empire, or market is governed by the interaction of two sets of forces. On the one hand, there are certain benefits of large size, such as a greater resource base and economies of scale. On the other hand, increasing scale tends to stimulate centrifugal forces and fragmentation on the part of groups that believe they can maximize their own gains through breaking off. This dual set of forces helps to account for both the initial rapid expansion in the power of a state and the subsequent deceleration in growth producing the S curve that has already been noted. Thus, although a state may enhance its power by incorporating other centers of power, there is a powerful tendency over the long term for these centers to break off. This inherent tendency toward suboptimization on the part of groups limits economies of scale in political organization and constitutes an important limitation on the aggregation of political and economic power on the part of expanding states (Russett, 1968, pp. 306–7).

Finally, the expansion of a state is limited by internal transformations in society. As has been argued earlier, one set of reasons for growth in the power of a state and its expansion is to be found in its internal structure and the nature of domestic society. Factors such as the values and interests of the elite and the relationship of private and public gains from growth and expansion are of particular significance. These factors determine the efficiency of the society and influence the power and interests of the state, thus providing incentives or disincentives for economic and political expansion. During the initial growth of a state or empire, private and public gains coincide; in time, because of social and other changes attendant on the growth in power and wealth of the society, they may come into conflict. This divergence between private and public interests limits further growth in the power and wealth of the society.

The notion that the growth of a society is regulated by some type of internal feedback mechanism was common among classical writers. In the words of a distinguished classicist, the ancient historians searched for "the reason why the rise of a state turns to its downfall" (de Romilly, 1977, p. 19). They found the answer in the idea that when a society extends its control and dominion over others, increased power and wealth lead to moral decay and the corruption of the original virtues that enabled the society to grow in the first place. This theme engaged later writers as well. Montesquieu, it will be recalled, believed republics were naturally expansive because they were better able than monarchies to harness private drive and initiative for the larger glory and power of the state. Yet, as he wrote in *Considerations on the Causes of the Greatness of the Romans and Their Decline,* republics are subject to a self-regulating mechanism that limits their size and eventually leads to their destruction. Up to a certain point of physical growth, republican government can maintain its integrity; beyond this point, however, the republican principle weakens. Republican virtue and ambition that created the empire die out, and once republican virtue dies, the empire decays internally until it can no longer resist the outside forces that are always there seeking to expand and grow in their turn. In the case of Rome, Montesquieu wrote, it was the great size of the republic that led to its destruction.

As Polybius, Montesquieu, and numerous other writers have observed, the effects and experience of growth and expansion eventually weaken or destroy the conditions that initially favored expansion and rob the society of its sources of political and economic momentum. Among these societal changes, several should be noted. The growth in wealth and power of the state alters the internal political balances within the society and may bring into power certain groups whose interests are threatened by the continued expansion of the state. In the society as a whole, there is an erosion of the original élan that supported an aggressive and expansionist foreign policy. The society grows conservative, less innovative, and less willing to run risks; it becomes more interested in upholding present privileges than in risking their loss in further efforts to increase wealth and power. Finally, the society becomes less willing to pay the costs in blood, political stability, or economic dislocation that may be associated with political and economic expansion.

Polybius also had something worthwhile to say on political decay. Surveying Rome at the height of its wealth and power, he predicted that Rome would follow the course of other once-great ancient empires: "When a commonwealth, after warding off many great dangers, has arrived at a high pitch of prosperity and undisputed power, it is evident that, by the lengthened continuance of great wealth within it, the manner of life of its citizens will become more extravagant." Leaders and people become corrupt. Avarice, resentment, and anger will sweep the society as the people demand more and more. "And when that comes to pass the constitution will receive a new name, which sounds better than any other in the world, liberty or democracy; but, in fact, it will become that worst of all governments, mob-rule" (Polybius, 1962, p. 507).

In Marxist terminology, one may say that economic and political expansion by a society tends to plant the seeds of its destruction. Ibn Khaldûn had something like this in mind when he observed that great empires decline because the impoverished nomads who fight to forge them become city dwellers corrupted by the spoils of conquest (Ibn Khaldûn, 1967). The same theme appears in Joseph Schumpeter's belief (1960) that the success of capitalism destroys the risk-taking entrepreneur who is ultimately responsible for economic progress; he becomes a manager and rentier content to live off the accumulated capital of the past. Thus, as private and public interests diverge from the requirements for further growth in power and wealth, the society loses its forward thrust and thereby provides others an opportunity to catch up and eventually overtake it.

CONCLUSION

In this chapter we have analyzed the proposition that states seek to change the international system through expansion until the costs of further change and expansion exceed the benefits. We have contrasted two primary mechanisms of expansion and change that have been employed historically: territorial conquest in the imperial era and economic expansion in the modern era. Specifically, we have argued that as a consequence first of increasing returns and then of diminishing returns from expansion, the growth and contraction of a state tend to follow an S curve or logistics curve. At first, because of its initial advantages over other states, the growing state tends to expand very rapidly. In time, however, the returns to expansion diminish, and the rate of expansion slows. Finally, as the marginal costs of further expansion begin to equal or exceed the marginal benefits, expansion ceases, and an equilibrium is achieved. As will be argued in the next chapter, this equilibrium is merely a temporary phenomenon in the continuing process of international political change.