

Both Guns and Butter, or Neither: Class Interests in the Political Economy of Rearmament

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A major rearmament program can have a lasting effect on the balance of political and economic power between societal groups. It will typically require the expansion of progressive taxation and government interference in the economy, both of which are disproportionately harmful to the interests of the upper classes. Consequently, conservative governments that face a sharp increase in international threat should be more likely than their leftist counterparts to try to substitute alliances and appeasement for arms. I test this hypothesis on Great Britain in 1895–1905, 1907–14, and 1931–39, France in 1904–14 and 1935–39, and the United States in 1938–41, 1948–60, and 1979–86. In all but one of these cases, I find that leftist governments did more to strengthen their countries' militaries than conservatives.

A state that is confronted with a grave external threat has three basic options of response, each of which involves certain trade-offs. First, it can strengthen its military. Rearmament, or “internal balancing,” allows it to maintain its diplomatic freedom of action, but its economy may suffer from the strain of accelerating the production of weapons of war. Second, it can join forces with another power. Alliances may obviate the need for an arms buildup, but they carry the risk that the state will be abandoned by its partners or drawn into undesired conflicts. Finally, it can attempt to reconcile with its adversaries by conceding to some of their demands. Appeasement may be the least troublesome way to eliminate a threat, but it is also the most risky because it transfers valued resources to a potential opponent. After weighing these options, the state should choose the policy, or combination of policies, that will provide an acceptable level of security at the lowest overall cost.¹

The foregoing account is appealingly parsimonious, but it captures only part of the story. States are frequently racked by bitter internal debates over how to deal with international pressures, and changes in their political leadership sometimes bring about sudden shifts in their behavior. Of the three strategies described above, rearmament is often the most acutely divisive. It requires a sharp increase in the extraction and mobilization of resources from society, so it can become highly politicized. Some groups will inevitably bear a heavier burden than others, and their discontent may eventually endanger the regime's hold on power or its ability to prepare for war. To ensure domestic

stability, state leaders may have to pursue diplomatic alternatives to rearmament, even when doing so will result in a suboptimal international outcome.

Over the past decade, scholars have produced an impressive array of work on the internal political and institutional factors influencing policymakers' strategic calculus.² This literature has generated many important insights into the motives behind states' responses to threat. However, it has paid scant attention to the theoretical foundations of a key variable in the domestic origins of security policy: class.³ In lieu of systematic analysis, the dominant view of class in international relations is based on a longstanding conventional wisdom. Parties on the left have developed a reputation for being naively antimilitaristic, even pacifist, in the face of foreign aggression. Their insatiable desire to expand social welfare programs, coupled with their idealistic outlook on the causes of international conflict, is assumed to make them prioritize butter over guns. Meanwhile, parties on the right are thought to be more nationalistic and realistic than their counterparts, hence more willing to make economic sacrifices for the sake of security. These images are reinforced by contemporary debates in American politics, in which Republicans criticize Democrats for being “soft on defense.”

Yet, the facts of the matter are not so clear cut. Quantitative analyses have found limited evidence of a guns–butter trade-off during the Cold War (Mintz 1989). In the United States, only during the Reagan years was

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¹ On the relationship between arms and alliances, see Lake 1999 and Most and Siverson 1987. On the costs and benefits of appeasement, see Powell 1996.

² There are two distinct approaches to the study of domestic politics in international security. One school of thought conceives of executives as having only two basic goals, defending the national interest and maintaining their political power. For example, see Barnett 1992, Christensen 1996, David 1991, Ikenberry, Lake, and Mastanduno 1989, Lamborn 1991, Rosecrance and Stein 1993, Rowe 1999, and Stein 1978. The other school rejects the concept of national interests entirely and views executives as being representatives of their partisan coalitions' economic interests and ideological biases. For example, see Fordham 1998a, McKeown 1991, Morrow 1993, Narizny 2003, and Trubowitz 1998. Both perspectives draw from an earlier literature on the domestic politics of military spending and foreign policymaking. For example, see Hilsman 1967, Huntington 1961, and Snyder, Schilling, and Hammond 1962.

³ Two notable exceptions are Halperin 1997 and Fordham 1998b. A few other works, including Lamborn 1991 and D'Lugo and Rogowski 1993, explain how class interests constrain resource extraction in particular cases but do not theorize specifically about class as an independent variable.

there definite substitution between these two goods. Indeed, in the presidential election of 2000, the Democrat Al Gore proposed higher defense spending and a more actively interventionist foreign policy than the Republican George W. Bush (O'Hanlon 2000). To evaluate the impact of domestic politics on rearmament, it is necessary to set aside the conventional wisdom and closely examine both the historical record and the theoretical logic of class interests. Under greater scrutiny, it quickly becomes apparent that parties' rhetoric on militarism and preparedness is not always a reliable indicator of the strategies they adopt in response to foreign threats.

Though the empirical findings of the guns–butter literature cast doubt on the idea that governments consistently sacrifice military strength for social welfare (or vice versa), it would be premature to conclude that class interests are entirely irrelevant to the question. Rearmament should produce conflict between the rich and the poor because it directly affects two of the most important issues over which their political representatives normally compete. First, a rapid buildup in a state's armed forces requires steep increases in government spending, which raises the eternal question: Who pays? Second, the sudden reorientation of an economy from civilian to military production has different implications for the long-term goals of labor and capital. In the following pages, I argue not only that class interests have a critical impact on governments' decisions to rearm in the face of grave international threats, but that the effect is precisely the opposite of what the conventional wisdom dictates.

Rearmament and Taxation

The redistribution of wealth has always been politically divisive. Parties that represent the economic interests of the upper and upper–middle classes, which I refer to as conservative or “right” coalitions, tend to favor regressive taxation, while parties devoted to the lower and lower–middle classes, which I refer to as labor or “left” coalitions, usually support progressive taxation. Whenever a state's political system is divided by class, its parties almost invariably clash over the direction of fiscal policy. Of course, most parties are not devoted exclusively to the advancement of class interests, and many voters support parties that do not represent their class interests. However, one need not accept the crudely monocausal logic of Marxism to conclude that class plays a vital role in domestic political competition. Voters care about a whole spectrum of ideological and cultural issues, but distributional questions are still important enough at the margins to influence policy debates and election outcomes.

The struggle over fiscal policy has not been fought on an even playing field. In every modern democracy, the left derives a powerful advantage from the fact that there are many more lower-class voters than upper-class voters (Meltzer and Richard 1978). Conservative parties cannot win elections based on a platform of “tax the poor,” but labor parties can often take office with

a mandate to “soak the rich.” Since the late nineteenth century, this imbalance has produced a clear trend in the fiscal politics of democratic states. Government programs have consumed a rising share of their societies' economic output, while the structure of taxation has become increasingly progressive (Higgs 1987; Peacock and Wiseman 1961; Sawyer 1982). Consequently, the state has become an instrument for the redistribution of wealth from the upper classes to the lower classes. The trend has not been perfectly consistent, but tax hikes on the poor and the elimination of major social welfare programs have been exceedingly rare. When conservative governments do manage to make the structure of taxation significantly more regressive, they usually do so by cutting the top rates on income, land, or capital, not by increasing the burden at the lower end of the scale.

The political costs of regressive taxation create a serious dilemma for conservative leaders facing an international threat. If they raise taxes on the lower classes to pay for rearmament, they court disaster in the next election. In the interim, their policy may provoke social unrest, such as mass protests and strikes, that impedes their ability to unify the country and mobilize the economy for war. On the other hand, if they attempt to raise taxes on the rich, they run the risk of a revolt within their own coalition. Fellow conservatives in the government and legislature may block their proposals, challenge their leadership, or splinter into polarized factions. Meanwhile, their wealthy supporters will express their discontent by withholding campaign contributions. A compromise solution, such as balancing mildly progressive tax increases across income brackets, might meliorate some of these problems, but it also might make matters worse by offending the entire electorate. In short, the right should have great difficulty finding both the will and the capacity to extract enough revenue to pay for a major rearmament program.

Of course, taxes are not the only way to finance arms production. Governments can also borrow the funds needed to build up their militaries, then gradually pay off the debt once the international crisis has passed. Since voters tend to discount future costs and benefits, this option may be less politically painful to the right than sudden increases in taxation. However, it does have some critical limitations. First, loans merely defer the problem; they do not solve it. Debt must be repaid at some point, and interest will add significantly to the bill. If voters have sufficiently long time horizons, loans will still produce a serious distributional controversy. Second, conservatives face the prospect that the debt they incur will be used by successive leftist governments to justify progressive tax reform. To compensate, they might try to cut taxes on the wealthy while borrowing for rearmament, but this combination is usually politically infeasible. Finally, large-scale deficit spending can quickly overheat an economy and cause inflation. The most effective solution to this problem, raising taxes to rein in private consumption, simply returns conservatives to their original dilemma. Another possible response, price controls, can be quite damaging to the interests of the upper class (see below). In sum, loans

may help conservative parties to overcome the political risks of rearmament, but they are no panacea.

In contrast, labor governments should find it relatively easy to pay for the rapid expansion of their military capability when confronting an adverse international environment. From their perspective, a grave foreign threat presents opportunity as well as danger. It gives them the pretext of a “national interest” to raise taxes on the rich, allowing them to assert that reform is necessary for reasons other than the confiscatory self-interest of the poor. Of course, a massive rearmament program will make it difficult for them to fund welfare policies, but if it allows them to “ratchet up” the extractive capacity of the state, they will be in a better position to carry out their agenda after the threat has passed. In short, labor parties may take consolation in the idea that rearmament contributes to the long-term growth of the welfare state, even if it does not serve their domestic goals in the short term. Whether or not they view these trade-offs in such Machiavellian terms, they will still find the extraction of wealth to be far less politically problematic than conservatives.

There is one potential complication in the logic connecting budgetary politics to rearmament. Voters’ tolerance for taxation and deficit spending is influenced in part by popular theories, or “policy paradigms,” about how the economy responds to government intervention (Blyth 2002; Hall 1989). In exceptional circumstances, it is conceivable that unconventional economic ideologies might interfere with the causal mechanisms discussed above. However, there are also compelling reasons to think that new policy paradigms will not override class interests, assuming that the two variables can be usefully disentangled. The most important economic idea of the twentieth century, Keynesianism, has tempered orthodox opposition to debt, but it has not solved the problem of distribution. Even if voters agree that large-scale deficit spending benefits the economy, they should still recognize that it increases their taxes over the long term and threatens inflation in the short term. Leftist governments will be eager to compensate the lower classes for these burdens by enacting progressive reforms, whereas the right will not. Consequently, conservative leaders will encounter strong mass resistance to funding rearmament with loans regardless of whether their supporters subscribe to Keynesian ideas. Meanwhile, the left should have an advantage in extractive capacity even if it adheres to fiscal orthodoxy, because it should have few qualms about substituting progressive taxation for borrowing.

Rearmament and Controls

Leaving aside the politics of extraction, a major rearmament program causes two types of distortion in the economy that are particularly harmful to the owners of capital (Porter 1994, chaps. 5, 7). First, unless it is financed primarily with taxes, thereby depressing consumer demand, it will divert resources normally allocated to the production of civilian goods, leading to inflation. As numerous economic studies have demon-

strated, inflation disproportionately hurts the wealthy (Hibbs 1987, 77–89). It does not substantially reduce standards of living among wage earners, but it cuts deeply into the income of bondholders, landlords, and other capital-owing rentiers. Second, in all but the most resource-rich countries, rearmament will require a massive increase in imports. If exchange rates are fixed, the resulting imbalance in payments will drain the central bank’s reserves, which will weaken international confidence in the currency and result in capital flight. Again, this affects the upper classes more directly than the poor. The lower classes’ greatest concern in a financial crisis, unemployment, is unlikely to pose a serious problem when the entire economy is being mobilized for military production.

States have various tools to combat the negative externalities of rearmament, but each one entails heavy-handed intervention in the economy. Price controls can be used to prevent inflation, but they disrupt the normal market mechanisms by which businesses make profits. Currency devaluation and exchange controls can be used to stop capital flight, but only at great cost to the competitive position of the financial sector. Alternatively, the state can generate foreign currency by confiscating and selling off its nationals’ foreign property, but this also injures wealthy investors. In short, rearmament may harm the upper classes not only through taxation, inflation, and exchange-rate instability, but also through the imposition of controls that result in the dissipation and devaluation of their capital.

Industrial mobilization creates additional pressures for intervention in the economy. If defense industries lack the capacity to increase production quickly, it may be necessary for the government to broaden its regulatory authority or nationalize certain sectors. Even if rearmament is left in the hands of private contractors, the government may have to impose a tax on excess profits, dictate the allocation of raw materials, and ration consumption. Businessmen tend to oppose such measures because any retreat from the principle of *laissez-faire* opens the door to future attacks on the privileges of capital. It is not only progressive taxation that has been ratcheted upward in modern democracies; so too has economic dirigisme. The expansion of state control over markets may not impose an immediate burden on the upper class, but it can have important long-term consequences for the balance of power between labor and capital.

Hypotheses

The differences between left and right class-based coalitions’ willingness to raise taxes, tolerate monetary instability, institute economic controls, and regulate industrial mobilization have clear implications for their responses to grave international threats. Conservative governments that attempt a strategy of rearmament will soon find themselves caught in a budgetary impasse. They will face strong political opposition and high electoral costs to raising taxes on the poor, but they will be reluctant to ask for similar sacrifices from their

wealthy supporters. To lessen the burdens of defense, as well as to avoid economic distortions and regimentation, they will resort to alliances or appeasement. Only if these alternative strategies prove insufficient, leaving potentially catastrophic vulnerabilities in their homeland defenses, will they slowly begin to rearm.

Labor coalitions should find it much easier to accept the social and fiscal consequences of rapid, large-scale rearmament. It allows them to rally public support for two of their most important domestic goals, raising taxes on the rich and extending the power of the state over the economy. As long as they are able to carry out this agenda, they should be willing to respond to threats with a massive arms buildup. Under extreme conditions, they may decide that it is also necessary to seek allies or attempt appeasement, but they will not use these strategies as a substitute for rearmament. Only if their domestic reforms are blocked, leaving the burden of military spending on the poor, should they be inclined to rely on diplomatic expedients as their first line of defense. Even then, however, their class interests will give them strong incentives to continue fighting for social change. Once they finally succeed, they should be fully prepared to rearm.

To these hypotheses must be added three caveats. First, the theory should accurately predict the behavior of the governing coalition, but it will not necessarily account for the position taken by parties out of power. Conservatives in opposition might criticize a leftist government for both insufficient defense spending and high taxes, then choose to prioritize the latter when they win the next election. Conversely, a labor party in opposition might object to a rearmament proposal that is funded with regressive taxes, then, once in office, reform the structure of taxation and allocate more revenue to the military. Furthermore, parties out of power may have reasons not to register their true preferences over rearmament. If a proposal will pass without their support, they may decide to vote against it to protest specific provisions or to make a statement about some other aspect of the government's policies.

Second, the nature of the party system and constitutional division of power within states may complicate matters. For the purpose of analytic clarity, the ideal polity would have only two major parties, tight discipline within them, and a cabinet selected by a unicameral parliament. When policymaking authority is shared between a legislature and an independently elected executive, or when a parliament is split into two separate houses, conservatives may be able to block the fiscal requisites of rearmament without having full control over the government. Even if a left-leaning coalition holds a majority of seats in the legislature, centrist elements within it might side with conservatives over economic issues if party discipline is weak. In such cases, a leftist executive may have to defer rearmament or settle for half-measures until elections, institutional reform, or changes in the external environment provide it with greater political bargaining leverage. In the interim, it may have no choice but to respond to threats in the manner hypothesized for conservatives, using alliances or appeasement as a substitute for rearmament.

Finally, class is not the only important source of partisanship over foreign policy. I argue that class constrains the *means* by which governments deal with threats, not that it determines their fundamental *goals* in the international system. To address the latter question, it is often necessary to look at the sectoral interests underlying political coalitions (Fordham 1998b; Narizny 2003; Trubowitz 1998). A party's position over rearmament may be overdetermined by a combination of class and sectoral interests, or it may be the product of a compromise between competing economic imperatives. Unfortunately, it would be wholly infeasible to evaluate the relative impact of the two explanatory variables within the space constraints of this essay. Rather than pit them against each other, I simply note whenever they clearly intersect.

Case Selection

Though I have presented the theory in broad terms, it is limited by several scope conditions. First, it applies only when rapid changes in a state's strategic environment create a sharp increase in threat. This criterion excludes cases in which relatively minor changes in the international system lead to calls for a modest or short-term rearmament program. France in the late nineteenth century falls into this category because, despite periodic war scares with Germany, the level of threat it faced was fairly constant until 1905. In such circumstances, conservatives may have a number of reasons to support moderately higher levels of defense spending than the left. For example, their sectoral coalition might derive greater benefits from policy objectives that require the use of force, such as imperial expansion or the protection of overseas trade, or they might have closer socioeconomic ties to the military. The cleavages that form over defense spending under a static threat environment may correspond quite well to the conventional wisdom of leftist pacifism and conservative militarism. However, the marginal changes in spending at stake in these cases should not create such profound stresses on the state's economy and system of taxation as to activate the causal mechanisms addressed in this paper.

States at war, or rapidly approaching the point thereof, must also be treated with caution. When the probability of conflict is high, it will be exceptionally difficult for leaders to find diplomatic alternatives to rearmament. Furthermore, military considerations will come to dominate concerns about the redistribution of wealth. Partisan differences over taxation and economic controls might not disappear entirely, but all domestic groups should become more willing to make sacrifices for the common good under the shadow of war. For these reasons, I do not address spending programs designed primarily to cover the operations, maintenance, and replacement costs of an ongoing conflict, such as the post-9/11 increases proposed by President George W. Bush (Thompson 2002), nor those intended to prepare for a war that is seen as nearly inevitable.

Second, I limit my empirical analysis to great powers. The underlying logic of the argument should apply

equally well to small states, but, given space constraints, I focus on the most salient actors in the international system. This restriction is somewhat arbitrary, but it should not create any selection bias. Indeed, great powers may actually constitute a “hard case” for the theory. According to Michael Barnett and Jack Levy (1991), great powers are less likely to experience internal conflict over resource mobilization than third world countries. The legacies of imperialism and underdevelopment have left postcolonial states with illegitimate regimes, weak instruments of extraction, and inadequate arms industries. To build the political and economic institutions needed to rearm effectively, they must upset the existing balance of power between domestic groups. Great powers tend to more stable and self-sufficient, so their plans for rearmament should not provoke as much societal resistance.

Third, the distributive politics of the state under consideration must be divided by class, in which at least one major party represents the working poor and another serves the material interests of a wealthy elite. In Great Britain, no such cleavage existed until the early 1890s, when the Liberals began to appeal directly to the lower classes (Emy 1972, 105–13). In the United States, this transition began in the late 1890s, when William Jennings Bryan and the agrarian populists wrested control of the Democratic Party from Grover Cleveland and the probusiness conservatives (Sundquist 1983, chaps. 7–10). The two factions struggled for dominance until 1912, when they were reunited by Woodrow Wilson’s centrist “New Freedom” platform. Labor did not finally take a preeminent position in the party until the Great Depression, so the defense buildups that preceded the Spanish–American War and World War I must be excluded from this study.

Fourth, the state’s leaders must be elected, either directly by voters or indirectly by the legislature, and its franchise must include the lower classes. In less democratic societies, the government may be able to ignore or repress societal opposition to extraction, thereby bypassing the causal mechanisms that underlie the theory. This condition disqualifies at least two semidemocratic great powers, Wilhelmine Germany and France under Napoleon III. The theory may still help to explain these regimes’ strategic behavior, but I do not address them here. The remaining universe of cases, taking into account all of the restrictions discussed above, is fairly limited: Britain at the turn of the century, both Britain and France prior to the two World Wars, and the United States prior to World War II, at the beginning of the Cold War, and in the early 1980s.

Finally, a methodological note is in order. In the ideal world, it would be possible to test the theory simply by looking at changes in defense spending as a share of national income. However, reality is not so simple. First, quantitative measures cannot control for the precise level of threat. Without detailed qualitative analysis, there is no way to determine exactly how much money a state should have been allocating to its military at any particular point in time, given what its leaders believed about the strength of its adversaries, the value of its alliances, and the likelihood of conflict. Second,

defense burden indicators may be distorted by the operational costs of lesser conflicts that run concurrent with or immediately prior to the primary increase in threat. As noted above, the funding of war tends to be much less politically controversial than the funding of rearmament, so aggregate figures may paint a misleading picture of both the objects of defense spending and the difficulties of increasing it. To overcome these problems, I rely principally on the judgments of historians and defense experts when evaluating military preparedness and rearmament programs. If the theory is correct, it should be readily apparent even without the aid of quantitative measures: Leftist governments should respond to sharp increases in threat with a proportional expansion of their military capacity, while conservative governments should either seek allies or attempt appeasement as a partial substitute for internal strengthening.

GREAT BRITAIN

Fiscal and Imperial Retrenchment, 1895–1905

At the end of the nineteenth century, Britain faced a more dangerous international environment than at any point since the Napoleonic Wars. Almost simultaneously, all of the great powers except Austria-Hungary embarked upon major fleet-building programs, and many sought to carve out overseas empires of their own. In the span of only two decades, Britain went from a position of unchallenged dominance over much of the world outside Europe to facing hostile competitors on nearly every one of its imperial borders. The greatest threat came from France and Russia. The 1894 alliance between these two countries may have been intended primarily as a defensive measure against Germany, but it inspired great fear among British military planners. France and Russia’s combined maritime power posed a direct challenge to the Royal Navy, and both countries had many serious colonial disputes with Britain. The defense of India was of particular concern, since Russia’s expansion into Central Asia brought its enormous armies menacingly close to the frontiers of the Raj. Clearly, Britain had strong incentives to undertake a major rearmament program.

The Conservative government of 1895–1905 steadily increased naval appropriations, but the growth of external pressures soon began to outpace Britain’s defensive capabilities (Friedberg 1988; Marder 1940, 380–84, 398–413; Sumida 1989, 18–28). The party had working majorities in both the House of Commons and the House of Lords, so there were no institutional obstacles to rearmament. The problem, quite simply, was the budget. From the very outset, the Treasury argued that there would be serious political costs to a substantial increase in regressive indirect taxes, and it considered progressive direct taxes to be too high already (Emy 1972, 112–15; Friedberg 1988, 108–9). The Boer War of 1899–1902 temporarily dampened societal opposition to extraction, but the Conservatives’ response was

quite modest—rate hikes on income, tea, tobacco, and alcohol, plus new duties on coal exports and imports of sugar and grain (Douglas 1999, 84–86; Friedberg 1988, 109–10, 115–16; Mallet 1913, 148–98). They paid for more than two-thirds of the cost of the war by issuing new loans and suspending repayment of the existing debt. The resulting spike in revenue helped tide the government through the war, but it did nothing to address the long-term imbalance between Britain's military resources and the rising threat posed by the other great powers.

Nevertheless, at the end of the Boer War, the Conservatives reduced the standard rate on income and eliminated their politically unpopular tax on grain. By 1904, the combination of tax cuts and the pressing need for greater defense spending produced a severe budgetary crisis (Friedberg 1988, 114–28; Mallet 1913, 199–253). The Conservatives refused to increase the proportion of revenue collected from progressive direct taxes, but Liberal opposition and fear of electoral disaster prevented them from significantly raising regressive indirect taxes. Their reluctance to balance the budget on the backs of the poor proved to be quite justified: In the election of 1906, they tentatively proposed the creation of a new system of tariffs and were soundly defeated at the polls. To get through the fiscal crisis of 1904, they made marginal adjustments to existing taxes on tea, tobacco, and income, then initiated a major strategic retrenchment to cut future military expenditures.

Unable to fund an adequate program of rearmament, the Conservatives attempted to protect the British Empire through other means (Friedberg 1988, 116–18, 169–82; Marder 1940, chaps. 21, 23, 25; Monger 1963, esp. 110–11). First, they broke from Britain's long tradition of "splendid isolation" by signing an alliance with Japan in January 1902. This agreement limited their diplomatic and military freedom of action in East Asia, but it nevertheless allowed the Admiralty to divert ships to the European theater. Second, the Conservatives petitioned the Dominions to shoulder a greater share of the burdens of defense. Finally, they sought to appease two of Britain's strongest maritime competitors. In the span of only a few years, they ceded *de facto* hegemony over the entire Western Hemisphere to the United States and settled almost all of their outstanding colonial disputes with France, leading to the creation of the Anglo-French Entente in April 1904. Though these measures were not costless, they substituted reasonably well for rearmament, allowing Britain to muddle through the first challenge to its declining imperial hegemony.

The People's Dreadnoughts, 1907–14

When the Liberals came to power in December 1905, the international environment was considerably less dangerous than it had been in the previous 10 years. The Conservatives' strategy of alliances and appeasement had sacrificed some of Britain's independent influence in the Western Hemisphere and East Asia, but it had nevertheless succeeded in reducing the threat

from France and Russia. Luck also played a critical role. Japan's military victories over Russia in 1904–5 benefited Britain greatly, eliminating a naval competitor and allaying fears of an overland invasion of India. Taking advantage of Britain's improved position, the Liberals continued to cut military spending through the first few years of their new government (Massie 1991, 499; Sumida 1989, 186–87).

The next challenge was soon to follow. In 1907, Germany set out to achieve parity with Britain in dreadnoughts, the latest and most expensive advance in battleship design. At first, the Admiralty was confident in Britain's maritime superiority, but by early 1909 it was rapidly revising its estimates of the German construction program (Massie 1991, 611–24). To meet the new threat, it decided that Britain needed to build eight new dreadnoughts, twice as many as originally anticipated. However, fearing that the government would reject this proposal out of hand, it asked for only six. Just as the rise of imperial competition had caused chronic budgetary crises for the Conservatives at the turn of the century, the expansion of the German fleet threatened to overwhelm the Liberals' balance sheet in 1909.

Yet the two parties' responses were quite different. The Liberals could have tried to add to their military strength by concluding a formal alliance with France, or they could have accepted the Kaiser's offer to halt German naval construction in return for pledging neutrality in a future Franco-German war (Sweet 1977). However, they were unwilling to sacrifice Britain's freedom of action in continental politics with either alliances or appeasement. After much debate, the cabinet decided to build four dreadnoughts immediately and reserve the option to build four more if circumstances warranted doing so. Six months later, it exercised this option, despite the strenuous resistance of the Treasury. To pay for this massive increase in defense spending, as well as new social welfare programs, the Liberals sought to raise taxes on Britain's upper class.

Their proposal, the "People's Budget" of 1909, was so historically unprecedented and politically controversial that it provoked a constitutional crisis within Parliament (Emy 1972, 122; Massie 1991, chap. 35; Murray 1980). The Liberals entered the fight with a sizable majority in the House of Commons, having won the election of 1906 by a landslide. After making a few modifications in the bill for party backbenchers, the government had little trouble securing the assent of that body. The unelected House of Lords, on the other hand, was dominated by Conservatives. By tradition, the Lords' power to veto legislation did not extend to finance measures, but it nevertheless voted overwhelmingly to reject the People's Budget. In response, the Liberals decided to call an election in January 1910, making it an unofficial referendum on the issue. The outcome left them with only a plurality of seats in the Commons, but they managed to pass the bill again with the support of Labour and the acquiescence of the Irish Nationalists. With both the Commons and the British public clearly behind the Liberals' policy, and with the threat of constitutional reform looming, the House of Lords finally conceded in April 1910.

The People's Budget's progressive elements included rate hikes on income, inheritance, real estate capital gains, stock transactions, and automobiles, while its regressive increases were limited to liquor and tobacco. It not only provided for the extension of the welfare state, but also produced more than enough revenue for the rapid expansion of Britain's dreadnought fleet through 1914 (Marder 1961, 214–21, 283–85, 311–27; Sumida 1989, 188–96). From 1909 to 1914, spending for social welfare increased from £2.1 million to £19.7 million, while naval appropriations grew from £32.2 million to £48.7 million (Sumida 1989, 189). Even members of the far left wing of the party, who had resisted their leaders' initial moves toward rearmament, dropped their objections once it became evident that the People's Budget would allow defense to coexist with old age pensions, national health insurance, and unemployment benefits (Weinroth 1971, esp. 117–18). The Budget also helped fund debt repayment averaging more than £10 million per year between 1906 and 1913, making the government the most fiscally orthodox of the entire Victorian era (Peden 2000, 40–41). Several months before the onset of war, the Treasury began to come under pressure from Britain's ever-increasing military needs, so the Liberals raised taxes on the upper class yet again (Emy 1972, 129–30; Murray 1980, 303–10).

As David D'Lugo and Ronald Rogowski (1993, 91–92; see also Lamborn 1991, chap. 7) explain, the difference between Britain's behavior in 1895–1905 and in 1907–14 can be attributed directly to the economic interests of its ruling coalitions:

The Conservatives believed their maximum budget of 1904–5 was politically unsustainable, while there is no indication that the Liberals regarded the amount they reached in 1914–15 as even approaching the maximum they could attain. . . . Liberals were able to increase government revenues without antagonizing any of their major sources of electoral support. Conservatives failed because they could not adequately raise taxes without suffering a devastating blow at the polls.⁴

Meanwhile, in Germany, constitutional arrangements that favored the right were too well entrenched to permit a similar fiscal revolution (D'Lugo and Rogowski 1993; Ferguson 1994; Lamborn 1991, chap. 6). Conservatives were better able to block progressive tax reform than their British counterparts but were equally incapable of further burdening the poor. Even with substantial loans, the German government was forced to cut its military's five-year spending estimates by nearly 40% in 1912 (D'Lugo and Rogowski 1993, 82). It was not until June 1913, facing the inevitability of war, that Kaiser Wilhelm II and Imperial Chancellor Bethmann Hollweg pushed through a major new tax, on capital

gains, against the opposition of conservative parties. By then, the naval arms race was already effectively over, with the antimilitaristic Liberals having decisively outbuilt the Reich.⁵

Avoiding the Costs of Confrontation, 1931–39

After World War I, the Liberal Party was supplanted by Labour, leaving British politics even more sharply divided by class interests. Throughout the interwar period, Labour railed against militarism just as emphatically, if not more so, than the Liberals had in earlier years. Even in the mid-1930s, the party consistently called for reductions in the service estimates. Yet, as John Naylor (1969, 71) explains, its position was primarily a "parliamentary tactic," designed "to register disapproval of government foreign policy rather than as outright opposition to the existence of armaments." The party abandoned its protest in July 1937 and soon thereafter began to criticize the ruling Conservatives for the inadequacies of their rearmament program. A few prominent Labourites were pacifists, but most actually wanted Britain to take a harder line against Japanese, Italian, and German violations of international law.⁶ They believed in collective security and multilateral arms reductions, not unilateral disarmament. If Clement Attlee had carried the party to victory in the election of 1935, it is quite likely that he would have adopted a more aggressively internationalist foreign policy to counter fascist challenges to world order. Once confronted with the military risks of such a strategy, he should have had little compunction about raising taxes on the rich to pay for improved defenses (Toye 2001).

Labour's prior record in office provides additional support for this point. Though the party had the great misfortune of governing Britain in 1929–31, at the onset of the Great Depression, it did not sacrifice the military for the sake of budgetary parsimony or social welfare. In 1930, it negotiated a naval arms limitation treaty with the United States and Japan, but it insisted on the inclusion of a safeguard clause that would allow it to exceed its quota if confronted with new threats from states like Germany or Italy (Babij 1995; Kennedy 1992; O'Brien 1998, 179–218). The next year, the Treasury pressed for a major reduction in spending on the fleet, but Prime Minister Ramsay MacDonald refused. With the

⁵ The Liberals were less well prepared for the ground war, but few Britons foresaw the need for a major continental commitment (French 1982, esp. 36, 129).

⁶ The peak of Labour's antimilitarist sentiment came after the election of 1931, in which the party was reduced to only 52 seats in parliament. The collapse temporarily strengthened the position of its ultraleftist, ideologically motivated wing, resulting in the selection of a pacifist leader, George Lansbury. It makes little sense to ask whether Lansbury would have rearmed if he had been the prime minister in 1931–35, because he almost certainly could not have maintained control of a Labour Party that was enlarged sufficiently to return to power. Even before the revival of Labour's fortunes in the election of 1935, he was forced to resign because of his opposition to economic sanctions on Italy during the Abyssinian crisis (Naylor 1969, chaps. 1–4).

⁴ The comparison is even more remarkable considering that the Conservatives had a greater sectoral interest than the Liberals in naval superiority. The Conservatives' primary sectoral constituency, financiers and traders in southeast England, was much more economically dependent on the British Empire than the Liberals' primary sectoral constituency, the manufacturing and coal industries of northern England, Wales, and Scotland (Narizny 2003).

international situation beginning to deteriorate, he insisted that Britain must enter future disarmament talks from a position of strength. Labour cut some auxiliary expenditures, including training and maintenance, but continued the pace of naval construction at the level adopted by the Conservatives in 1924–29, when the revenue outlook had been far less bleak. To maintain a balanced budget, Labour increased the duty on oil and created a new tax on land, which was scheduled to take effect in 1933–34 (Douglas 1999, 118).

In August 1931, the ongoing economic crisis led to the formation of a “National” government that, though initially headed by MacDonald, was effectively controlled by the Conservatives after their landslide victory in the election of November 1931. From the moment the National government took power to the outbreak of war in 1939, it faced an ever more dangerous international environment. In September 1931, Japan invaded Manchuria, endangering Britain’s predominant position in China and ultimately all of East and South Asia. In the early 1930s, Italy undertook a major naval and air arms production program, menacing Britain’s Mediterranean fleet and imperial line of supply through the Suez Canal. Then, in October 1935, it invaded Abyssinia, provoking an international crisis that eventually drove Mussolini into alliance with Hitler. Finally, of course, Germany repeatedly assailed the European status quo after the Nazis’ rise to power in January 1933.

Britain’s response to each of these challenges was deeply constrained by its military inferiority. Its fleet was spread too thin in the Far East to antagonize Japan, its defenses in the Mediterranean were too weak to withstand a surprise attack from Italy, and its army was wholly unprepared for a continental commitment in response to German aggression (Haggie 1981; Quartararo 1977). Yet, throughout the decade, the cabinet allowed the Treasury to exert a powerful restraining influence on defense estimates. The National government’s disinterest in rearmament during the fiscal collapse of 1931–32 was understandable, even in the face of growing international threats. However, its behavior subsequent to that point is difficult to justify in terms of economic necessity, even taking into account its orthodox opposition to deficit spending (McKeown 1991, 269–72; Price 2001).

Contrary to what one might expect, the Conservatives did not believe that they could not raise taxes in the middle of a depression. They were willing to make exceptional sacrifices to keep the budget balanced, an issue of great importance for the international financial market’s confidence in the pound. In September 1931, when the economic crisis was at its apex, they agreed to a sizable combination of progressive and regressive tax hikes. The National government increased the standard rate on income from 22.5% to 25%, raised the surtax on upper incomes by 10%, reduced allowances to nearly double the number of citizens required to pay income taxes, and increased rates on beer, tobacco, gasoline, and entertainment. Then, in 1932, the Conservatives managed to introduce a 10% duty on all manufactured goods imported from outside the Commonwealth (Douglas 1999, 119–21; Sabine 1966, 176–77). Com-

bined with spending cuts, these measures sent a clear signal of the solvency of the British government and thereby helped tide London’s financial sector through the worst years of the Great Depression.

In contrast, the military was not high on the Conservatives’ list of priorities.⁷ The economy gradually improved, yet they insisted that the rate on income imposed in 1931 was unsustainable. In 1934, the Treasury cut it back to 22.5% and repealed Labour’s land tax; then, in 1935, it rewarded the poor by reducing taxes on lower incomes (Douglas 1999, 122; Sabine 1966, 185–86). Consequently, defense spending had to be held at a constant 2.7%–3.0% of Britain’s GNP through 1935–36, far below what the services requested (Peden 1979, 67–71; Shay 1977, chaps. 1–2). The Conservatives finally began to rearm in 1936, but their response was not at all in proportion to the rapidly growing threat. Their fears of inflation and a balance of payments crisis greatly restrained the extent of their borrowing, and their reluctance to extract wealth directly from the upper class compounded the problem. Indeed, they could not even bring themselves to raise the standard rate on income to 25%, at which it had stood in 1931–34, until April 1937. In every year between 1934 and 1938, Germany spent at least twice as much of its GNP on its military as did Britain (Peden 1979, 8), but the cabinet consistently accepted Treasury recommendations to scale down proposals to increase defense appropriations (Peden 1979, 87–92; Shay 1977, chaps. 45).

The problem of finance was not the only impediment to rearmament; the Conservatives’ unwillingness to expand government control over the economy also weakened their response to the mounting threat. They argued that if Britain armed too quickly, it would face inflation and ruinous trade deficits (Cain and Hopkins 1993, 93–99; Newton 1996, 66–73, 116–17; Peden 1979, chap. 3; Shay 1977, 75–79). There existed several policy options to address these concerns—i.e., controls on foreign exchange, consumption, or capital investment, or substantial tax increases to dampen private sector spending—but the Conservatives refused to consider any of them in peacetime. Another complication was that Britain’s expanding defense industries had to compete with civilian manufacturing for labor and material resources, resulting in severe shortages. Rather than confront the issue directly, the government left it to be resolved slowly by market forces. It avoided interfering in the private sector or enlarging its regulatory capacity, even at the cost of serious bottlenecks in the production of needed armaments (Parker 1981; Postan 1952, chaps. 2, 3; Rollings 2001; Shay 1977, chap. 3).

The Conservatives’ primary response to the growing threat from Germany, Italy, and Japan was, of course, appeasement. Though this strategy was risky, it promised to solve Britain’s problems at a much lower cost than rearmament alone. The third option, alliances, was less appealing. If the Conservatives had given too much encouragement to France, it might have taken

⁷ On the specific shortcomings of each of the services, see Postan 1952, chap. 1.

an unreasonably hard line against Germany, as it did in the Ruhr crisis of 1923–24. War might have resulted, and Britain would have been forced to defend its ally. To avoid entrapment by the French, Conservatives did not begin to organize an expeditionary force for Europe until February 1939 (Young 1978, 213–15, 221–29). Having decided against both rapid rearmament and a stronger continental commitment, their only remaining option was appeasement.

FRANCE

The Centrist Stalemate, 1905–14

After its humiliating defeat in the Franco-Prussian War of 1870–71, France faced the unenviable task of maintaining a defensive balance against an adversary that not only was more powerful than itself but also was growing more rapidly in population and wealth. To compensate for these disadvantages, it began to cooperate with Russia over military affairs in 1891, then signed a formal alliance with it in 1894. France could not ensure its security with absolute certainty, but it was nevertheless able to establish a tolerable *modus vivendi* (Ralston 1967, 133–34). By the turn of the century, its generals were reasonably confident in their ability to repel another invasion (Porch 1981, 43–44), and the economic burdens of defense were not much greater for French taxpayers than for Germans (Stevenson 1996, 6).

In 1904–5, France's strategic environment took a dramatic turn for the worse. First, Russia's defeat in war with Japan seriously constrained its ability to come to France's aid in a prospective war with Germany (Krumeich 1984, 25–26; Porch 1981, 228; Stevenson 1996, 68–80). Russia was expected to recover eventually, but in the meantime France would have to assume much greater responsibility for its own defense. Second, Germany took advantage of the situation by initiating a crisis over the expansion of French influence in Morocco. Its willingness to threaten war over such a minor issue signaled the beginning of a dangerous period of diplomatic brinkmanship. In a very short period of time, France went from a position of relative strength to one of ominous vulnerability, giving it an unambiguous imperative to undertake a major rearmament program.

Unlike Great Britain, France did not have a well-defined two-party system. Its parliament was fragmented into numerous factions and splinter groups, encompassing everything from socialists to centrist independents to monarchist reactionaries. The entire range of class interests in French society was quite well represented, and most parties could easily be ranked on a left-right continuum. However, there was no fixed point in the middle at which they naturally divided. The two largest blocs, the center-left Radicals and center-right Republicans, usually found it easier to compromise with each other than with extreme elements at their own ends of the political spectrum (Wileman 1994). The party system clearly embodied class cleavages, but it did not produce ideologically polarized

governments. Most premiers were Radicals, but they depended on the support of Republicans to keep a working majority in the parliament. Consequently, they had to tread lightly on the issue of taxation.

The constitutional division of power within the Third Republic complicated matters further. The lower house of parliament, the Chamber of Deputies, was responsible for selecting the government, but it could not authorize legislation on its own. Even if a premier managed to win the approval of a reform bill in the Chamber, he would still need the consent of the upper house of parliament, the Senate, which was consistently the more conservative of the two institutions. In 1909, an income tax proposal finally made it through the Chamber of Deputies, but it was buried by the Senate. Hence, France retained its highly regressive system of tariffs and excise taxes (Callet 1962; Owen 1982, chaps. 1, 2).

In this centripetal political environment, there was very little flexibility in fiscal policymaking, resulting in chronic deficits and constant downward pressure on military expenditures (Owen 1982, 89, 127, 217–18; Ralston 1967, 134–35). In 1905, the parliament eliminated most exemptions from conscription and cut the term of service from three years to two, which had the net effect of reducing the active army from 580,000 to approximately 545,000 men after 1907 (Ralston 1967, 307; Stevenson 1996, 93–95, 303). Even more troubling than the manpower shortage was the severe underfunding of matériel, particularly heavy artillery, munitions, and fortifications (Joffre 1932, chap. 3; Mitchell 1981; Porch 1981, 238–40, 242–44; Stevenson 1996, 176–77, 217, 220–24). In 1908, it was determined that “Germany spent the equivalent of 1,770 francs per soldier, while France spent only 914” (Porch 1981, 227). French generals warned their civilian leadership that there was a strong possibility of defeat in war (Porch 1981, 166), but, aside from emergency reequipping measures during the Agadir crisis of 1905–6 (Stevenson 1996, 71, 94–96), efforts at rearmament were quite limited.

Instead of providing adequate funding for defense, France's centrist governments turned to alliances. Russia could not provide much help over the short term, so instead they pinned their hopes on their traditional colonial rival, Britain. This alternative strategy was only partially successful. The British agreed to secret military staff talks, but they refused to make any formal commitment to the continent. As a result, France remained insecure. The breaking point came in early 1913, when news began to leak out that Germany would expand its army to 850,000 men. The gradual recovery of Russia provided little consolation; it would not be able to put pressure on Germany until after the critical first few weeks of the war, and even then it might decide to focus its attentions on Austria (Cairns 1953, 274–76; Krumeich 1984, 25–30). Facing a potential military catastrophe, France's politicians could no longer ignore the need for decisive action.

In response, Premier Louis Barthou proposed that the term of conscription be lengthened by a year, enlarging the standing army by 180,000 men (Krumeich

1984, 50).⁸ The Three Year Law sparked a fierce political debate. Radicals and Socialists feared that it would reinforce the army's role as an instrument of social control, used to repress strikes and indoctrinate conscripts, without substantially increasing military effectiveness. Since the program would not affect the sum total of France's mobilized manpower, they argued, it would be better to devote resources to equipment, fortifications, and the strengthening of the reserves (Chapman 1971, 95–97, 105–7; Krumeich 1984, 135–36, 214; Michon 1935, 144–45; Ralston 1967, 348–50). In hindsight, this critique was essentially correct (Becker 1987, 20–26; Porch 1981, 210), but the French general staff was unyielding in its demand to prioritize service extension. To win over the left, Barthou tentatively offered to pay for the Three Year Law with a new "National Tax" of up to 3% on upper incomes (Krumeich 1984, 72–73, 78, 86–87, 100–101, 117; Owen 1982, 238–41). The Socialists remained unpersuaded, but a majority of Radicals reluctantly accepted this trade-off and joined with conservatives to vote for it.

Once the Three Year Law had been approved, Barthou backtracked on his tax proposal. Under pressure from the right, he sought to fund the expansion of the army with an enormous new loan while scaling back the National Tax to the point at which it would barely pay for interest on the loan (Krumeich 1984, 57–58, 138–40; Owen 1982, 241–47). The Radicals revolted, and Barthou resigned in December 1913 with the budget question still unresolved and without even having presented to the parliament a program for material rearmament. Shortly thereafter, the left made a political breakthrough, forming a government that excluded the right entirely (Chapman 1971, 121–35; Krumeich 1984, 145–48, 158–61, 211–13; Owen 1982, 247–54). It did not last long, but it sent a clear signal that the tide was turning. As the Radicals drew closer to the Socialists, Senate conservatives realized that continued resistance to the income tax would eventually lead to electoral disaster and perhaps, as in Britain, the curtailment of their constitutional prerogatives (Chapman 1971, 193–99; Owen 1982, 259–62). In the spring of 1914, they accepted a moderate compromise on tax reform, which was accompanied by long-term funding for the Three Year Law (655 million francs) and, at long last, a major rearmament program (754 million francs) (Michon 1935, 191–92; Stevenson 1996, 313). The resulting budget finally won the consent of the Senate on July 15, barely two weeks before Germany invaded.

Of course, by then, it was far too late to address the critical material shortcomings of the army. Nine years of inadequate rearmament left France's fate hanging by a thread in the desperate first month of the conflict. Its alliance strategy saved it from total collapse, but it still needed a disastrously premature Russian offensive in

the east, the uncertain aid of the British Expeditionary Force, and the "miracle" of the battle of the Marne to keep it from being overrun by its far better-equipped opponent.

Between France and the Franc, 1935–39

After the rise of Hitler and the rapid rearmament of Germany, France found itself in a very similar position as in 1905–14. It faced a clearly hostile enemy that had a much larger population and economy than its own, and its potential allies were either weak or unreliable. By March 1935, when Hitler repudiated the Treaty of Versailles and announced a return to conscription, France had a clear imperative to undertake the modernization and strengthening of its military. However, its political system was still immobilized by strong centripetal tendencies. Premiers came to power not by proposing dramatic changes to the status quo, but by forging moderate coalitions between center-left Radicals and center-right Republicans. If France were to rearm in proportion to the new threat, the left would need to make a similar political breakthrough as it had in 1913–14.

Between June 1935 and June 1936, the centrist governments of Pierre Laval and Albert Sarraut prioritized the defense of the overvalued franc over the defense of the country. They imposed strict austerity measures on the budget, leaving the military with critical vulnerabilities in nearly every major category of equipment (Frankenstein 1982, 37, 120–28; Thomas 1992; Young 1978, 178–79). Rather than rearm, Laval tried desperately to maintain France's alliance with fascist Italy, while Sarraut passively accepted Hitler's remilitarization of the Rhineland (Frankenstein 1982, 37, 124–28; Young 1978, 99–129, 133–34). France would not have a government that could respond fully and uncompromisingly to changes in the international environment until it experienced two momentous shifts in its domestic politics. The first was the formation in July 1935 of the Popular Front, an unprecedented coalition of Radicals, Socialists, and Communists.⁹ The second was the elections of spring 1936, in which the Socialists displaced the Radicals as the largest party in the Chamber of Deputies.

⁹ While out of power in the early 1930s, the Socialists in France followed a similar path over rearmament as Labour in Britain. The party was divided into left and right wings, which were further subdivided into pacifist and prodefense groups. The two factions of pacifists, led by Paul Faure and Marceau Pivert, gained the upper hand in debates over military spending in France in 1931 (Greene 1969, 6–9). Yet, by the time the Popular Front came to power, Faure had accepted the need for rearmament and Pivert's followers were in the minority in the left wing (Baker 1971, esp. 35–36; Greene 1969, 111, 199, 205). The Communists also switched from opposing defense spending to supporting rearmament, but their position was dictated by Josef Stalin and the Comintern, not their voters' economic interests (Brower 1968, chaps. 2, 3). Consequently, the theory cannot account for their behavior. In any case, the party remained on the margins of French politics even during the Popular Front era. It declined to participate in the government, and a Socialist-Radical coalition probably could have come to power even without the Communists' support in the Chamber of Deputies (Pickersgill 1939).

⁸ Several scholars, including Krumeich, argue that the overriding but unstated purpose of the Three Year Law was to reassure the Russian government that the French army would remain capable of taking the offensive against Germany. In this light, it can be seen more as an attempt to shore up France's low-cost alliance strategy than as a self-reliant rearmament program.

The leftward turn gave the Popular Front a clear majority in the Chamber and allowed the leader of the Socialist Party, Léon Blum, to form the inaugural Popular Front government in June 1936. In his first few weeks in office, he focused almost exclusively on social reform. The more conservative Senate resisted a few elements of his agenda (Minot 1981, 39), but Blum ultimately got most of what he wanted from the parliament. The Popular Front authorized 20 billion francs over three years for public works, instituted a 40-hour work week, mandated two weeks of paid vacation, enacted collective bargaining laws, and supported the negotiation of broad-based wage increases (Colton 1987, 162–63). The government promised even greater changes to follow, but its domestic agenda was suddenly waylaid by international events. On August 24, Hitler announced that the term of conscription in the German army would be raised from one year to two, thereby doubling its active manpower. Faced with this new danger, Minister of War Edouard Daladier instructed the army to produce a plan for rearmament.

At that point, the increase in threat was so great that any French government would have had to respond with some kind of a military buildup. However, only the Popular Front would have done so much, so quickly. In response to Daladier's request, the army proposed to spend nine billion francs over the next four years, arguing that this was the maximum that France's industries could sustain (Hoff 1982, 178). Such a massive appropriation would preempt further efforts at social reform, but the left did not shy away from the burdens of defense. Quite to the contrary, Daladier rejected the army's estimates as wholly inadequate. On September 7, only two weeks after Hitler's announcement, the cabinet approved a spending plan of 14 billion francs for the service. In the following months, it continued to pour money into the military, spurred in part by the signing of the Rome–Berlin Axis and the Belgian declaration of neutrality. To supplement its army program, the government added nearly eight billion francs for the navy and seven billion for the air force (Frankenstein 1982, 71–82, 312; Young 1978, chap. 7), all of which was authorized by its parliamentary coalition.

Blum, who was somewhat of a Keynesian, resolved that the buildup should be funded primarily with loans. However, he did not ignore the question of redistribution. In addition to the social legislation already enacted, the Popular Front made inheritance and income taxes more progressive, reformed some indirect taxes, and created a new tax on businesses (Cuvillier 1978, 40–42, 103–4; Sauvy 1967, 247). It also nationalized certain armaments industries and asserted controls over others, allowing France to produce supplies far in excess of what that army had assumed possible (Clarke 1977, 423–26; Hoff 1982, 191–203; Thomas 1992, 661–62). The forty-hour work week complicated matters somewhat, but the net effect of Blum's policies was a rapid advance in the military's effectiveness.

Yet there was also a serious downside to rearmament, just as the right had feared. The combination of deficit spending, domestic reform, and an overvalued franc resulted in capital flight. On September 25, Blum de-

valued the franc, but the problem returned after only a few months. To reassure investors, he announced a "pause" in social legislation and cut public works outlays in the spring of 1937 (Colton 1987, 192–93). After another brief recovery, the financial crisis worsened, so Blum finally asked the parliament for emergency powers to decree economic controls and new taxation. The measure easily passed the Chamber of Deputies, but it proved to be too much for centrist Radicals, who held the balance of power in the Senate Finance Committee, to accept. Unwilling to compromise, Blum resigned (Colton 1987, 270–73; Minot 1981).

The next government, though nominally under the auspices of the Popular Front, returned to the control of the centrist Radicals. Led by premier Camille Chautemps and finance minister Georges Bonnet, it chose to restore business confidence at the expense of the military (Frankenstein 1982, chap. 8). It did not halt Blum's multiyear programs, but it did scale back on them considerably. Appropriations for the air force were reduced by 24%, while funding for the navy was slashed by 41%. The "pause" in rearmament, combined with an increase in indirect taxes, temporarily had the desired effect of bringing gold back into the Treasury. This left France better prepared for the financial burdens of the war, but only at the cost of letting its military readiness fall further behind Germany and Italy.

Blum became premier once more before the war, taking over after the Anschluss crisis in March 1938 (Colton 1987, 297–304; Frankenstein 1982, 180–87). He was able to hold on to power for less than a month, but in that time he focused all of his efforts on accelerating the defense buildup. After Blum came Daladier, who remained in office until the outbreak of war. With Bonnet as his foreign minister, he followed Britain's lead in appeasing Hitler at Munich in September 1938 and abandoning Czechoslovakia entirely in March 1939. However, Daladier did carry out Blum's new rearmament program, albeit with a more *laissez-faire* approach that slowed production and inhibited economic planning. Despite continuing social and political conflict over the burdens of industrial mobilization, the need to step up the pace of military spending became less controversial as the financial crisis passed and the likelihood of war increased (Frankenstein 1982, chaps. 9, 10, 14; Imlay 1997, 56–65, 187–97).

Though the French right did eventually accept the necessity of full-scale rearmament, the country would not have been nearly as well prepared for war in 1939–40 if the Popular Front had not come to power in 1936–37. At that time, only a pure left-wing coalition would have gone as far as it did to prioritize defense over business interests. As a result of Blum's actions, both then and in the spring of 1938, France entered the war with a modernized, well-equipped military. Its defeat was not the result of its material weakness but, rather, gross strategic blunders (Jordan 1998; May 2000, 448–60; Stolfi 1970; Young 1978, chap. 10). If only France had possessed better military leadership, Blum's rearmament programs might well have saved the country from defeat at the hands of a much more populous and economically powerful adversary.

UNITED STATES

Militarizing the New Deal, 1938–41

Unlike Great Britain and France, the United States had little reason to undertake a major rearmament program in the mid-1930s. Its homeland borders were protected by thousands of miles of ocean, while its only imperial competitor, Japan, was occupied with China. Consequently, there was a broad consensus within American politics to keep defense spending to an absolute minimum. With little dissent, the army was cut to a mere skeleton force. Between 1927 and 1934, it reached a trough of only 130,500 men, and there was almost no money available for modernization (Ehrhart 1975, 11). Even the Democrat Franklin D. Roosevelt, who became president in 1933, consistently allowed the Bureau of the Budget to pare down defense estimates. Congress was slightly more generous in its appropriations bills, but the differences between the two parties and branches of government were slight. The right wanted to cut the military as part of an overall reduction in government spending, while the left tried to shift funding to New Deal programs (Ehrhart 1975, 73–76). Only the navy was kept at a reasonable level of preparedness, in part because the United States was far more likely to face a threat to its maritime interests than an attack on its shores and in part because Roosevelt used naval construction as an unemployment relief program (Levine 1988).

Defense spending nearly doubled between 1934 and 1937, but it began at such a low level that the additional sums had little impact. By the end of this period, national security consumed only 12.1% of the budget and 1.0% of the GDP (United States, Bureau of the Census 1954, 241; United States, Department of Commerce 2002). The regular army was expanded to 178,500 men, but there was a severe shortage of officers and the air corps was desperately underfunded. After so many years of neglect, it would take a much greater financial commitment to prepare even this undersized force for battle (Ehrhart 1975, chaps. 2–4). The bipartisan consensus against rearmament did not really begin to break down until 1938, when Europe was rapidly approaching the brink of war. In January, Roosevelt asked Congress for modest increases, directed primarily toward the navy. Then, after the Munich Conference of September 1938, he began demanding ever-larger sums for both branches of the military.

The constitutional structure of the United States, combined with the vagaries of its party system, greatly complicated Roosevelt's task. Every spending bill had to be approved by both the House of Representatives and the Senate, where independent-minded legislators could substantially revise his proposals. Democrats consistently controlled both institutions by sizable margins, but the party was internally divided, having only recently become representative of the lower classes (Patterson 1967). Among its ranks were many Southern conservatives, who opposed the fiscal requisites of rearmament, as well as Midwestern isolationists, who opposed the functional goals of rearmament. The

president was not nearly as constrained as he would have been if Republicans had controlled Congress, but he could not assume unproblematically that the Democrats' dominance would give him free rein.

Roosevelt's drive to increase defense spending was both preceded and accompanied by the New Deal, which vastly expanded the government's role in the economy and society. The Works Progress Administration and Civilian Conservation Corps redistributed revenue to the unemployed, the Securities and Exchange Commission and National Recovery Administration greatly enhanced the executive's capacity to regulate businesses and markets, and the Wagner Act strengthened the power of unions. Between 1935 and 1937, Roosevelt also pressed for the progressive reform of taxation. Despite stiff opposition from Republicans and conservative Democrats, he raised rates significantly on high income brackets, increased corporate taxation, and closed loopholes on rampant evasion among wealthy taxpayers (Brownlee 1996, 72–82; Lambert 1970). Though congressional conservatives cut his corporate taxes in 1938 and 1939, he had done more than enough by then to ensure that a military buildup would not be overly burdensome to the lower classes.

Most Americans agreed on the necessity of rearmament by 1938, but they fought bitterly over its extent. Business journals were filled with dire warnings about the dangers of industrial mobilization, arguing that it would be used to justify the imposition of sweeping new economic controls (Stromberg 1953, 63, 68–70; Weinrich 1971, 31–38, 167–221).¹⁰ Meanwhile, Republicans in Congress accused Roosevelt of using defense expenditures as a deceptive form of New Deal "pump priming." Between late 1938 and early 1940, they consistently sought to scale back on his rearmament proposals (Ehrhart 1975, 223–29, 367; Westerfield 1955, 130–35).¹¹ It was not until after the defeat of France in May 1940 that they set aside partisanship to vote overwhelmingly for a massive new spending program.

Republicans were not yet ready to fall in lockstep behind the president, however. The partisan debate exploded again in the summer of 1940, when Roosevelt called for peacetime conscription for the first time in the country's history. The Selective Service Act passed the House of Representatives with 86% of Democrats voting in favor and 65% of Republicans voting against (O'Sullivan 1982, 259). The following year, there was a similar partisan divide over the Service Extension Act, which passed by only one vote. In short, as Robert Ehrhart (1975, 375) writes, "While Roosevelt did not go so far as he might have, the opposition party

¹⁰ Weinrich emphasizes that some prominent businessmen advocated greater military preparedness. However, both his and Stromberg's analyses of the editorials of trade journals reveal that the greater business community had strong objections to Roosevelt's rearmament program.

¹¹ As it became evident that Roosevelt was planning for intervention in Europe, not just homeland defense, sectoral interests become more salient to the debate. Since Democratic constituencies generally had a greater economic stake in Europe than Republicans, sectoral interests reinforced the existing class cleavage (Ehrhart 1975, 353–55; Trubowitz 1998, chap. 3).

attacked vociferously even those measures he did propose . . . [H]ad the leadership of the Republican Party controlled the Government or even the Congress, the state of the national defense would have been worse.” Fortunately, the president’s efforts were largely successful. By 1941, the United States was spending 5.0% of its GDP on its military, a fivefold increase from only four years prior.

The Cold War “Consensus,” 1948–60

In the first few years following the end of World War II, most Americans felt secure enough to support deep cuts in defense spending, and politicians from both parties were all too willing to oblige. Democratic President Harry S. Truman prioritized debt reduction and price stability, leaving the services with only enough funding for what he considered to be their “minimum requirements.” As late as January 1948, he proposed to spend only \$9.8 billion on the military, or 3.6% of the GDP, with little political opposition (Reardon 1984, 312; United States, Department of Commerce 2002). At the same time, however, the consensus for budgetary parsimony was beginning to be shaken by changes in the international environment. In the late 1940s, Americans witnessed a rapid series of advances in the power of the Soviet Union, including its testing of an atomic bomb, the communist coup in Czechoslovakia, and Mao Tse-tung’s triumph over the Chinese nationalists. Fearing that the United States would soon find itself in military conflict with the Soviets, defense experts called for a major rearmament program (Friedberg 2000, 103, 107–9; Hogan 1998, chap. 7; Huntington 1961, 43–53).

Truman began to accept the need for rearmament in March 1948, when he added more than \$3 billion to his initial budget request. The Joint Chiefs of Staff wanted much more, but the president was highly constrained. The business community consistently attacked his military spending proposals, insisting that tax cuts and the elimination of wartime economic controls should take priority (Hill 1980; Lo 1982). Its interests were well represented in Congress, where Republicans and the right wing of the Democratic Party often joined forces to defeat the president’s initiatives. Both the House and the Senate had Republican majorities in 1947–48, and the left remained in the minority even when Democrats controlled the legislature in 1949–52 (Amenta and Skocpol 1988, 117–18). To keep expenditures down, conservative legislators advocated cutting not only New Deal social welfare programs but also the Marshall Plan and defense (Friedberg 2000, 98–102; Hogan 1998, 86, 93, 291, 326–29; Huntington 1961, 253–59, 264–67).

Between 1947 and 1948, Truman vetoed tax cuts three times, but Congress finally overrode him in April 1948, eliminating \$5 billion of revenue annually (Lee 1970; Witte 1985, 133–36). Over the following two years, he asked for progressive tax increases and the power to reimpose economic controls to sustain greater spending on both welfare and the military, but he was repeatedly rebuffed (Friedberg 2000, 101–2, 104–5;

Reardon 1984, 327–28). Thus, he had no choice but to hold his defense estimates to approximately the same level advocated by conservatives. Even if he had been willing to incur deficits, which he was not, there was no chance that he could have persuaded Congress to consent. It was during these lean years that he agreed to the formation of NATO, using the alliance in part to compensate for U.S. military weakness in Europe.¹²

The breakthrough in rearmament finally came in June 1950, when Truman decided to commit to the defense of South Korea (Friedberg 2000, 115–24; Hogan 1998, chap. 8; Huntington 1961, 53–56; Leffler 1992, 371–74, 451–53). At that point, he asked for massive outlays to bolster American conventional forces throughout the globe, particularly in Europe. Though his proposals went far beyond what was needed for the war in Korea (Leffler 1992, 374), he was able to pressure his opponents in Congress to make major concessions. In the first year of the conflict, Truman managed to reinstitute the wartime excess profits tax, increase income, corporate, and excise taxes, and reimpose wage and price controls (Huntington 1961, 271–75; Witte 1985, 137–44). These measures provided an additional \$14 billion in revenue, but it was still significantly less than what he wanted, so he reluctantly decided to fund rearmament in part through deficit spending.¹³ In fiscal year 1953, defense consumed \$50.3 billion, amounting to 13.2% of the GDP (United States, Bureau of the Census 1954, 366; United States, Department of Commerce 2002), and the administration left office with plans to increase appropriations to a peak of approximately \$60 billion in 1955 (Friedberg 2000, 125–26).¹⁴

The election of 1952, which gave Republicans control over both the White House and Congress, marked a dramatic reversal in priorities. President Dwight D. Eisenhower came to power promising to eliminate economic controls, cut taxes, prevent inflation, and balance the budget. Even after negotiating an end to the Korean War, he could not carry out this agenda without sacrificing defense and foreign aid (Friedberg 2000, 124–39; Huntington 1961, 64–88; Leighton 2001; Morgan 1990; Sloan 1991, chap. 4). Though his advisors argued that the nuclear stalemate with the Soviet Union necessitated a buildup in conventional forces, he flatly refused to accept Truman’s rearmament program. Instead, he set his military and foreign aid budget by first subtracting the cost of tax cuts and domestic programs

¹² Truman formed several other alliances, but none of them can be considered a substitute for rearmament. The Rio Pact (1947) and ANZUS (1951) did not face a direct military threat, the U.S.–Japan Treaty (1951) was designed primarily to keep Japan aligned with the West and provide forward military bases for the United States, and the U.S.–Philippines Treaty (1951) simply ratified the existing American presence in the Philippines (Leffler 1992, 172–73, 346–47, 430–33, 463–65).

¹³ Gaddis (1982, 92–94) argues that Truman’s decision to accept NSC-68 was influenced by a sudden conversion to Keynesian ideas, but his evidence is highly circumstantial and has not been supported by other scholars (Pollard 1989, 233).

¹⁴ Figures include national security programs outside the Department of Defense, such as atomic energy, military foreign aid, and strategic stockpiling.

from revenue, then spending whatever was left over (Friedberg 2000, 131–33).¹⁵ This “remainder method” brought national security appropriations down to \$40.6 billion, or 9.8% of the GDP, by 1955 (United States, Bureau of the Census 1960, 369). Not only was it two-thirds of what Truman had planned, but also it was far less than Eisenhower’s Chiefs of Staff demanded, leading two generals to resign in protest (Sloan 1991, 78). Congressional Democrats also mounted a harsh critique of the president’s economic and defense policies, arguing that his fiscal miserliness had caused serious weaknesses in the nation’s military (Friedberg 2000, 139–40; Huntington 1961, 259–64; Morgan 1990, 36). Meanwhile, congressional Republicans pushed him to make even deeper cuts in both taxes and national security than he had originally proposed (Bowie and Immerman 1998, 107–8; Reichard 1975, 69–77, 97–108).

To compensate for the lack of funding, Eisenhower initiated his “New Look” defense strategy. Whereas Truman had based his spending estimates on the requirements of fighting a conventional war with the Soviet Union, Eisenhower insisted that nuclear deterrence would have to suffice. He sought to contain communism not by committing American troops to conflicts throughout the globe but, rather, by creating several new alliances, including SEATO and CENTO, to which the U.S. nuclear umbrella and technical assistance would be extended (Gaddis 1982, 152–53). To promote European military self-reliance, which he hoped would allow the withdrawal of American forces from the continent, he proposed giving each of the major powers, including West Germany, the means to produce and deploy its own nuclear weapons (Trachtenberg 1999, 147–65, 193–247, 261–62). Even upon the launch of Sputnik, which many analysts believed would usher in a new era of homeland vulnerability, the president sought to keep supplemental appropriations down to the bare minimum level that would be politically acceptable (Friedberg 2000, 137; Huntington 1961, 88–113; Morgan 1990, 90–93). Had the Democrats not regained control of Congress in 1955, defense budgets would have been even lower. In short, Republicans consistently sought to spend less on the military than Democrats throughout the 1948–60 period, when the international environment was most uncertain and the danger of war with the Soviet Union was greatest.

Reaganomics and Rearmament, 1979–86

An improvement in relations between the two superpowers, combined with the U.S. withdrawal from Vietnam, led to an almost-continuous decline in American military spending between 1968 and 1978. Yet, at the same time, the Soviet Union was steadily expanding its arsenal of both conventional and nuclear arms (Lee and Staar 1986, 107–17). In the late 1970s, its foreign policy became increasingly aggressive, culminating in

the invasion of Afghanistan in 1979. Fearing that the balance of power had turned against the United States, many defense experts called for rearmament. In response, Democratic president Jimmy Carter initiated a major military buildup. Shortly thereafter, however, he was replaced by a Republican, Ronald W. Reagan.

The new president’s reaction to the threat was quite unlike that of any other conservative in this study. With the full support of his party, Reagan demanded massive increases in military appropriations, beyond even what Carter had deemed acceptable (Wells 1983). Though Democrats controlled the House of Representatives, many joined with Republican legislators to vote for the program. As a result, the share of the nation’s GDP consumed by defense rose from 5.1% in 1980 to 6.5% in 1986 (United States, Bureau of the Census 1996, 351). Viewed in the context of the entire Cold War, this new peak was not a particularly impressive sum; it only matched the levels of the early 1970s and was barely half of what Truman had spent. Nevertheless, it presented a major challenge to the decrepit Soviet economy and, in doing so, may have helped to bring the Cold War to an end on terms that decisively favored the United States (Zakaria 1990).

Reagan’s behavior clearly violates the hypothesis that conservatives will be less likely than the left to respond to foreign threats with rearmament. However, it is in some ways actually quite consistent with the underlying logic of the theory. Through a historically unprecedented combination of circumstances, Reagan managed to overcome all of the standard dilemmas of rearmament.¹⁶ First, he proposed a new paradigm, supply-side economics, that promised to increase revenue by decreasing taxes (Hibbs 1987, 280–87, 296–326). Despite its questionable logic, the sheer novelty of the idea gave Reagan greater leeway in budgetary politics than the public normally would have accepted (Modigliani and Modigliani 1987; Peterson 1985). As a result, he was able to undertake a rapid military buildup while providing an enormous financial windfall to the upper class. He had only a brief window of opportunity before supply-side economics was discredited by staggering budget deficits, but in that time he succeeded in defying the electoral logic that usually precludes politicians from simultaneously exploding the debt and making the structure of taxation significantly more regressive.

Second, Reagan took advantage of the fact that, following the turmoil of the 1970s, the Federal Reserve was determined to restore price stability at any cost (Hibbs 1987, 287–89). Its decision to raise interest rates to extraordinarily high levels created a severe recession in 1981–82, but it also allowed the president to overstimulate the economy without having to worry about inflation. If the Federal Reserve had not had the occasion to take such drastic action, Reagan’s deficit spending would likely have sparked inflation, and

¹⁵ Hogan (1998, 367–68) emphasizes that both Truman and Eisenhower opposed deficit spending, but he neglects the gulf in their willingness to increase taxation to pay for defense.

¹⁶ Sectoral interests also had a critical impact on partisan preferences over rearmament in the 1980s, since Republican states in the South and West had more defense industries and stronger export prospects than Democratic states in the Northeast (Trubowitz 1998, chap. 4).

the Republican elite would quickly have become disenchanted with rearmament. In short, the convergence of events that made the Reagan buildup possible was so unusual that such an outcome is unlikely to be repeated, at least not on the same scale. This case contradicts the theory's base prediction, but it is an exception that proves the rule.

CONCLUSION

Aside from one revealing outlier, there is a clear empirical regularity in the history of democratic great powers' responses to grave international threats: Leftist coalitions have been much more likely to undertake massive increases in defense spending than parties on the right. Conservative governments' attempts to rearm were consistently inhibited by their unwillingness to raise taxes on the wealthy and inability to raise taxes on the poor, as well as by their opposition to the kind of controls and regulation that were needed to deal with problems caused by the rapid mobilization of societal resources. In contrast, labor governments found that demands for rearmament created opportunities for progressive tax reform and the expansion of state power over markets. The left has not been overly predisposed to trade security for social welfare programs, whereas the right has often been willing to sacrifice military preparedness for the sake of tax cuts. In the only case that the theory fails to explain, the United States in the late Cold War, conservatives managed the extraordinary feat of enacting both tax cuts and rearmament simultaneously.

The Reagan buildup demonstrates that ideology cannot automatically be dismissed as a potential intervening variable in the political economy of rearmament. However, it does not indicate that Keynesian ideas, rather than class interests, have been the primary causal force behind partisan differences over responses to threat. Quite to the contrary, in all of the cases covered here except France under Blum and the United States under Roosevelt, the left was nearly as concerned with fiscal orthodoxy as the right. For example, in Great Britain in the late 1930s, Conservatives paid for their limited rearmament primarily with loans, while Labourites countered that the program should be greatly extended and that progressive tax increases should be used to fund it. As future party leader Hugh Gaitskell argued, they could "not only concentrate on winning the war, but also on achieving a greater equalization of income, national income control, and avoid increasing the National debt" (Toye 2001, 320).¹⁷ In short, governments' ability to rearm depended far less on their tolerance for deficit spending than their class interests.

These results have three broad implications for international relations theory. First, they tear down long-held stereotypes about class coalitions' relative willingness to prepare for war. The conventional wis-

dom, that the left is weak on defense, has been reinforced by politicians at both ends of the political spectrum. Leftist parties often declaim the evils of militarism, while the right usually emphasizes its commitment to facing foreign aggression from a position of strength. When the level of international threat is low or moderate, such rhetoric may correspond well to parties' actual policy choices. Partisan disagreement over marginal changes in defense spending may be influenced by a variety of factors, including sectoral interests and the politicization of the military. However, in times of great danger, class cleavages over taxation and economic controls dictate a full reversal in politicians' positions over arms production.

Second, this study seeks to wrest the concept of class interests from the dying clutches of Marxism. Though class is often used as an independent variable in comparative politics and international political economy, it has been almost universally ignored in mainstream security studies. Given the glaring errors of Marxist theories of imperialism, this neglect is not entirely surprising, but it is nevertheless an overreaction. Class is by no means the organizing principle of international politics, as Marxists assert, but its impact on great powers' responses to foreign threats puts it squarely in the middle of some of the most prominent cases of twentieth-century foreign policy. Two recent works by historians also testify to the importance of class interests in great power diplomacy. Niall Ferguson (1994) argues that German conservatives' unwillingness to accept progressive tax reforms to pay for rearmament against Russia prompted their leaders' decision to provoke a preventive war in 1914, while Bruce Kent (1989) demonstrates that British and French conservatives' opposition to progressive taxation motivated their demands for an enormous indemnity on Germany after the war. In short, the deficiencies of Marxism are no excuse to assume the irrelevance of class interests in security studies.

Finally, the existence of partisan cleavages over great powers' responses to grave external threats directly challenges the common assumption that states can be treated as unitary actors pursuing objective "national interests." The cases addressed here, in which the provision of security was both a public good and an urgent necessity, should have been most likely to fit this analytic ideal, yet they clearly did not. In periods of critical military weakness, British, French, and American grand strategy was highly politicized, serving parochial interests as much as national ones. All governments try to find some way to secure their state from foreign threats, but their choice of arms, alliances, or appeasement is profoundly influenced by the material preferences of their domestic coalitions.

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¹⁷ On Labour's ambivalence toward Keynesianism in the 1930s, see Booth 1996, 17–21.

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