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## The Political Economy of Alignment: Great Britain's Commitments to Europe, 1905-39

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International Security, Volume 27, Number 4, Spring 2003, pp. 184-219  
(Article)

Published by The MIT Press



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# The Political Economy of Alignment

Kevin Narizny

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Few issues cut so deeply to the core of international relations theory as the origins of diplomatic alignments. If only one of the great powers had chosen a different alliance strategy at any of several critical junctures over the past century, the course of world history might have been radically altered. Germany might have succeeded in the conquest of Europe, or it might have been deterred from hostilities altogether. Much depended on Great Britain, which avoided entangling itself in continental crises until each world war had already become inevitable. By making a stronger commitment to France in the early 1910s, or by forging a close partnership with the Soviet Union in the late 1930s, Britain might have been able to persuade German leaders that military conflict would not have been worth the risk. Given the enormous stakes of great power politics, it is of vital importance for the field of international relations to provide a compelling account of how states choose their allies and adversaries.

The academic debate over alignment has centered on two schools of thought within the realist paradigm. One view posits that states tend to balance against the most powerful actor in the system; the other asserts that states concern themselves only with specific threats to their national security.<sup>1</sup> Using these theories as a point of departure, many scholars have also explored second-order factors that affect great power alignments, including offense-defense balance, revisionist motives, domestic regime characteristics, and intra-alliance bargaining dynamics.<sup>2</sup> Such works have not directly challenged the core as-

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I would like to thank Deborah Boucoyannis, Aaron Friedberg, Arman Grigorian, Mark Haas, Kenneth Schultz, and *International Security's* anonymous reviewers for their helpful comments and advice. I would also like to express my gratitude for the financial support of the Olin Institute for Strategic Studies and the Belfer Center for Science and International Affairs.

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1. Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979); and Stephen M. Walt, *The Origins of Alliances* (Ithaca, N.Y.: Cornell University Press, 1987).

2. Thomas J. Christensen and Jack Snyder, "Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity," *International Organization*, Vol. 44, No. 2 (Spring 1990), pp. 137–168; Randall L. Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In," *International Security*, Vol. 19, No. 1 (Summer 1994), pp. 72–107; Robert G. Kaufman, "To Balance or Band-

sumption that states respond to either power or threat; instead, they have attempted to refine and develop the basic tenets of realism to gain more explanatory leverage over a wider range of cases.<sup>3</sup>

The literature on the origins of alignment has provided many valuable insights into state behavior, but it rests on deeply problematic theoretical foundations. Its focus on power and threat is premised on the idea that states' search for strategic partnerships is motivated above all by the desire for security. This is an eminently reasonable assumption, but it is woefully incomplete. Security is not an object unto itself; it has no meaning in isolation of interests. Most obviously, states have an interest in protecting their homeland from invasion, but that may not be the only consideration influencing their alignment decisions. Unfortunately, realism has almost nothing to say about the process by which other such interests are defined. The best it can do is to try to infer from states' actions, *ex post* and *ad hoc*, what concerns other than self-preservation might have contributed to their broadly conceived "national interest."

The problem of interest definition comes sharply into focus when states are internally divided over the question of alignment. If, as realists assume, a state's optimal strategy can be derived from an objective evaluation of its abstract "national security" requirements, partisan turnover in its executive leadership should have little effect on the essential character of its foreign policy. Only if different parties hold irreconcilable views on the nature of the international system or the intrinsic value of certain goods within it should they pursue divergent alignment strategies. Realism simply lacks the conceptual tools to deal with this eventuality. Most realists would concede that "domestic politics matters," but not at the stage of interest definition. They maintain that the international system creates unique "national interests" for states, so they incorporate domestic politics only to the extent that it constrains the pursuit of such interests. Yet, partisanship is nothing like a constraint; instead, it is a fundamental disagreement over the means and ends of foreign policy.

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wagon? Alignment Decisions in 1930s Europe," *Security Studies*, Vol. 1, No. 3 (Spring 1992), pp. 417–447; Glenn H. Snyder, *Alliance Politics* (Ithaca, N.Y.: Cornell University Press, 1997); and Patricia A. Weitsman, "Intimate Enemies: The Politics of Peacetime Alliances," *Security Studies*, Vol. 7, No. 1 (Autumn 1997), pp. 156–192.

3. Theories of small states' alignment behavior have been more theoretically eclectic. See Steven R. David, *Choosing Sides: Alignment and Realignment in the Third World* (Baltimore, Md.: Johns Hopkins University Press, 1991); Michael N. Barnett and Jack S. Levy, "Domestic Sources of Alliances and Alignments: The Case of Egypt, 1962–73," *International Organization*, Vol. 45, No. 3 (Summer 1991), pp. 369–395; and Dan Reiter, *Crucible of Beliefs: Learning, Alliances, and World Wars* (Ithaca, N.Y.: Cornell University Press, 1996).

Great Britain prior to both world wars is a case in point for these theoretical issues. From 1905 to 1939, its political parties consistently took opposing positions over their country's alignments with the European great powers. In the years leading up to World War I, Conservatives argued that Britain should openly support France and Russia against Germany and Austria, while most Liberals and Labourites opposed taking sides between the two continental alliances. After the war, the defense of France became less controversial, but new cleavages arose. The Conservatives supported the imposition of a harsh indemnity on Germany and withheld diplomatic recognition from Soviet Russia, while Liberals and Labourites sought to reduce reparations and foster close ties with both states. Then, in the mid-1930s, there was yet another shift in the debate over Britain's alignment policy. The Conservatives appeased Germany, while Liberals and Labourites advocated using the League of Nations and cooperation with the Soviet Union to resist German aggression.

Though Britain was highly constrained by foreign threats through much of this period, its strategy was not uniquely determined by the international system. Its diplomatic alignments were upended nearly every time a new government came to power, even when its external environment remained unchanged. The assumption that states follow a unitary "national interest," which underlies nearly all theoretical analyses of great power alliances, is clearly not tenable here.<sup>4</sup> To explain Britain's commitments to Europe in the 1905–39 period, as well as any other case in which alignment decisions are not unambiguously dictated by international imperatives, it is necessary to examine the linkage between societal preferences and strategic choice.<sup>5</sup>

In the following pages, I propose and test a theory of alignment based on domestic groups' sectoral interests. First, I show that ideology cannot account for the pattern of partisanship in Britain. Next, I present a causal logic in which variation in societal actors' involvement in the international economy determines their preferences over alignment. I then generate hypotheses about Brit-

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4. For interpretations of British alignment policy prior to the two world wars, see Barry R. Posen, *The Sources of Military Doctrine: France, Britain, and Germany between the World Wars* (Ithaca, N.Y.: Cornell University Press, 1984), chap. 5; Christensen and Snyder, "Chain Gangs and Passed Bucks"; Randall L. Schweller, *Deadly Imbalances: Tripolarity and Hitler's Strategy of World Conquest* (New York: Columbia University Press, 1998), pp. 116–120, 145–154; Paul A. Papayoanou, *Power Ties: Economic Interdependence, Balancing, and War* (Ann Arbor: University of Michigan Press, 1999), chaps. 4–5; Kaufman, "To Balance or Bandwagon?"; and Stephen M. Walt, "Alliances, Threats, and U.S. Grand Strategy: A Reply to Kaufman and Labs," *Security Studies*, Vol. 1, No. 3 (Spring 1992), pp. 448–482.

5. On this theoretical paradigm, see Andrew Moravcsik, "A Liberal Theory of International Politics," *International Organization*, Vol. 51, No. 4 (Autumn 1997), pp. 513–553.

ish groups' optimal strategies and confirm that they accurately characterize cleavages in public opinion. After briefly explaining how domestic interests are aggregated into executive behavior, I examine the Conservative, Liberal, and Labour Parties' alignment policies in three separate periods: 1905–14, 1918–31, and 1931–39. I conclude with a discussion of the implications of my results.

### *Ideational Theories*

In response to realism's neglect of preference formation, some scholars have argued that alignment choices are dictated by ideological affinities.<sup>6</sup> Viewed in this light, British foreign policy in the interwar period was not about power so much as domestic legitimacy. Labourites supported their socialist brethren in Soviet Russia and opposed the reactionary regime in Nazi Germany, while Conservatives appeased fascism and balanced against the threat of communism. Each party believed that the world was engaged in a titanic struggle between rival ideologies and that the fate of the Soviet revolution would have a major impact on its own political prospects.

Though intuitively appealing, this interpretation suffers from a number of serious empirical anomalies. First, Labour leaders felt little solidarity with the Soviet regime. They did seek diplomatic engagement with it, but most of them found the Bolsheviks' revolutionary extremism, domestic oppression, and foreign subversion to be repugnant. At home, Labour was openly hostile to communists and purged them completely from its ranks in the mid-1920s.<sup>7</sup> Second, the Liberals' position was even more incongruous. Their belief in market eco-

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6. Mark L. Haas, "Ideology and Alliances: British and French Balancing Decisions in the 1930s," *Security Studies* (forthcoming); Sandra Halperin, "The Politics of Appeasement: The Rise of the Left and European International Relations during the Interwar Period," in David Skidmore, ed., *Contested Social Orders and International Politics* (Nashville, Tenn.: Vanderbilt University Press, 1997), pp. 128–164; James D. Morrow, "Arms versus Allies: Trade-Offs in the Search for Security," *International Organization*, Vol. 47, No. 2 (Spring 1993), pp. 207–233; John M. Owen, "Transnational Liberalism and U.S. Primacy," *International Security*, Vol. 26, No. 3 (Winter 2001/02), pp. 117–152; Michael N. Barnett, "Identity and Alliances in the Middle East," in Peter J. Katzenstein, ed., *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press, 1996), pp. 400–447; and Thomas Risse-Kappen, "Collective Identity in a Democratic Community: The Case of NATO," *ibid.*, pp. 357–399.

7. Stephen White, *Britain and the Bolshevik Revolution* (London: Macmillan, 1979), pp. 214–216; David Carlton, *MacDonald versus Henderson: The Foreign Policy of the Second Labour Government* (London: Macmillan, 1970), pp. 144–147; and Andrew J. Williams, *Labour and Russia: The Attitude of the Labour Party to the USSR, 1924–34* (Manchester: Manchester University Press, 1989), pp. 9–10, 213–214.

nomics and political freedom ran contrary to everything that communism represented, yet the party valued cooperation with the Soviet Union almost as much as Labour did. Finally, cleavages over alignment prior to World War I directly contradict the logic of the theory. The aristocratic Conservatives should have sided with the German constitutional monarchy, while the progressive Liberals should have backed the French republic. In fact, the reverse occurred: Conservatives strongly supported France, while the Liberals sought rapprochement with Germany. Ideological affinities may have had some influence on partisan debates over foreign policy, but they could not have been the determining factor.

On the other hand, there may have been a less direct connection between ideas and alignment. Perhaps the ideological principles that guided each party's domestic agenda also influenced its overarching vision of world order and fundamental international objectives. If so, the exigencies of pursuing these objectives might have dictated its choice of diplomatic partners. The Conservatives were the party of nationalism, tradition, and hierarchy, as demonstrated by their devotion to the Anglican Church and the monarchy. In the international sphere, their values were most clearly embodied by the British Empire. Therefore, Conservatives should have aligned against whatever countries posed the greatest threat to the empire. By contrast, Liberals and Labourites believed in equality, progressive institutions, and social welfare, as manifested by their support for unemployment insurance and other domestic reforms. In debates over foreign policy, their ideals translated best into proposals for collective security and the advancement of international law. Consequently, Liberals and Labourites should have opposed any power that threatened to overturn the institutions and principles of legitimate international order.

These hypotheses correspond well to partisan cleavages over British alignment policy in the 1905–39 period. However, the causal logic on which they are based is quite tenuous. First, a sizable minority of Liberals in the late nineteenth and early twentieth centuries was unequivocally imperialist, despite holding progressive views on domestic issues. If political ideology were the key determinant of foreign policy preferences, such a combination should not have been possible. Second, the historical literature on British imperialism has focused overwhelmingly on economic and strategic motives, not ideas, as the driving force behind the expansion of the empire. In the face of this scholarly consensus, it is difficult to justify basing a theory of alignment on the ideology of imperialism. Finally, the argument falls apart completely in comparative

perspective. In the United States, support for collective security and international law was strongest in the South, which was the least liberal, least progressive part of the country.<sup>8</sup> In sum, ideational theories do not provide a satisfying explanation for partisan disagreement over alignment. Instead, I argue that the societal debate over Britain's international strategy was the product of cleavages in its domestic political economy.

### *Political Economy Theory*

In contrast to the extensive realist literature on the origins of alliance behavior, the domestic political economy approach has not yet been fully developed. Many scholars have examined the relationship between economic interdependence and the likelihood of war, but most do not explicitly address the question of alignment.<sup>9</sup> The only major work to propose a general theory of the political economy of alliance formation is Paul Papayoanou's *Power Ties*.<sup>10</sup> Papayoanou argues that there are two types of states, status quo powers and revisionists. When status quo powers are strongly interdependent with each other but weakly interdependent with revisionists, they will react aggressively to the revisionists' attempts to overturn the existing international order. Conversely, when status quo powers are strongly interdependent both with each other and with revisionists, or when status quo powers are not strongly interdependent, they will respond to challenges with appeasement.

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8. Peter Trubowitz, *Defining the National Interest: Conflict and Change in American Foreign Policy* (Chicago: University of Chicago Press, 1998), p. 126; and George L. Grassmuck, "Sectional Biases in Congress on Foreign Policy," *Johns Hopkins University Studies in Historical and Political Science*, Vol. 68, No. 3 (1951), pp. 73, 82. Anne-Marie Burley argues that U.S. internationalism in the 1930s was an external projection of the Democrats' New Deal reforms, but she does not attempt to explain Southerners' preferences or partisan cleavages in earlier years. See Burley, "Regulating the World: Multilateralism, International Law, and the Projection of the New Deal Regulatory State," in John Gerard Ruggie, ed., *Multilateralism Matters: The Theory and Praxis of an Institutional Form* (New York: Columbia University Press, 1993), pp. 125–156.

9. See, for example, Norman Angell, *The Great Illusion: A Study of the Relation of Military Power in Nations to Their Economic and Social Advantage* (New York: Putnam, 1910); Robert O. Keohane and Joseph S. Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1977); and Richard N. Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, 1986).

10. Papayoanou, *Power Ties*. On other aspects of the domestic political economy of security policy, see Trubowitz, *Defining the National Interest*; Benjamin O. Fordham, *Building the Cold War Consensus: The Political Economy of U.S. National Security Policy, 1949–51* (Ann Arbor: University of Michigan Press, 1998); Etel Solingen, "The Political Economy of Nuclear Restraint," *International Security*, Vol. 19, No. 2 (Autumn 1994), pp. 126–169; and James H. Nolt, "Business Conflict and the Demise of Imperialism," in Skidmore, *Contested Social Orders and International Politics*, pp. 92–127.

Though Papayoanou's argument represents an important advance over previous theories of alignment, it is still grounded in the realist assumption that diverse societal interests can be aggregated into consistent "national interests." Consequently, it suffers from the same difficulties as realism when confronted with partisanship. For example, Papayoanou asserts that Britain's economic ties to Germany made it reluctant to form an explicit alliance with France prior to World War I; yet, he neglects the counterfactual that, if only the Conservatives had been in power, Britain almost certainly would have followed a more aggressively pro-French policy. International relations theories cannot automatically assume the existence of an unambiguous "national interest," or even the perception of one, for the state as a whole. Instead, they must consider the preferences of political coalitions within the state.<sup>11</sup>

Societal cleavages over alignment can arise over two broad categories of material interest. First, and often most important, is the locus of individuals' exposure to the international economy. Those employed in sectors that export to or invest in a single powerful state should be predisposed to align with that state, so as to protect their source of income and foster bilateral cooperation over economic issues. By the same logic, those employed in sectors that export to or invest in markets that are threatened by another powerful state should be predisposed to align against that state. In short, domestic groups should insist that the flag follow their trade.

When an industry has strong economic ties to more than one powerful state within a regional system, its strategic interests become more complex. Unless all of its commercial partners are in perfect diplomatic harmony, aligning with one of them could worsen relations with others. Rather than choose sides, it should make a general commitment to promote peaceful cooperation within the system. Specifically, under normal conditions, it should advocate the creation of a security community based on multilateral consultation, consensus decisionmaking, and shared norms of behavior. If the founding principles of order within the region are ever seriously threatened, however, it should seek allies for a collective effort to uphold international law and oppose the aggressor.

Second, some sectors might have interests in foreign policy that are not bound to a particular state or regional market. One prominent example is

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11. This perspective builds on a well-established literature on the influence of sectoral interests on foreign economic policy. See, for example, Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca, N.Y.: Cornell University Press, 1986); and Helen V. Milner, *Resisting Protectionism: Global Industries and the Politics of International Trade* (Princeton, N.J.: Princeton University Press, 1988).

finance, which should be wary of any alignment decision that could adversely affect its state's exchange rate, balance of payments, or fiscal solvency. Though many alliances are formed with the goal of conserving military resources, others will require a costly armament program to fulfill new obligations. The greater the burden, the greater the risk that the alliance will undermine elements of the state's economy that are critical to the prosperity of finance.<sup>12</sup> The prospect of bankruptcy should not make adversely affected sectors indifferent to international threats, but it should nevertheless incline them to consider alternatives to alignment, such as appeasement.

Societal preferences will have little impact on state behavior unless there is a consistent mechanism through which the political system converts parochial interests into partisan policies. Some executive decisionmakers may consciously work for the exclusive material benefit of their electoral coalition, but it is not necessary to assume that all, or even any, of them think in such terms. Instead, the process of interest aggregation usually occurs long before governments come to power. When domestic groups with different alignment interests separate into opposing coalitions, societal debates over international strategy will become polarized along party lines. Each side will view "national interests" through the prism of its own economic interests, believing that what is best for itself is best for the country as a whole. To ensure that its preferred policies are followed, it will select party leaders whose sincerely held positions correspond to its parochial biases. Such leaders, once elected to govern, will naturally pursue international objectives that reflect the priorities of their principal electoral and financial supporters. In short, democratic processes usually ensure that politicians act as if they are mechanistic interest aggregators, even when they are not.

### *The Political Economy of Great Britain*

To explain how the interests of sectoral groups might have determined the partisan cleavages in British foreign policy, it is first necessary to examine the socioeconomic basis of Britain's party system. The Liberals' electoral support was always strongest in northern England, Scotland, and Wales (see Table 1).<sup>13</sup>

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12. On the impact of financial interests on U.S. foreign policy during the Cold War, see Erik A. Devereux, "Industrial Structure, Internationalism, and the Collapse of the Cold War Consensus: Business, the Media, and Vietnam," in Ronald W. Cox, ed., *Business and the State in International Relations* (Boulder, Colo.: Westview, 1996), pp. 9–40; and Fordham, *Building the Cold War Consensus*.

13. Michael Kinnear, *The British Voter: An Atlas and Survey since 1885*, 2d ed. (London: Batsford, 1981).

**Table 1. Conservative Share of Seats in Parliament, by Region.**

	1892–1910	Interwar
More than 60%	78% Wessex 78% West Midlands 74% Southeast England	79% Wessex 68% Central region 66% West Midlands 63% Southeast England 62% East Anglia
Less than 40%	40% East Midlands 39% Devon and Cornwall 36% Yorkshire region 32% Peak-Don 31% Scotland 26% Northern England 12% Wales and Monmouthshire	33% Scotland 32% Northern England 19% Peak-Don 13% Wales and Monmouthshire

SOURCE: J.P.D. Dunbabin, "British Elections in the Nineteenth and Twentieth Centuries: A Regional Approach," *English Historical Review*, Vol. 95, No. 375 (April 1980), p. 259. To control for short-term electoral swings, figures are scaled to give the Conservatives 50 percent of the seats in Parliament.

These regions were enormously dependent on manufacturing and coal mining, while the economy of the southeast was dominated by financial services (see Figure 1).<sup>14</sup> The electoral geography of Britain, as well as historical scholarship on British politics, indicates clearly that the Liberals were the party of manufacturing and coal.<sup>15</sup> Thus, the Liberals' alignment strategy should have reflected the interests of these two sectors.

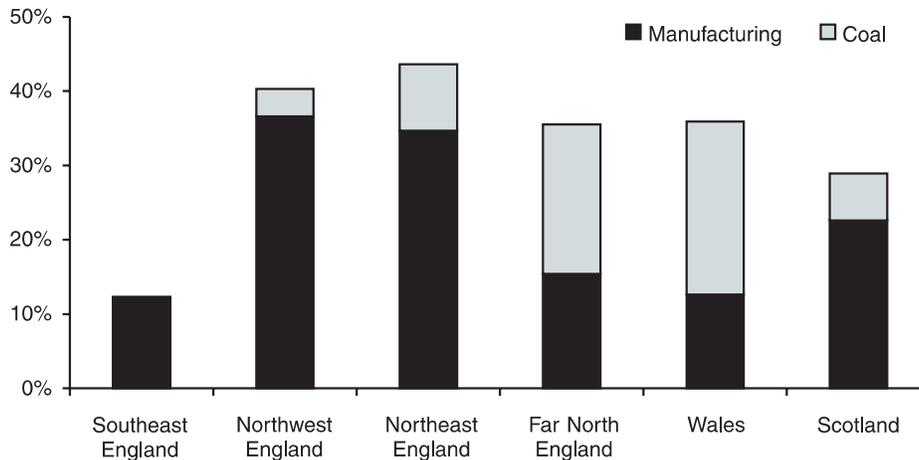
In fact, both industries were deeply connected to Europe. Their stake in the international economy is evident in an analysis of British merchandise exports, which consisted almost entirely of manufactures and coal. In nearly every year between 1905 and 1929, Britain earned more than 6 percent of its national income from merchandise exports to Europe, with no single country ever accounting for more than 27 percent of that total.<sup>16</sup> Of course, British manu-

14. P.J. Cain and A.G. Hopkins, *British Imperialism: Innovation and Expansion, 1688–1914* (London: Longman, 1993), pp. 13–16; C.H. Lee, "Regional Growth and Structural Change in Victorian Britain," *Economic History Review*, Vol. 34, No. 3 (August 1981), pp. 438–452; and C.H. Lee, "The Service Sector, Regional Specialization, and Economic Growth in the Victorian Economy," *Journal of Historical Geography*, Vol. 10, No. 2 (April 1984), pp. 139–155.

15. Malcolm Pearce and Geoffrey Stewart, *British Political History, 1867–1990: Democracy and Decline* (London: Routledge, 1992), pp. 69, 74–75; H.J. Hanham, *Elections and Party Management: Politics in the Time of Disraeli and Gladstone* (London: Longmans, 1959), pp. 74, 91–92, 225; and Rohan McWilliam, *Popular Politics in Nineteenth-Century England* (London: Routledge, 1998), p. 49.

16. B.R. Mitchell and P. Deane, *Abstract of British Historical Statistics* (London: Cambridge University Press, 1962), pp. 318–320, 367–368.

**Figure 1. Coal and Manufacturing Employment as a Percentage of Total Regional Employment, 1911.**



SOURCES: Coal employment figures are from Roy Church, *The History of the British Coal Industry, 1890–1913* (Oxford: Clarendon, 1986), pp. 304–305. Manufacturing and total regional employment figures are from C.H. Lee, *British Regional Employment Statistics, 1841–1971* (Cambridge: Cambridge University Press, 1979).

facturers’ reliance on Europe did not make them indifferent to the rest of the world; quite the contrary. During their relative decline in the late nineteenth century, they became increasingly dependent on peripheral markets, to the point that only 30–40 percent of British merchandise exports were sent to Europe after 1900. However, the absolute value of that trade was still immense, so the Liberals’ constituency retained a powerful interest in the continent.

Though the Liberal Party ruled Britain in the ten years prior to World War I, it was quickly displaced by Labour after the war. The last noncoalition Liberal government ended in 1915; the first Labour government came to power in 1924. These two parties competed for the same set of voters and had closely overlapping geographic bases of support.<sup>17</sup> Consequently, their constituencies had similar economic interests over foreign policy. Factory workers depended just as much on European markets as did the businesspeople who employed them; likewise, coal miners’ export interests were identical to those of mine

17. Ross McKibbin, *The Evolution of the Labour Party, 1910–1924* (London: Oxford University Press, 1974), chap. 3; and Gordon Phillips, *The Rise of the Labour Party, 1893–1931* (London: Routledge, 1992), pp. 35–36.

owners. For both parties, the theory makes the same prediction: that, due to their coalition's reliance on exports to Europe, they should have pursued a strategy designed to promote peaceful, cooperative relations among the continental great powers. Rather than picking a single ally or alliance among their many commercial partners in the region, they should have sought to ensure that all states acted judiciously and justly in a stable international order. Only if a state posed a direct threat to the underlying principles of that order should they have aligned against it.

The Conservative Party had a very different socioeconomic coalition from that of its Liberal and Labour counterparts. It derived the preponderance of its electoral support from southeast England, where the local economy was founded on finance rather than manufacturing or coal. Though the party had traditionally represented the interests of the landed gentry, by the late nineteenth century it had come to be dominated by bankers, insurers, and upper-class investors, a group that is often referred to collectively as the "gentlemanly capitalists."<sup>18</sup> Even after World War I, when the party had greatly broadened its societal basis of support, the Conservative Central Office received up to three-quarters of its elections funding from London's financial district.<sup>19</sup>

The gentlemanly capitalists, as well as southeast England as a whole, had a strong economic stake in the empire but relatively insignificant ties to Europe.<sup>20</sup> This was due largely to the geographic distribution of their overseas investments, which generated 5–10 percent of Britain's national income in 1905–39.<sup>21</sup> Of all of Britain's long-term publicly issued capital invested outside the

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18. Richard Shannon, *The Age of Disraeli, 1868–1881: The Rise of Tory Democracy* (London: Longman, 1992), pp. 169, 180–181; and P.J. Cain and A.G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914–1990* (London: Longman, 1993), pp. 29–30. See also Geoffrey Ingham, *Capitalism Divided? The City and Industry in British Social Development* (London: Macmillan, 1986), chap. 6; and J.A. Hobson, "The General Election: A Sociological Interpretation," *Sociological Review*, Vol. 3, No. 2 (April 1910), pp. 112–114.

19. Robert W.D. Boyce, *British Capitalism at the Crossroads, 1919–1932* (Cambridge: Cambridge University Press, 1987), pp. 21, 380, n. 63.

20. Cain and Hopkins, *Innovation and Expansion*, p. 33; Peter Cain, "J.A. Hobson, Financial Capitalism, and Imperialism in Late Victorian and Edwardian England," *Journal of Imperial and Commonwealth History*, Vol. 13, No. 3 (May 1985), pp. 8–16; Lee, "The Service Sector, Regional Specialization, and Economic Growth in the Victorian Economy," p. 152; and Raymond E. Dumett, ed., *Gentlemanly Capitalism and British Imperialism* (New York: Longman, 1999).

21. C.H. Feinstein, *Statistical Tables of National Income, Expenditure, and Output of the U.K., 1855–1965* (New York: Cambridge University Press, 1972), pp. 37–38; and Mitchell and Deane, *Abstract of British Historical Statistics*, pp. 367–368. Finance was tied to the international economy in two other ways. First, both insurance and banking firms exported their services. This category generated only a tenth of Britain's invisible export income, and historians have not produced regionally

home isles, only 6 percent was held in Europe in 1914 (8 percent in 1930).<sup>22</sup> Meanwhile, the empire accounted for 47 percent of Britain's overseas investment in 1914 (59 percent in 1930). These figures, though striking, do not even reveal the full extent of southeast England's dependence on the empire. Lance Davis and Robert Huttenback find that, compared to the rest of the nation, "London merchants, manufacturers, professionals, and managers all invested far less frequently in home and far more frequently in Empire activities. On average, London businesspeople were only one-fifth as likely to invest in domestic securities as those businesspeople who lived in places like Sheffield or Manchester, but they were half again as likely to put their resources to work in the Empire."<sup>23</sup> Overseas investments generated approximately half of Britain's income from invisible exports, so the importance of the empire to the service economy of southeast England can hardly be overstated.<sup>24</sup>

Another vital sector in the region was shipping, which accounted for roughly a quarter of Britain's invisible export income. Historians have paid less attention to the geographic distribution of shipping than investment, but the limited evidence that is available indicates that the two sectors followed a similar pattern. In 1936, 38.8 percent of earnings from overseas shipping were generated by trade between Britain and the empire, 7.7 percent came from routes connecting different parts of the empire, and 13.6 percent were produced by trade between the empire and foreign countries.<sup>25</sup> Unfortunately, the existing data are not sufficiently disaggregated to reveal what proportion of

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disaggregated data for it. Second, insurance companies indemnified Britain's enormous overseas shipping industry. I have been unable to find relevant data on the value and distribution of maritime insurance, but it clearly stood as one of the most important pillars of the industry (along with fire and life), and it can be expected to have contributed greatly to London's imperial orientation. See Harold E. Raynes, *A History of British Insurance* (London: Pitman, 1948).

22. Royal Institute of International Affairs, *The Problem of International Investment* (London: His Majesty's Government, 1937), p. 144. Lance E. Davis and Robert A. Huttenback's estimates for 1910–14, which include short-term lending but exclude direct investment, range between 9–12 percent for Europe and 39–40 percent for the empire. See Davis and Huttenback, *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism, 1860–1912* (New York: Cambridge University Press, 1986), pp. 40–41, 46.

23. Davis and Huttenback, *Mammon and the Pursuit of Empire*, p. 314. Unlike in other advanced industrialized countries, there was a clear separation between the economic interests of finance and industry in Britain. See Ingham, *Capitalism Divided?* especially chap. 3.

24. Feinstein, *Statistical Tables of National Income, Expenditure, and Output of the U.K., 1855–1965*, pp. 37–38.

25. H. Leak, "The Carrying Trade of British Shipping," *Journal of the Royal Statistical Society*, Vol. 102, No. 2 (1939), p. 254. Both before World War I and in the interwar period, British ships carried 95 percent of all trade between the home isles and the empire. See S.G. Sturme, *British Shipping and World Competition* (London: Athlone, 1962), p. 89.

the remainder (25.2 percent between Britain and foreign countries and 14.7 percent between foreign countries) was connected to Europe. However, it was likely much lower for southeast England than the national average, because the port of London did not carry any of Britain's most important export to the continent, coal.<sup>26</sup> Even the routes that the shipping industry did run between the home isles and Europe would not have produced exceptional earnings, because rates on freight for a short hop across the North Sea were only a fraction of those charged for long voyages to destinations such as Bangkok and Santiago.<sup>27</sup>

In sum, the service industries that dominated southeast England's regional economy were deeply dependent on income from the empire and other peripheral markets, much more so than the rest of the country. Without an equivalent counterbalancing interest in Europe, the Conservatives' coalition should have been more reluctant than that of the Liberals and Labour to devote scarce resources to the defense of the European order. Only when the security of the empire or the interests of finance were directly threatened by a continental power should they have been willing to consider such commitments.

### *Confirming Societal Preferences*

Before testing these hypotheses against British alignment policy, it is imperative to verify that domestic groups actually held the strategic preferences dictated by their economic interests. This is no simple task in a period that predates the widespread use of scientific sampling of public opinion. A few alternative sources of evidence do exist, however. In 1935, the League of Nations Union (LNU), a nonpartisan advocacy group led by Lord Robert Cecil, undertook a massive effort to poll the entire British public on their attitudes toward collective security. The survey was designed solely to promote the LNU's internationalist agenda, so it was worded so vaguely that it would elicit positive answers from pacifists, internationalists, and imperialists alike.<sup>28</sup> Thus, the re-

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26. Barry Supple, *The History of the British Coal Industry, 1913–1946*, Vol. 4 (Oxford: Clarendon, 1987), p. 181.

27. Douglass North, "Ocean Freight Rates and Economic Development, 1750–1913," *Journal of Economic History*, Vol. 18, No. 4 (December 1958), p. 552.

28. The most relevant of the five questions was written as follows: "Do you consider that, if a nation insists on attacking another, the other nations should combine to compel it to stop by (a) economic and non-military measures? (b) if necessary, military measures?" On the design of the questions, see J.A. Thompson, "The Peace Ballot and the Public," *Albion*, Vol. 13, No. 4 (Winter 1981), pp. 380–392; Michael Pugh, "Pacifism and Politics in Britain, 1931–1935," *Historical Journal*,

sults of the poll are not particularly informative. Taken at face value, they indicate overwhelming approval for the League of Nations throughout Britain, but they do not provide any clue as to the depth of this sentiment.

Far more revealing is the response rate to the poll. The LNU attempted to conduct the Peace Ballot as a sort of national referendum, canvassing every voter in the country. Such a Herculean task required great numbers of enthusiastic volunteers and strong local organization, factors that were bound to be scarce in areas in which public support for the League of Nations was shallow.<sup>29</sup> Overall, the LNU obtained completed ballots from more than 38 percent of the eligible voting population. In 42 of Britain's 341 electoral constituencies, it managed to poll over 60 percent.<sup>30</sup> Remarkably, every one of those 42 districts was located in either northern England or Wales. The figures for Scotland are less impressive, but efforts there were hindered by the refusal of the LNU's Glasgow and Dundee branches to cooperate with headquarters.<sup>31</sup> Otherwise, the regionally disaggregated data on the Peace Ballot's response rate resoundingly confirm the hypothesis that Liberal and Labour constituencies should have firmly endorsed collective security. The LNU's official dues-paying membership was concentrated in southeast England, but mass support for a multilateral alignment strategy was much stronger in the rest of the country, where voters' economic survival was highly dependent on exports to Europe.<sup>32</sup>

There is also clear evidence that the London financial service sector was more imperialist than other societal groups. Beginning with the seminal work of J.A. Hobson, the scholarly literature on Britain's territorial expansion in the late nineteenth century has featured a great deal of research into investors' support for the empire.<sup>33</sup> Their attitude is captured perfectly in a speech made

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Vol. 23, No. 3 (September 1980), pp. 641–656; Donald S. Birn, *The League of Nations Union, 1918–1945* (Oxford: Clarendon, 1981), pp. 145–146; and Martin Ceadel, "The First British Referendum: The Peace Ballot, 1934–5," *English Historical Review*, Vol. 95, No. 377 (October 1980), pp. 810–839.

29. Dame Adelaide Livingstone, *The Peace Ballot: The Official History* (London: Gollancz, 1935), p. 51; and Birn, *The League of Nations Union, 1918–1945*, p. 147.

30. Ceadel, "The First British Referendum," pp. 810, 829; and Livingstone, *The Peace Ballot*, pp. 52–53.

31. Birn, *The League of Nations Union, 1918–1945*, p. 147.

32. The geographic distribution of LNU membership is reported in League of Nations Union, *Annual Report, 1928* (London: Pelican, 1928), pp. 58–63.

33. J.A. Hobson, *Imperialism: A Study*, 3d ed. (London: Allen and Unwin, 1938); N. Etherington, "Theories of Imperialism in Southern Africa Revisited," *African Affairs*, Vol. 81, No. 324 (July 1982), pp. 385–407; J. Forbes Munro, *Britain in Tropical Africa, 1880–1960: Economic Relationships and Impact* (London: Macmillan, 1984), chap. 2; B. Phillip Darby, *Three Faces of Imperialism: British and American Approaches to Asia and Africa, 1870–1970* (New Haven, Conn.: Yale University Press, 1987), pp. 58–60; Cain and Hopkins, *Innovation and Expansion*; Cain and Hopkins, *Crisis and Deconstruction*; and

by the chairman of the Stock Exchange before a cheering crowd in the City of London upon the outbreak of the Boer War: "I do not believe that there is any body in England more patriotic and loyal than the Stock Exchange. . . . I think the Stock Exchange without shame may accept the name of jingo."<sup>34</sup> Equally revealing is Davis and Huttenback's analysis of the foreign policy voting records of members of Parliament. They find not only that Conservatives were more imperialist than Liberals, but that Liberals who represented London and the Home Counties were more imperialist than Liberals from other regions.<sup>35</sup> In short, there is ample reason to believe that public opinion in debates over alignment and the empire was closely connected to the distribution of interests within Britain's domestic political economy.

### *Testing the Theory*

The sectoral cleavages in Britain's political economy make it easy to form hypotheses about the overarching goals of each party's international strategy. However, predicting the specific means by which those goals should have been pursued is a more complicated undertaking. To explain partisan variance in foreign policy, it is necessary to begin with a theory of domestic preferences, but external factors cannot then be ignored. The international environment underwent several major upheavals in the 1905–39 period, each of which created new opportunities and constraints on the pursuit of sectoral groups' interests. Neither financiers nor merchandise exporters could assume that the alignments they had sought in 1914 would still be desirable in 1939, given the many changes that had occurred in both the international economy and the global balance of power in the intervening years.

To address these considerations, I analyze Britain's diplomatic history in two steps. First, I examine how the international environment generated a unique alignment imperative for each party's coalition. In doing so, I set aside knowledge of historical outcomes and instead focus on information available to individuals at the time. With the benefit of hindsight, it would be natural to

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Anthony Webster, *Gentlemen Capitalists: British Imperialism in South East Asia, 1770–1890* (London: Tauris Academic Studies, 1998). On imperialist preferences in the shipping industry, see Andrew Porter, *Victorian Shipping, Business, and Imperial Policy: Donald Currie, the Castle Line, and Southern Africa* (Woodbridge, U.K.: Boydell, 1986).

34. Quoted in David Kynaston, *The City of London: Golden Years, 1890–1914*, Vol. 2 (London: Chatto and Windus, 1995), p. 198; see also pp. 79–86, 193–198.

35. Davis and Huttenback, *Mammon and the Pursuit of Empire*, p. 272.

conclude that all Britons had exactly the same optimal strategy throughout the 1905–39 period: to join with France and Russia in a strong, unambiguous commitment to deter Germany from war. After all, neither Europe-oriented merchandise exporters nor empire-oriented investors benefited from the cataclysms of 1914–18 and 1939–45. Confronted with the threat of a German bid for hegemony, each sectoral group and its representative party should have seen the virtues of a simple balance-of-power arrangement.

When uncertainty is taken into account, a very different picture arises. In the years leading up to both world wars, British decisionmakers lacked clear information about the capabilities and intentions of the continental powers. Most of them recognized the possibility of conflict in Europe, but they could only guess at what form it would take, who was most likely to initiate it, and how it could most easily be avoided.<sup>36</sup> If Britain had made an unconditional guarantee to defend France and created a powerful expeditionary force to back up its commitment, the French might have become sufficiently confident in their prospects for victory that they would have adopted a belligerently uncompromising stance in diplomatic crises with Germany. Having succeeded at deterring German aggression, Britain might nevertheless have found itself drawn into French offensive wars to regain Alsace-Lorraine (1905–14) and create a buffer state in the Rhineland (1918–39).

In this climate of uncertainty, each party's best bet was to adhere to the general principles that were most consistent with its coalition's long-term objectives in the international system. For Conservatives, that would be to align against whatever state posed the greatest danger to the empire; for Liberals and Labourites, it would be to promote multilateral, law-based cooperation among the European great powers. If either party faced an overwhelming threat to its parochial interests, it would not need to abandon its fundamental strategy in order to respond. Conservatives could form a *realpolitik* balancing coalition against the powers that menaced the empire, while Liberals and Labourites could assemble a collective security alliance to contain states that threatened to overturn the international legal order. In short, the changing international environment should have played an important role in alignment decisions, but its influence should have been mediated in predictable

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36. K.A. Hamilton, "Great Britain and France, 1911–1914," in F.H. Hinsley, ed., *British Foreign Policy under Sir Edward Grey* (Cambridge: Cambridge University Press, 1977), pp. 336–337; and Robert J. Young, *In Command of France: French Foreign Policy and Military Planning, 1933–1940* (Cambridge, Mass.: Harvard University Press, 1978), pp. 213–215.

ways through partisan economic interests and their associated strategic paradigms.

Once I establish how external constraints affected the specifics of each party's optimal alignment strategy, I show how its leaders followed through on that imperative, either through the conduct of foreign policy (if in power) or the advocacy of particular positions (if not in power). Of course, not all members of a party will hold exactly the same views on any given issue. Anomalies are to be expected in any theory of preferences, especially when uncertainty in the policy environment is high. The critical question is not whether the theory accounts for every single politician's actions, but rather whether it explains partisan governments' foreign policies. Individual outliers will be problematic only if they are so numerous or politically powerful that they are able to sway alignment decisions to their own ends.

For politicians whose behavior does fit the theory's predictions, I do not necessarily expect to find "smoking gun" statements that lay bare the political-economic logic behind international alignments. There are two reasons why such evidence should be rare, even if the theory is entirely right. First, politicians seldom justify their positions in terms of their coalitions' narrow economic interests. If they were to do so in public, they would alienate swing voters, whereas if they were to do so in private, they would offend colleagues with strong ideological beliefs. Second, the process by which societal preferences are aggregated into state behavior does not depend on politicians' internal motives. Coalitions almost always choose representatives whose substantive views on foreign policy correspond to their own material interests. The source of politicians' views, be it ideology, psychological pathology, or simple careerism, may not be of much concern to constituency groups as long as it produces their desired outcomes. Consequently, they will often select leaders whose internal motives bear no apparent connection to their parochial economic biases, even though their parochial economic biases determine which leaders are selected.

For these reasons, the following historical case studies necessarily depend more on analytic inference than primary sources. In some instances, the role of sectoral interests in debates over alignment policy is direct and obvious; on other occasions, it is deeply obscured by overlapping ideological cleavages or competing claims about the "national interest." The ultimate test of the theory lies not in an exhaustive analysis of the myriad arguments that politicians use to justify their positions, but rather in the soundness of the logic that connects domestic preferences to international outcomes. If there is a strong, consistent

relationship between socioeconomic groups' hypothesized goals and the actual alignment policy chosen by their political representatives, there will be good reason to believe that the theory provides the correct explanation for the puzzle of partisanship.

### *Empire and the Entente, 1905–14*

Around the turn of the century, Britain faced two major changes in its strategic environment: the rise of German *Weltpolitik* and the hardening of the continental alliance system. These constraints had very different implications for the sectoral interests of the Conservatives' and Liberals' domestic coalitions, leading the two parties to adopt divergent alignment policies in the decade leading up to World War I.

#### CONSERVATIVES

Every sector of the British economy derived clear benefits from the maintenance of a balance of power in Europe between 1905 and 1914. If a single state were to have achieved hegemony over the continent, it could have dictated terms to Britain on any number of diplomatic issues. Yet, some socioeconomic groups stood to lose much more in this scenario than others. The greatest threat by far was to finance, the sector that was most closely tied to the empire. All of Britain's conflicts with the other great powers pertained to its overseas territories, not its home isles or European trade.<sup>37</sup> If British leaders were willing to sacrifice parts of the empire, they could appease any foreseeable threats from a continental hegemon. Only if they were to insist on the inviolability of their distant possessions would they find it absolutely necessary to uphold the balance of power.

From the perspective of imperial defense, neutrality in a war between the Franco-Russian and German-Austrian alliances would leave Britain in the worst of all possible worlds. On the one hand, if the Central Powers triumphed, Germany would be the master of all Europe, stronger than ever before. Kaiser Wilhelm II had been willing to rattle the saber at Britain prior to the war, when he most needed its support, so he would surely be outright hostile after defeating his continental adversaries. On the other hand, if France

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37. Keith M. Wilson, *The Policy of the Entente: Essays on the Determinants of British Foreign Policy, 1904–1914* (Cambridge: Cambridge University Press, 1985), especially chaps. 4–5; and Zara S. Steiner, *Britain and the Origins of the First World War* (London: Macmillan, 1977), pp. 242–247.

and Russia were to emerge victorious without Britain's help, they would deeply resent its unwillingness to have come to their defense. As the Admiralty had long feared, they might decide to combine their forces, defeat the Royal Navy, and divide the empire between themselves. France would seize Britain's colonies in Africa and Southeast Asia, while Russia would invade India from the north. The best hope for the security of the empire would be continued peace in Europe. However, if there were to be a war, Britain would have to side with France and Russia both to stay in their good graces and to prevent a German victory.

In 1904, the Conservatives negotiated the Entente Cordiale, a wide-ranging settlement of Anglo-French colonial disputes. At the time, their goal was to reduce the fiscal burdens of defense in the periphery, not to make a military commitment to Europe. However, as tensions mounted on the continent and the German navy grew more threatening, the problem of imperial security in a postwar world order began to weigh more heavily upon them.<sup>38</sup> When they left office in 1905, they were already the most vocal supporters of the entente; then, over the next several years, they became ever more adamantly committed to defending France and reconciling with Russia. In 1912, Conservative leader Bonar Law proposed to Liberal Foreign Minister Edward Grey that Britain should enter into a formal military alliance with France. In 1914, upon the outbreak of hostilities on the continent, he and Lord Lansdowne, the former Conservative foreign minister, offered to Prime Minister Herbert Asquith "the assurance of the united support of the Opposition in all measures required by England's intervention in the war."<sup>39</sup> In short, as Rhodri Williams writes, "The Unionists' support for the dispatch of the British Expeditionary Force to France in a future Franco-German war was unswerving from 1911 to 1914."<sup>40</sup> If the

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38. Keith M. Wilson, "British Power in the European Balance, 1906–14," in David Dilks, ed., *Retreat from Power*, Vol. 1 (London: Macmillan, 1981), pp. 21–41; Wilson, *The Policy of the Entente*, pp. 29–32, 135, 138; Rhodri Williams, *Defending the Empire: The Conservative Party and British Defense Policy, 1899–1915* (New Haven, Conn.: Yale University Press, 1991), pp. 196–198, 228; George Monger, *The End of Isolation: British Foreign Policy, 1900–1907* (London: Nelson, 1963), p. 207; and K.G. Robbins, "The Foreign Secretary, the Cabinet, Parliament, and the Parties," in Hinsley, *British Foreign Policy under Sir Edward Grey*, pp. 6–7, 14, 18–19.

39. Quoted in Austen Chamberlain, *Down the Years* (London: Cassell, 1935), p. 99.

40. Williams, *Defending the Empire*, pp. 195–199, 228 (quote on p. 198). Many prominent financiers in the City of London initially opposed British intervention in the war. Their response is not consistent with the theory, but it is not entirely surprising either. In the days leading up to and following the outbreak of war on the continent, there was widespread panic and collapse in European securities markets, so bankers focused on the short-term costs of intervention. See Luigi Albertini, *The Origins of the War of 1914*, trans. Isabella M. Massey, Vol. 3 (London: Oxford University Press, 1953), pp. 370, 376–377; Kynaston, *The City of London*, pp. 609–610; and Niall Ferguson, *The Pity of War: Explaining World War I* (New York: Basic Books, 1999), p. 195. Following the decision to intervene,

Conservatives had been in power during the crisis of July 1914, they almost certainly would have proclaimed their unambiguous support for the French, and in doing so perhaps deterred Germany from initiating World War I.<sup>41</sup>

#### LIBERALS

For most Liberals, the entente was by no means an unalloyed good. It forced Britain to align against one of its best trading partners, Germany, so it was viewed with great skepticism by the Europe-oriented Radical wing of the party.<sup>42</sup> The Radicals argued that Germany's fleet-building program, though worrisome, did not bring it close to parity with Britain. There always remained the possibility of Anglo-German rapprochement, including the negotiation of a naval arms control agreement, if only Britain would retreat from its rigid support of France. The idea that Britain had to choose between the two continental alliances was a false dichotomy; the country would be better off maintaining a position of benevolent neutrality and "killing any German aggression with the kindness of concessions."<sup>43</sup>

Not all Liberals shared this view, however. During the 1880s and 1890s, a period in which British manufacturers' dependence on exports to the periphery increased significantly, there arose a minority faction within the party that was as steadfastly devoted to the empire as the Conservatives. One of the most prominent Liberal Imperialists was Edward Grey, who became foreign minister when the Liberals took power in December 1905. In a memorandum written less than two months later, Grey argued that a failure to aid France in a war against Germany would have disastrous effects on Britain's imperial security: "The United States would despise us, Russia would not think it worth while to make a friendly arrangement with us in Asia, Japan would prepare to re-insure herself elsewhere, we should be left without a friend and without the power of making a friend and Germany would take some pleasure, after what has passed, in exploiting the whole situation to our disadvantage."<sup>44</sup> Grey was

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there is countervailing evidence of pro-war preferences in London. Before the institution of conscription in February 1916, 40.1 percent of those employed in finance and commerce volunteered to fight, as opposed to 29.2 percent in industry and 24.7 percent in mining and quarrying. See J.M. Winter, *The Great War and the British People* (Cambridge, Mass.: Harvard University Press, 1986), p. 34.

41. On the viability of deterrence, see Sean M. Lynn-Jones, "Détente and Deterrence: Anglo-German Relations, 1911–1914," *International Security*, Vol. 11, No. 2 (Fall 1986), pp. 121–150.

42. Howard S. Weinroth, "The British Radicals and the Balance of Power, 1902–1914," *Historical Journal*, Vol. 13, No. 4 (December 1970), pp. 683–705; and A.J. Anthony Morris, *Radicalism against War, 1906–1914: The Advocacy of Peace and Retrenchment* (London: Longman, 1972).

43. Wilson, *The Policy of the Entente*, p. 26.

44. Quoted in G.P. Gooch and Harold Temperley, *British Documents on the Origins of the War, 1898–*

much more interested in collective security and international law than most Conservatives, but his ideal position on France was quite similar to that of his predecessor, Lansdowne.<sup>45</sup>

Nevertheless, Grey was highly constrained by the Radicals.<sup>46</sup> Beginning in 1906, he brought together British and French military experts to discuss joint military planning, but he had to keep their activities secret from the cabinet for fear of being overruled. A formal commitment to the defense of France, or even the appearance of such, was simply not possible given the balance of interests within the party. In each of the four great European crises leading up to the war, Grey carefully toed the line between tacitly supporting the French and acting as a neutral mediator between the opposing continental alliances. He occasionally warned German diplomats that British public opinion might drive his colleagues to side with France in the event of war, but he focused most of his efforts on fostering negotiation and promoting multilateral cooperation, working through the Concert of Europe whenever possible.<sup>47</sup>

The Radicals did not hold Germany blameless for the crisis of July 1914, but neither did they see any principle at stake in the dispute that would necessitate intervention. As long as Germany fought for limited aims and comported itself according to the strictures of international law, the Radicals believed that it should not be considered Britain's enemy. Indeed, some of them blamed international tensions on Russia, whose rapid rearmament program, aggressive Balkan diplomacy, and mobilization against Austria had needlessly provoked Germany.<sup>48</sup> Thus, when hostilities began, the Radicals refused to take sides. Asquith and Grey wanted to join the Franco-Russian alliance, but they could not do so without bringing down the government. On the eve of war, Grey privately warned the German ambassador that the cabinet might decide to intervene, but he explicitly denied that he was making a threat, claiming that he wanted only to protect himself from the "reproach of bad faith."<sup>49</sup>

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1914: *The Testing of the Entente, 1904–6*, Vol. 3 (London: His Majesty's Stationery Office, 1928), pp. 266–267.

45. Monger, *The End of Isolation*, p. 280.

46. Nabil M. Kaylani, "Liberal Politics and the British Foreign Office, 1906–1912: An Overview," *International Review of History and Political Science*, Vol. 12, No. 3 (August 1975), pp. 17–48; and Wilson, *The Policy of the Entente*.

47. C.J. Lowe and M.L. Dockrill, *The Mirage of Power: British Foreign Policy, 1902–1914*, Vol. 1 (London: Routledge and Kegan Paul, 1972), p. 117.

48. Michael G. Ekstein, "Russia, Constantinople, and the Straits, 1914–1915," in Hinsley, *British Foreign Policy under Sir Edward Grey*, p. 425.

49. I. Geiss, ed., *July 1914: Outbreak of the War, Selected Documents* (New York: Scribner, 1967), p. 289; and G.P. Gooch and Harold Temperley, *British Documents on the Origins of the War, 1898–1914: The Outbreak of War*, Vol. 11 (London: His Majesty's Stationery Office, 1926), pp. 182–183.

After much agonizing, the Radical majority in the cabinet decided that, provided the German navy stayed out of the English Channel, the integrity of Belgium would be Britain's sole *casus belli*. If Germany respected the rights of neutral states while in the midst of a struggle for its national survival, as it had in the Franco-Prussian War of 1870–71, it could be expected to act with reasonable self-restraint if it should emerge victorious. If it invaded Belgium, however, it would demonstrate its inherent untrustworthiness and disregard for the principles of good international order.<sup>50</sup> In short, Belgium served as a litmus test of German intentions. Only once the war began, when it would be too late to try to deter Germany with the threat of intervention, would the Radicals have enough information to make a decision about siding with France.

### *The New World Order, 1918–31*

The peace of 1918 raised a whole new slate of issues over which British interest groups and the political parties that represented them had reason to disagree. The stakes were enormous; the priorities that the government adopted at the Paris Peace Conference and subsequent negotiations would determine the structure of the new world order and Britain's position in it for many years to come.

#### CONSERVATIVES

The end of World War I dramatically changed the strategic calculus of the Conservative Party and its imperialist constituency. Germany was stripped of its colonies and navy, so it no longer posed a short-term threat to the empire. Meanwhile, the Bolshevik Revolution and the Treaty of Brest-Litovsk had led to the disintegration of the Franco-Russian alliance. With the empire secure, the Conservatives no longer had any compelling reason to make further sacrifices on behalf of the French. They were willing to guarantee the border between France and Germany, but they refused to enter into any other diplomatic commitments, especially those involving collective security or international law. In a remarkably blunt speech before the League of Nations, Foreign Minister Austen Chamberlain explained the logic behind his party's position: "You invite us to take for every country and for every frontier the guarantee

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50. Prime Minister Herbert H. Asquith emphasized this point in his war speech to Parliament. See Asquith, *Speeches by the Earl of Oxford and Asquith, K.G.* (New York: Doran, 1927), p. 195. On cabinet Radicals' reaction to this speech and the German invasion of Belgium, see Bernard Wasserstein, *Herbert Samuel: A Political Life* (Oxford: Clarendon, 1992), p. 164; and David Dutton, *Simon: A Political Biography of Sir John Simon* (London: Aurum, 1992), p. 31.

which we have taken for one by the Treaty of Locarno. . . . You are asking nothing less than the disruption of the British Empire."<sup>51</sup> The Conservatives' primary concern in the postwar international order was not pacific relations between the great powers of Europe, but rather the defense of the empire and the parochial interests of the gentlemanly capitalists in London's financial sector.

This constituency was hit hard by the war. The Bolsheviks confiscated all of Britain's investment in Russia, while many properties in other parts of the world were requisitioned and sold to generate foreign currency.<sup>52</sup> In all, economic historians estimate that Britain lost 10–15 percent of its overseas assets as a result of the war.<sup>53</sup> Furthermore, New York banks profited greatly from the conflict, putting them in position to mount a direct challenge to London's preeminence in the international capital market. Whereas the pound had to be taken off the gold standard between 1914 and 1925, the convertibility of the dollar was never compromised, giving the Americans a major competitive advantage. If British finance were to recover, its government would have to adhere to fiscal and monetary orthodoxy as closely as possible. To this end, charges on the war debt, which consumed nearly 8 percent of the national income throughout the 1920s and early 1930s, were a serious concern.<sup>54</sup> They hurt both the balance of payments and international confidence in the Treasury, making a return to the gold standard all the more difficult. The sooner the debt could be paid off, the better, even at the expense of Britain's merchandise trade.

The easiest way to accomplish this, the Conservatives found, was to exact tribute from Germany. For their wealthy constituency, reparations were a convenient alternative to Labour's proposal that the war be paid for with a tax on capital.<sup>55</sup> David Lloyd George, ever the astute politician, saw this all too clearly: "[The] English workman has no desire to overwhelm the German people with excessive demands. It is rather in the upper classes that an unbridled hatred of the German will be found."<sup>56</sup> Thus, the Conservatives favored a

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51. Austen Chamberlain, *Peace in Our Time* (London: Allan, 1928), p. 182.

52. Royal Institute of International Affairs, *The Problem of International Investment*, p. 144.

53. William Ashworth, *An Economic History of England, 1870–1939* (New York: Barnes and Noble, 1960), p. 288; and Derek H. Aldcroft, *From Versailles to Wall Street, 1919–1929* (London: Allen Lane, 1977), p. 240.

54. Mitchell and Deane, *Abstract of British Historical Statistics*, pp. 367–368, 397–399, 403.

55. Bruce Kent, *The Spoils of War: The Politics, Economics, and Diplomacy of Reparations, 1918–1932* (Oxford: Clarendon, 1989), pp. 18, 28–40, 374, 390.

56. Quoted in C.J. Lowe and M.L. Dockrill, *The Mirage of Power: British Foreign Policy, 1914–1922*,

much higher indemnity than the French initially proposed and were reluctant to make concessions in subsequent negotiations over the revision of reparations.<sup>57</sup> They also showed little concern for the Treaty of Versailles' violations of Germans' right to self-determination. Instead, they argued that the territorial boundaries of Europe should be designed, above all, to prevent Germany from repeating its bid for hegemony.<sup>58</sup>

Germany posed no threat to the empire until the late 1930s, so the Conservatives took no further action against it. By contrast, Soviet Russia was a serious concern. Though its army was weakened by the devastating world war and subsequent civil war, it still hung menacingly over Britain's possessions in South Asia. Even worse, the Soviet government was using communist propaganda to stir up anti-imperial sentiment.<sup>59</sup> The Comintern's activities in India were particularly concerning because the colony had a well-developed independence movement with a violent campaign of civil disobedience.<sup>60</sup> As a result, Russia returned to its traditional, nineteenth-century position of being the primary threat to the empire, and the Conservatives aligned against it.

Liberal Prime Minister Lloyd George, who led a coalition government between 1916 and 1922, persuaded his cabinet to accept a trade treaty with the Soviet Union after the war. However, Conservative Foreign Minister Lord Curzon managed to secure the inclusion of a clause that forbade either side from "conducting outside its own borders any official propaganda direct or indirect."<sup>61</sup> Once the coalition fell and the Conservatives returned to power, they did not hesitate to act on this provision. In the spring of 1923, Curzon drew up a list of complaints against the Soviets, then stated that the trade agreement would be canceled in ten days if their behavior did not change. G.H. Bennett

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Vol. 2 (London: Routledge and Kegan Paul, 1972), p. 347. Lloyd George's preferences over reparations have been the subject of some controversy among historians. On this specific point and, more generally, partisan divisions in the negotiations over the indemnity, see Marc Trachtenberg, "Reparation at the Paris Peace Conference," *Journal of Modern History*, Vol. 51, No. 1 (March 1979), pp. 22–55; Charles S. Maier, "The Truth about the Treaties?," *ibid.*, pp. 56–67; and Kent, *The Spoils of War*.

57. On Conservative opinion, see Inbal Rose, *Conservatism and Foreign Policy during the Lloyd George Coalition, 1918–1922* (London: Cass, 1999), pp. 10, 34–35; and Michael L. Dockrill and J. Douglas Goold, *Peace without Promise: Britain and the Peace Conferences, 1919–23* (Hamden, Conn.: Archon, 1981), pp. 51–53. On the renegotiation of the indemnity, see Richard S. Grayson, *Austen Chamberlain and the Commitment to Europe: British Foreign Policy, 1924–29* (London: Cass, 1997), p. 132; and Kent, *The Spoils of War*, pp. 199–205.

58. Rose, *Conservatism and Foreign Policy during the Lloyd George Coalition*, pp. 31–32, 37, 40–41.

59. Zafar Imam, *Colonialism in East-West Relations: A Study of Soviet Policy towards India and Anglo-Soviet Relations, 1917–1947* (New Delhi: Eastman, 1969), chaps. 2–8; and Chattar Singh Samra, *India and Anglo-Soviet Relations (1917–1947)* (London: Asia, 1959), chaps. 2–5.

60. Max Beloff, *Dream of Commonwealth, 1921–42* (London: Macmillan, 1989), pp. 253–259.

61. Quoted in G.H. Bennett, *British Foreign Policy in the Curzon Period, 1919–24* (London:

explains the foreign secretary's motives: "Bolshevik propaganda in Asia was the note's (and Curzon's) principal concern. . . . Curzon cared little for the trade agreement and he had few qualms about using it as a lever with which to gain concessions from the Soviet government. If the Anglo-Russian Trade Agreement were cancelled he would be cheered by the rank and file of the Unionist party: if he publicly humiliated the Soviet government by gaining their compliance over the terms of the ultimatum he would be cheered even more loudly. So far as Unionist opinion was concerned, Curzon could not lose."<sup>62</sup> By the same token, the Soviets faced a no-win situation. They chose to back down, but relations remained strained.

It did not take long for the Soviets to renege on their promises. In 1926–27, evidence was found that they had incited mob violence in China, spied on the British legation in Peking, supported strikers in Britain, and stolen a British signal book. Concerned by the growing possibility of military conflict, the Committee for Imperial Defense began planning in July 1926 for a potential war in Afghanistan. Lord Milne, Britain's chief of the imperial general staff, believed that Soviet intrigues in China were part of a broader plan, "namely, the overthrow of British interests in the Far and Middle East with the ultimate object of undermining our supremacy in India."<sup>63</sup> In May 1927, the government announced that police investigations had "conclusively proved that both military espionage and subversive activities against the British Empire were directed and carried out" in the offices of the Soviet Trade Delegation in London. It responded with a complete rupture in relations, including the expulsion of Soviet representatives and the cancellation of their 1921 trade agreement.<sup>64</sup> Official Anglo-Soviet contacts ceased entirely, and British merchandise exports to the Soviet Union fell by more than half.<sup>65</sup>

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Macmillan, 1995), p. 69. See also *ibid.*, pp. 66–67; and M.V. Glenny, "The Anglo-Soviet Trade Agreement, March 1921," *Journal of Contemporary History*, Vol. 5, No. 2 (1970), pp. 63–82.

62. Bennett, *British Foreign Policy in the Curzon Period*, p. 73.

63. Quoted in Grayson, *Austen Chamberlain and the Commitment to Europe*, p. 266. See also Anne Orde, *Great Britain and International Security, 1920–1926* (London: Royal Historical Society, 1978), pp. 178–179; and Curtis Keeble, *Britain and the Soviet Union, 1917–89* (London: Macmillan, 1990), pp. 99–108.

64. Quoted in Keeble, *Britain and the Soviet Union, 1917–89*, p. 106. See also Robert D. Warth, "The Arcos Raid and the Anglo-Soviet 'Cold War' of the 1920's," *World Affairs Quarterly*, Vol. 29, No. 2 (July 1958), pp. 122–124; and Gottfried Niedhart, "British Attitudes and Policies towards the Soviet Union and International Communism, 1933–9," in Wolfgang J. Mommsen and Lothar Kettenacker, eds., *The Fascist Challenge and the Policy of Appeasement* (London: Allen and Unwin, 1983), p. 288. Both Warth and Niedhart argue specifically that the most likely cause of the rupture was the discovery of Soviet propaganda efforts in China, not communist agitation in the home isles.

65. Keeble, *Britain and the Soviet Union*, p. 108.

LIBERALS AND LABOUR

The Liberal and Labour Parties, whose constituents in the manufacturing and coal industries had a strong interest in European markets, took the opposite approach to international alignments. If the peace settlement were too harsh on the Germans, either by violating their right to self-determination or by imposing a crushing indemnity, they might devote their energies to trying to overthrow the new world order. At best, this would make it difficult to reestablish normal trading relations; at worst, it could eventually lead to another catastrophic war. Rather than perpetuate the division of Europe into hostile, armed camps with a straightforward Anglo-French alliance, Liberals and Labourites proposed that international security be governed by a new "league of nations."<sup>66</sup> They intended the organization to promote cooperation, trust, and stability, thereby allowing Germany to reintegrate peacefully with the European community. The actual League of Nations did not fully satisfy their expectations, so they continually sought to strengthen its provisions for binding arbitration, collective security, and disarmament.<sup>67</sup> The two parties also advocated low reparations so that Germany would have enough currency on hand to pay for British exports.<sup>68</sup> Throughout the interwar period, they pressed both the French and their own Conservative governments to revise the indemnity downward, arguing that it was one of the greatest barriers to securing a lasting peace.<sup>69</sup>

The Liberal and Labour Parties' interest in Europe also extended to Soviet Russia, a potentially vast market for British manufactures. As with Germany, they determined that the best way to foster trade with the Soviet Union would be to reintegrate it into the European system and establish stable diplomatic relations.<sup>70</sup> They disliked its domestic brutality and international propaganda,

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66. George W. Egerton, *Great Britain and the Creation of the League of Nations: Strategy, Politics, and International Organization, 1914–1919* (Chapel Hill: University of North Carolina Press, 1978), pp. 52–57, 142–143; Henry R. Winkler, *The League of Nations Movement in Great Britain, 1914–1919* (New Brunswick, N.J.: Rutgers University Press, 1952), especially chaps. 6–7; and J.A. Thompson, "The League of Nations Union and the Promotion of the League Idea in Great Britain," *Australian Journal of Politics and History*, Vol. 18, No. 1 (April 1972), pp. 58–59.

67. Lorna Lloyd, *Peace through Law: Britain and the International Court in the 1920s* (Suffolk: Boydell, 1997), pp. 24–29, 34–51; and William Rayburn Tucker, *The Attitude of the British Labour Party towards European and Collective Security Problems, 1920–1939* (Geneva: University of Geneva, 1950), chaps. 2–5, 7.

68. Kent, *The Spoils of War*, p. 93; Tucker, *The Attitude of the British Labour Party towards European and Collective Security Problems*, pp. 77–93; and Richard S. Grayson, *Liberals, International Relations, and Appeasement: The Liberal Party, 1919–1939* (London: Cass, 2001), pp. 32–33.

69. Some Conservatives also sought the reduction of reparations, but not by nearly as much as the opposition advocated. See Grayson, *Austen Chamberlain and the Commitment to Europe*, p. 132.

70. White, *Britain and the Bolshevik Revolution*, pp. 224–233; Williams, *Labour and Russia*, pp. 77–82,

but they were more concerned about reviving the depressed industries of northern England, Scotland, and Wales. The linkage between economics and alignment was made explicit in Labour's campaign manifestos: "[Russian] orders for machinery and manufactures, which would have found employment for thousands of British workers, have been lost to this country. . . . A Labour Government, whilst opposed to the interference of the Russian Government with the domestic politics of other nations, would at once take steps to establish diplomatic and commercial relations with it, would settle by treaty or otherwise any outstanding differences, and would make every effort to encourage a revival of trade with Soviet Russia."<sup>71</sup> With Liberal support, the Labour government of 1924 immediately granted official recognition of the Bolshevik regime and proceeded to negotiate two commercial treaties with it.<sup>72</sup> (The Liberals did not go quite as far as Labour, however; they disagreed with the specifics of one of the agreements, then sided with the Conservatives to condemn the deal.<sup>73</sup>) The Conservatives broke off relations in 1927, so Labour once again negotiated diplomatic recognition and commercial treaties with the Soviet Union after returning to power in 1929.

### *Appeasement in Hard Times, 1931–39*

Germany under Adolf Hitler posed at least as great a threat to the European balance of power as it had under Kaiser Wilhelm II. Yet, there were critical differences between the two periods for each of Britain's political coalitions. The interaction between sectoral groups' economic interests and the changing international constraints of the 1930s provides one last, critical test of the logic of the theory.

#### CONSERVATIVES

The Great Depression had a disastrous effect on the already weak British financial sector, undermining all of the economic fundamentals on which investor confidence depended. Germany ceased making reparations, revenue from taxation contracted sharply, and the balance of payments fell into deficit.

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85–86, 88, 110–115, 128; and Carlton, *MacDonald versus Henderson*, chap. 7, especially pp. 146–147, 161–162.

71. Labour Party, *Labour and the Nation*, rev. ed. (London: Labour Party, 1928), p. 49.

72. On Liberal support for Anglo-Soviet rapprochement, see White, *Britain and the Bolshevik Revolution*, pp. 216–223; and Grayson, *Liberals, International Relations, and Appeasement*, pp. 166, 168.

73. David Marquand, *Ramsay MacDonald* (London: Cape, 1977), pp. 363–364.

By the summer of 1931, the British government was facing both a severe currency crisis and a massive budgetary shortfall. Only six years after it had resurrected the gold standard, it was forced to suspend convertibility and devalue the pound. The imposition of tariffs in 1931 and the creation of the Imperial Preference system at the Ottawa Conference of 1932 helped to ease the strain, but the government still had to adopt harsh austerity measures in order to balance the budget.<sup>74</sup> If Britain were ever to return to the gold standard, it would need to adhere strictly to fiscal and monetary orthodoxy, despite the continuing economic disorder.<sup>75</sup>

The rise of Hitler and the rearming of Germany severely complicated the problems of London's financial sector. For Britain to respond in proportion to this new threat would require either major tax increases or large-scale borrowing, both of which were unacceptable to the City. Of particular concern were the potential for inflation, which would necessitate the imposition of tight government controls over consumption and capital investment, and the conversion of export-oriented manufacturing to the production of arms, which would have an adverse effect on the balance of payments.<sup>76</sup> Even worse, Britain was not nearly as autarchic as Germany, so a military buildup would require a great increase in imports. This would further weaken the pound, drain gold reserves, and necessitate the sale of British investors' assets overseas.<sup>77</sup> Finally, any increase in the size of the army would take precious funds from the expansion of the navy, which was needed to defend the empire against Japanese aggression in the Far East.<sup>78</sup>

Given their coalition's sectoral interests, the Conservatives had a clear imperative to seek alternatives to confrontation with Germany. After all, the Reich posed far less of a threat to the empire in the mid-1930s than it had in the

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74. Several scholars have noted that these Conservative policies prioritized the interests of finance and the empire over trade with Europe. See David E. Kaiser, *Economic Diplomacy and the Origins of the Second World War: Germany, Britain, France, and Eastern Europe, 1930–1939* (Princeton, N.J.: Princeton University Press, 1980), chap. 4; Scott Newton, *Profits of Peace: The Political Economy of Anglo-German Appeasement* (Oxford: Clarendon, 1996), pp. 38–40; and Cain and Hopkins, *Crisis and Deconstruction*, pp. 83–93.

75. Robert Paul Shay, *British Rearmament in the Thirties: Politics and Profits* (Princeton, N.J.: Princeton University Press, 1977), pp. 11–18; and Newton, *Profits of Peace*, pp. 114–122.

76. Shay, *British Rearmament in the Thirties*, pp. 75–79; Newton, *Profits of Peace*, pp. 66–73, 116–117; G.C. Peden, *British Rearmament and the Treasury, 1932–1939* (Edinburgh: Scottish Academic Press, 1979), chap. 3; and Cain and Hopkins, *Crisis and Deconstruction*, pp. 93–99.

77. Newton, *Profits of Peace*, pp. 99, 115; and Peden, *British Rearmament and the Treasury*, pp. 62–63.

78. D.C. Watt, "The Anglo-German Naval Agreement of 1935: An Interim Judgment," *Journal of Modern History*, Vol. 28, No. 2 (June 1956), pp. 165–166; and G.A.H. Gordon, "The Admiralty and Appeasement," *Naval History*, Vol. 5, No. 2 (Summer 1991), pp. 44–48.

early 1910s. Hitler had little interest in either naval expansion or the annexation of territory outside Europe, and unlike Josef Stalin, he did not seek to undermine Britain's rule over its colonies.<sup>79</sup> In 1937, he sympathetically suggested to Lord Halifax, the former viceroy of India, that Britain should "shoot Gandhi and if that did not suffice to reduce them to submission, shoot a dozen leading members of Congress, and if that did not suffice, shoot 200 until order is established."<sup>80</sup> Hitler had called for an Anglo-German alliance in *Mein Kampf*, and in 1935, he offered the British a treaty that permanently limited the size of his surface navy to 35 percent of the Commonwealth's combined forces.<sup>81</sup> As D.C. Watt writes, "England was to be placated by the sacrifice of the German fleet into leaving Germany a free hand for the moral and political conquest of Europe."<sup>82</sup> The Conservative-dominated National government accepted the proposal, and Hitler kept his promise until April 1939. With its navy in check, Germany would not be a danger to Britain unless it managed to defeat France and establish military hegemony over the continent. Only then, once it was flush with power, might its ambitions turn toward the British Empire.

The Inskip Report of December 1937 and the "limited liability" doctrine, which asserted that Britain would not commit its army for use in a war against Germany, reflected the Conservatives' fundamental strategic priorities: protect the home isles and the empire, not Europe.<sup>83</sup> If Hitler's desire to annex German-speaking lands in Eastern Europe were satisfied, he would have no reason to attack France and hence would not be in a position to be tempted by the empire. Thus, the Conservatives raised little protest to Nazi violations of the Versailles treaty and European order. They began to rearm slowly in 1936, but

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79. Hitler did at times call for the return of Germany's prewar empire, but he did not press this point very hard. See Andrew J. Crozier, *Appeasement and Germany's Last Bid for Colonies* (London: Macmillan, 1988).

80. Quoted in Michael Dockrill, "Defending the Empire or Defeating the Enemy: British War Aims, 1938–47," in Peter Catterall and C.J. Morris, eds., *Britain and the Threat to Stability in Europe, 1918–45* (London: Leicester University Press, 1993), p. 112.

81. Adolf Hitler, *Mein Kampf*, trans. Ralph Manheim (Boston: Houghton Mifflin, 1943), pp. 618–621.

82. Watt, "The Anglo-German Naval Agreement of 1935," p. 160.

83. Frank McDonough, *Neville Chamberlain, Appeasement, and the British Road to War* (Manchester: Manchester University Press, 1998), pp. 40–41; Peden, *British Rearmament and the Treasury*, pp. 10, 143; Reinhard Meyers, "British Imperial Interests and the Policy of Appeasement," in Wolfgang J. Mommsen and Lothar Kettenacker, eds., *The Fascist Challenge and the Policy of Appeasement* (London: Allen and Unwin, 1983); Brian Bond, *British Military Policy between the Two World Wars* (Oxford: Clarendon, 1980), chaps. 8–9; and Michael Howard, *The Continental Commitment: The Dilemma of British Defence Policy in the Era of the Two World Wars* (London: Temple Smith, 1972), chaps. 5–6.

only as a minimalist response to the threat posed by German bombers to British cities. It was not until February 1939, when the extent of Hitler's ambitions had become clearly evident, that they finally conceded to the necessity of creating an expeditionary force to balance against Germany on the continent.

Meanwhile, Soviet Russia still posed a serious threat to the empire. The danger was not primarily military in nature; to the contrary, the Red Army rated relatively low on British defense planners' list of immediate concerns. However, there did remain an "obsessive fear of Russian pressure through Afghanistan to India," the most important part of the dependent empire.<sup>84</sup> Furthermore, Comintern propagandists continued to agitate for the revolt of oppressed peoples against their capitalist occupiers, undermining the integrity of the empire in general and India in particular.<sup>85</sup> To defend the Indian subcontinent and suppress native rebellions, Britain stationed approximately 55,000 regulars there in 1938, a force of more than half the size of the home army.<sup>86</sup> As long as the Conservatives believed they might be able to appease Germany, they had little interest in cooperating with the Soviets, who remained the more clear-cut long-term enemy of the empire.<sup>87</sup> Anthony Eden, who served as foreign secretary between 1935 and 1938, made this point directly in his memoirs: "I often considered our relations with Russia and the possibility that her power might be put into the scales in resistance to the demands of Germany, Italy and Japan. . . . Yet reports constantly arrived on my desk about the Comintern's world-wide activities against the British Empire. It was not possible to work in confidence with a power which pursued such methods."<sup>88</sup> Ideology may have played a contributing role in the Conservatives' antipathy toward the Soviet Union, but their policies were ultimately based on a hard-nosed calculation of imperial interests.

The Conservatives soundly defeated Labour in the election of 1931 and formed a government that, though nominally a coalition, was dominated by them.<sup>89</sup> In 1932, they decided to terminate the existing Anglo-Soviet trade

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84. Keeble, *Britain and the Soviet Union*, p. 126. See also Bond, *British Military Policy between the Two World Wars*, pp. 107–111.

85. Imam, *Colonialism in East-West Relations*, chaps. 9–10; Niedhart, "British Attitudes and Policies towards the Soviet Union and International Communism," p. 288; and Jonathan Haslam, *The Soviet Union and the Struggle for Collective Security in Europe, 1933–39* (London: Macmillan, 1984), p. 231.

86. Bond, *British Military Policy between the Two World Wars*, p. 118.

87. Keeble, *Britain and the Soviet Union*, pp. 129–140.

88. Anthony Eden, *Facing the Dictators: The Memoirs of Anthony Eden, Earl of Avon* (Boston: Houghton Mifflin, 1962), p. 589.

89. Keeble, *Britain and the Soviet Union, 1917–89*, p. 111. The foreign secretary who served between 1931 and 1935, Sir John Simon, was the leader of the Liberal National Party, a splinter group that

agreement, then agreed to renegotiate only if granted terms that would be much more favorable to Britain. Not long thereafter, several British citizens working in the Soviet Union were arrested for espionage. In protest, the cabinet halted negotiations and imposed a complete embargo on Soviet imports. The accused were convicted, but given light sentences, so the embargo was rescinded and talks were reopened. Faced with the Conservatives' hard-line tactics and the rise of German power, Stalin softened his approach toward Britain and reined in the Comintern. This, in turn, allowed the Conservatives to accept a temporary trade agreement in February 1934 and vote for Soviet membership in the League of Nations in September 1934.

The decline of Soviet agitation against British imperial interests led to an uneasy truce between the two countries, but little more. Conservative leader Stanley Baldwin's view of continental affairs was typical: "If there is any fighting in Europe to be done, I should like to see the Bolsheviks and the Nazis doing it. . . . If he [Hitler] moves East, I shall not break my heart."<sup>90</sup> It was not until May 1939, more than two months after German tanks rolled into Prague, that the Conservatives decided to open talks with the Soviet Union. They did not do so with any sense of urgency; instead, they dickered over terms, refused to make concessions critical to Soviet interests, and left a great deal of doubt as to their willingness to declare war in the event that Germany invaded Poland. After several months without progress, Stalin gave up on the negotiations and made a separate peace with Germany.<sup>91</sup> Thus, the Conservatives' balancing policy came too little and too late, and they lost any chance they might have had to deter Hitler from war.

#### LIBERALS AND LABOUR

The Liberal and Labour Parties' interest in the stability of Europe took them on the reverse policy of the Conservatives. In the 1920s and early 1930s, they argued that Germany had been wronged by the Treaty of Versailles and advocated its revision. Thereafter, Hitler's aggressive diplomacy gave them

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most historians identify as having become de facto Conservative. See Grayson, *Liberals, International Relations, and Appeasement*, p. 8; and Chris Cook, *A Short History of the Liberal Party, 1900–1997*, 5th ed. (London: Macmillan, 1998), pp. 116–119, 122–123.

90. Quoted in Keeble, *Britain and the Soviet Union, 1917–89*, p. 120.

91. McDonough, *Neville Chamberlain, Appeasement, and the British Road to War*, pp. 82–86; Geoffrey Roberts, "The Alliance That Failed: Moscow and the Triple Alliance Negotiations, 1939," *European History Quarterly*, Vol. 26, No. 3 (July 1996), pp. 383–414; and Michael Jabara Carley, "End of the 'Low, Dishonest Decade': Failure of the Anglo-Franco-Soviet Alliance in 1939," *Europe-Asia Studies*, Vol. 45, No. 2 (1993), pp. 303–341.

growing cause to reevaluate their position. Germany's withdrawal from the League of Nations in October 1933, unilateral repudiation of the Versailles treaty in March 1935, interference in the Spanish Civil War in 1936–39, *Anschluss* with Austria in March 1938, and coercion of Czechoslovakia in 1938–39 made it increasingly clear that Hitler's agenda was incompatible with the creation of a cooperative, stable international political order in Europe, even if he did not seek continental hegemony.

Just as critically, the Nazi regime was also undermining the basis of Europe's trading system. Its economic policies, including the New Plan of 1934 and the Four-Year Plan of 1936, made Germany more autarchic and deepened its dominance over Eastern Europe.<sup>92</sup> These programs had a mixed effect on German industry, but they were unambiguously harmful to British merchandise exporters.<sup>93</sup> The coal sector, which was the bedrock of Labour's political support, was particularly hard hit. Between 1933 and 1939, Britain's export of coal dropped by 20 percent, while Germany's rose by 33 percent.<sup>94</sup> In early 1939, the British government secured a commitment from the Nazis to limit their coal exports, but only after threatening a subsidy war. Hitler's diplomatic and trade policies constituted a deep threat to the economic interests of the Liberals' and Labour's electoral coalition, and evidence for this was steadily mounting throughout the 1930s.

As a result, there was a gradual shift in policy toward Nazi Germany within the two parties.<sup>95</sup> Initially, they advocated disarmament and collective security based on economic sanctions. For Labour, the first break with this approach came in the fall of 1935, when its annual meeting produced a resolution that the use of force might be necessary to counter violations of the League of Nations Covenant. Another major change occurred in October 1937, when the party officially accepted the necessity of rearmament.<sup>96</sup> By September 1938, its

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92. Newton, *Profits of Peace*, pp. 55–57; and William Carr, *Arms, Autarky, and Aggression: A Study in German Foreign Policy, 1933–1939* (London: Arnold, 1972), pp. 58–63.

93. Kaiser, *Economic Diplomacy and the Origins of the Second World War*, pp. 184–188.

94. Newton, *Profits of Peace*, p. 97.

95. On Labour, see Michael R. Gordon, *Conflict and Consensus in Labour's Foreign Policy, 1914–1965* (Stanford, Calif.: Stanford University Press, 1969), pp. 68–82; and John F. Naylor, *Labour's International Policy: The Labour Party in the 1930s* (London: Weidenfeld and Nicolson, 1969). On the Liberals, see Grayson, *Liberals, International Relations, and Appeasement*.

96. Labour Party, *International Policy and Defence* (London: Labour Party, 1937), pp. 7, 11. Labour would likely have reversed its opposition to rearmament much earlier than October 1937 if it had been in power. See Naylor, *Labour's International Policy*, p. 71; and Richard Toye, "The Labour Party and the Economics of Rearmament, 1935–39," *Twentieth Century British History*, Vol. 12, No. 3 (September 2001), pp. 303–326.

transformation was complete. In the midst of the international crisis over the Sudetenland, Labourites took a militantly anti-German stance. They were outraged not only by its coercion of Czechoslovakia, but also because “its provocative mobilizations and untruthful Press campaigns impede the recovery of industry and trade, and poison international relationships.” In response, they resolved that “whatever the risks involved, Great Britain must make its stand against aggression. There is now no room for doubt or hesitation.”<sup>97</sup> Just like the Liberal Party in 1914, the Labour Party in 1938 decided to act forcefully once Germany’s disregard for the sovereign rights of a small state provided a direct indication of its willingness to do violence to the legal foundations of the international political and economic order in Europe.

While Germany grew increasingly belligerent, the Soviet Union undertook a strikingly internationalist realignment of its foreign policy.<sup>98</sup> First, Soviet and French negotiators sought to create the Eastern Pact for the Guarantee of Mutual Security, an analogue to the Treaty of Locarno for the states lying between Germany and the Soviet Union. Second, after years of disdaining the League of Nations, the Soviet Union applied for membership and was finally seated at the League Council in September 1934. The following year, when the league confronted the Italian invasion of Abyssinia, the Soviets unwaveringly supported the use of sanctions and called for the strengthening of the covenant’s collective security provisions. They also sought to cooperate with Britain over the civil war in Spain, though they decided to pursue an independent line once they saw that the British policy of nonintervention was failing to prevent German and Italian interference. In March 1938, they called for an international conference to respond to the *Anschluss*, but were rebuffed by Britain’s Conservative-dominated National government; then, in the Sudetenland crisis of September 1938, they insisted that they would go to war on Czechoslovakia’s behalf if only the French would join them.

The Liberal and Labour Parties had sought to establish close ties with the Soviet Union throughout the 1920s and early 1930s, even when its foreign policy was at its most anti-British. Thus, they responded quite positively to its turnabout after 1933. Not only had its strategic interests aligned with theirs; Stalin had also chosen to pursue his goals through their preferred means, the League

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97. Labour Party, *Report of the 38th Annual Conference* (London: Labour Party, 1939), p. 14. See also Naylor, *Labour’s International Policy*, p. 241.

98. F.S. Northedge and Audrey Wells, *Britain and Soviet Communism: The Impact of a Revolution* (London: Macmillan, 1982), pp. 51–63; Keeble, *Britain and the Soviet Union, 1917–89*, pp. 122–140; and Haslam, *The Soviet Union and the Struggle for Collective Security in Europe*.

of Nations and collective security. Whereas the Conservatives kept at arm's length from the Soviet Union, Labour and the Liberals called for Britain to work with it to resist German and Italian aggression. In the Labour annual conference of September 1938, the party announced that "the British Government must leave no doubt in the mind of the German Government that they will unite with the French and Soviet Governments to resist any attack on Czechoslovakia."<sup>99</sup> If Labour had been in power, not the Conservatives, it almost certainly would have ended the policy of appeasement in 1938, prior to the Munich Agreement, and aligned with the Soviets to oppose Hitler's threat to the European international order.<sup>100</sup>

### *Conclusion*

The history of British alignment policy from 1905 to 1939 reveals a very pronounced pattern of partisanship. The Liberal and Labour Parties, whose electoral support came from industries that were highly dependent on export to Europe, consistently sought to maintain a stable, cooperative international order on the continent. They did not attempt to prevent war at all costs; rather, they sought to defend the status quo against states that threatened the future of the European trading system. In 1905–14, they refused to balance against Germany because they had little reason to believe that it would act less moderately upon defeating France than it had in 1871. It was not until Germany invaded neutral Belgium, too late to attempt deterrence, that it gave them a concrete indication that it might endanger their long-term interests. By contrast, they had ample evidence of Hitler's malfeasance by 1938. His repeated efforts to undermine political and commercial relationships throughout Europe gave Liberals and Labourites a clear imperative to oppose him, even before it was certain that he would initiate a war for continental hegemony.

The Conservative Party, whose electoral coalition was based on the financial services sector, had a far greater stake in the empire than Europe. From 1905 to

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99. Labour Party, *Report of the 38th Annual Conference*, p. 14.

100. On this counterfactual, see Naylor, *Labour's International Policy*, pp. 257–260. On the military implications of war in 1938, see Bond, *British Military Policy between the Two World Wars*, pp. 277–286. At the time, Labour was still struggling to regain the ground it lost in the disastrous election of 1931, but its political difficulties had little to do with its position on foreign policy. In a Gallup poll conducted in the spring of 1939, 84 percent of respondents answered "yes" to the question, "Do you favour a military alliance between Britain and Russia?" See R.A.C. Parker, *Chamberlain and Appeasement: British Policy and the Coming of the Second World War* (New York: St. Martin's, 1993), p. 233.

1914, the gravest threat to its economic interests was that one of the opposing continental alliances would defeat the other, leaving the empire vulnerable to the victor. Thus, the Conservatives argued that Britain must adhere closely to the less dangerous of the two sides, the Franco-Russian alliance, either to prevent war from occurring or to be certain of being in the winning coalition. Then, in the 1930s, a very different strategy was needed to protect the interests of investors. Germany had lost its colonies and voluntarily limited its naval construction, so it posed far less of a threat to the empire than it had in 1914. Furthermore, the financial sector was badly shaken by the Great Depression, and its recovery would have been severely compromised by a major rearmament program. Hence, the Conservatives opted for appeasement. It was not until Germany invaded Czechoslovakia that they concluded that Hitler could not be satiated, by which time it was too late to respond effectively.

The foregoing account of British alignment patterns and decisions for war has broad implications for the study of international security. Most scholars recognize that domestic politics influences states' strategic behavior, but few consider it to be anything more than a constraint on the pursuit of "national interests." As a result, they cannot explain how decisionmakers define such interests or why turnover in the executive office should produce major changes in policy. To answer these critical questions, it is necessary to invert the standard method of analysis in the field. Before addressing external factors such as the distribution of power or the presence of threat, theories must first examine how governments' fundamental objectives in the international system are shaped by their societal coalitions' preferences. In other words, they must treat the international environment not as the underlying determinant of "national interests," but rather as a constraint on the pursuit of parochial domestic interests.

Such a paradigm shift could greatly improve scholars' understanding of the sources of state behavior in many prominent cases. Historians have long been aware of the importance of domestic politics in the formulation of great powers' international strategies, and recent work by political scientists provides compelling support for their claims.<sup>101</sup> Great Britain is by no means an anomaly; deep partisan cleavages over security policy can be seen in such varied cases as imperial Germany, interwar Japan, and the United States in the late

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101. See the works cited in notes 5, 6, and 10.

Cold War. Even for polities with a high degree of consensus, the analysis of societal interests is still needed to explain why different parties agreed on one particular strategy over all of its plausible alternatives. The domestic political economy perspective may be less parsimonious than realism, but it is nevertheless worthy of much greater attention in the field of security studies.