

# Economic Interdependence and the First World War\*

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## Abstract

The First World War is generally viewed by both advocates and critics of liberal theory as the quintessential example of a failure of economic integration to maintain international peace. This unanimity belies the fact that the war had its origins in the least integrated portion of Europe (i.e., the Balkans), and only later migrated westward through a complex set of alliance commitments. Crises among the interdependent states of Western Europe in the decades leading up to World War I were generally resolved without bloodshed, while conflicts in the autarkic East regularly escalated to militarized violence. Had globalization pervaded Eastern Europe, or the West been less locked into events in the East, Europe might have avoided a “Great War.”

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# 1 Introduction

The conventional wisdom among political scientists is that World War I constituted a failure of economic integration to maintain peace.<sup>1</sup> Even prominent advocates of liberal theory view the First World War as an unfortunate contradiction of the general perspective that wars are inhibited by the exchange of wealth across international borders.<sup>2</sup> These arguments are important because they bear on our understanding of the causes of war and peace, and on more pragmatic issues of policy in an increasingly globalized world. Whether interdependence encourages states to resolve differences diplomatically or not contributes to expectations about the future of international affairs. The First World War also serves as an important critical case for proponents and critics of liberal theory. If interdependence at the turn of the last century failed to inhibit the most general conflict up to that time, then it may fail to encourage peace in the new century. Conversely, liberals must explain the apparent failure of economic integration to bring peace in Europe at the dawn of the twentieth century if they are to paint a more optimistic picture about international affairs in the future.

Recasting the First World War in a light more favorable to liberal theory is actually less difficult than the prevailing consensus would suggest. At the very least, World War I is not a particularly compelling example of failure for liberal trade theory, and it may even indicate the strength of the

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<sup>1</sup>Kenneth N. Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979); Barry Buzan, "Economic Structure and International Security: The Limits of the Liberal Case," *International Organization*, Vol. 38 (Autumn 1984), pp. 597-624; Dale C. Copeland, "Economic Interdependence and War: A Theory of Trade Expectations," *International Security*, Vol. 20, No. 4 (Spring 1996), pp. 5-41; Dale C. Copeland, *The Origins of Major War* (Ithaca, NY: Cornell University Press, 2000); Paul A. Papayoanou, "Interdependence, Institutions, and the Balance of Power: Britain, Germany, and World War I," *International Security*, Vol. 20, No. 4 (Spring 1996), pp. 42-76; Paul A. Papayoanou, *Power Ties: Economic Interdependence, Balancing, and War* (Ann Arbor, MI: University of Michigan Press, 1999); Norrin M. Ripsman and Jean-Marc F. Blanchard, "Commercial Liberalism Under Fire: Evidence from 1914 and 1936," *Security Studies*, Vol. 6, No. 2 (Winter 1996-97), pp. 4-50; David M. Rowe, "World Economic Expansion and National Security in Pre-World War I Europe," *International Organization* Vol. 53 (Spring 1999), pp. 195-231; Jack S. Levy, "War and Peace," in *The Handbook of International Relations*, Walter Carlsnaes, Thomas Risse, and Beth Simmons, eds. (2001) pp. 350-367; David M. Rowe, "The Tragedy of Liberalism: How Globalization Caused the First World War," *Security Studies* Vol. 14, No. 3 (Spring 2005), pp. 407-447; John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001); Robert Jervis, "Theories of War in an Era of Leading Power Peace," *American Political Science Review*, Vol. 96, No. 1 (March 2002), pp. 1-14.

<sup>2</sup>Norman Angell, *The Great Illusion*, 2nd ed. (New York: Putnam, 1933); Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books 1985); Edward Mansfield and Brian Pollins, "Interdependence and Conflict: An Introduction," in Edward Mansfield and Brian Pollins, eds., *Economic Interdependence and International Conflict: New Perspectives on an Enduring Debate* (Ann Arbor: University of Michigan Press, 2003); Patrick J. McDonald and Kevin Sweeney, "The Achilles' Heel of Liberal IR Theory?: Globalization and Conflict in the Pre-World War I Era," *World Politics*, Vol. 59, No. 3 (2007), pp. 370-403. Andrew Moravcsik, "Liberal Theories of International Relations: A Primer," Typescript. Princeton University.

liberal perspective. We argue that World War I has been broadly mis-interpreted, that interdependence did not really fail in 1914. World War I did happen, of course, but the states that initiated the war were not interdependent while interdependent states were in most cases tepid joiners to an ongoing contest. Viewed correctly, there is much evidence to suggest that economic linkages served an important role in averting escalation to warfare in the series of crises that led up to the Great War. The conventional wisdom about interdependence and World War I seems peculiar in light of two historical facts. First, the turn of the century saw a series of intense crises among the interdependent states of western Europe that nevertheless did not result in open warfare. Second, World War I actually began among the economically backward, non-interdependent states of Eastern Europe. Tight alliance ties then effectively handed the foreign policies of Western powers over to countries that were poorly integrated into the world economy. Interdependence appears to have succeeded in averting war where nations were integrated, but it was incapable of forestalling conflict where economic integration had yet to occur. Nor could interdependence prevent war, once started, from spreading through competing networks of military alliance commitments that made it too costly for Western powers to use available economic linkages to their greatest pacific effect.

## 2 War and Interdependence

Theories of interdependence argue that economic relationships that span international borders influence the conflict propensity of states. Nations inclined to war can be deterred, informed, or transformed by the value of economic linkages. Critics of interdependence argue that economic ties do not have powerful pacifying effects on world politics, either because the stakes are insufficient to deter conflict, or because some aspect of the causal logic offered by liberals and others is incorrect.

There are two main strands of interdependence theories. The more traditional approach focuses on the “third image,” explaining how economic ties linking nations change the incentives of actors in the international system. Beginning in the modern era with Norman Angell and continuing through Keohane and Nye and others, these scholars argue that interdependence, primarily in the form of interstate trade, raises the opportunity cost of war, thus making contests less likely.<sup>3</sup> Scholars have

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<sup>3</sup>Norman Angell, *The Great Illusion*, 2d ed. (New York: G.P. Putnam’s Sons, 1933); Robert O. Keohane and

also argued that states are better able to achieve gains more efficiently through economic means as trade increases, rather than through warfare.<sup>4</sup> Others have expanded this theory to address ways in which open financial and goods markets create similar disincentives for states to fight.<sup>5</sup>

The second major strand of interdependence theory focuses on the “second image,” arguing that increased interdependence reduces the domestic incentives for leaders to engage in wars. This “commercial peace” or “capitalist peace” view of the relationship between economic relations and war argues that interdependence mollifies the effects of states’ security dilemmas by creating common interests and reducing uncertainty. Combining certain of these strands of theory, Gartzke has recently argued that interdependence—defined as including trade, development, open financial markets and monetary policy coordination—reduces conflict by (1) aligning states’ interests, which gives them less to fight over; (2) providing a means of peacefully securing resources; and (3) allowing states to foresee the costs of fighting, which facilitates bargaining and compromise.<sup>6</sup>

A significant group of scholars, however, disagrees with interdependence theory in its various incarnations. At a theoretical level, several scholars have argued that interdependence and conflict are unrelated.<sup>7</sup> Others have attempted to demonstrate empirically that there is no relationship between trade levels and conflict.<sup>8</sup> Going a step further, some work has suggested that trade

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Joseph S. Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1977). See also Francis Delaisi, *Political Myths and Economic Realities* (London: Noel Douglas, 1925); Solomon W. Polachek, “Conflict and Trade,” *Journal of Conflict Resolution*, Vol. 24, No. 1 (March 1980), pp. 57-78; Richard N. Rosecrance and Arthur Stein, “Interdependence: Myth or Reality,” *World Politics*, Vol. 26, No. 1 (October 1973), pp. 1-27.

<sup>4</sup>Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World*, (New York: Basic Books, 1986).

<sup>5</sup>Robert O. Keohane, “Economic Liberalism Reconsidered,” in *The Economic Limits to Politics*, edited by John Dunn, (Cambridge, UK: Cambridge University Press, 1990); Arthur A. Stein, “Governments, Economic Interdependence, and International Cooperation,” in *Behavior, Society, and Nuclear War*, vol. 3, edited by Philip E. Tetlock, Jo L. Husbands, Robert Jervis, Paul C. Stern, and Charles Tilly (New York: Oxford University Press, 1993); Michael W. Doyle, *Ways of War and Peace: Realism, Liberalism, and Socialism* (New York: Norton, 1997).

<sup>6</sup>Erik Gartzke, “The Capitalist Peace,” *American Journal of Political Science*, Vol. 51, No. 1 (2007), pp. 166-191. For other recent arguments on interdependence, see William Reed, “Information and Economic Interdependence,” *Journal of Conflict Resolution*, Vol. 47, No. 1 (2003), pp. 54-71, which argues that trade reduces conflict by allowing states to have more information on each other; Han Dorussen, “Heterogeneous Trade Interests and Conflict: What You Trade Matters,” *Journal of Conflict Resolution*, Vol. 50 (2006), pp. 87-107, which argues that the effect of trade on conflict depends on the elasticity of substitution between goods, suppliers, and consumers.

<sup>7</sup>Barry Buzan, “Economic Structure and International Security: The Limits of the Liberal Case,” *International Organization*, Vol. 38, No. 4 (August 1984), pp. 597-624; Jack S. Levy, “The Causes of War: A Review of Theories and Evidence,” in *Behavior, Society, and Nuclear War*, vol. 1, edited by Philip E. Tetlock, Jo L. Husbands, Robert Jervis, Paul C. Stern, and Charles Tilly (New York: Oxford University Press, 1989); James D. Morrow, “How Could Trade Affect Conflict?” *Journal of Peace Research*, Vol. 36, No. 4 (1999), pp. 481-489.

<sup>8</sup>Michael D. Ward, Randolph M. Siverson, and Xun Cao, “Disputes, Democracies, and Dependencies: A Reexamination of the Kantian Peace,” *American Journal of Political Science*, Vol. 51, No. 3 (2007), pp. 583-601; Hyung Min

increases, rather than decreases, the likelihood of conflict, a result that would support the Marxist view that capitalism leads to conflict as well as some socialist perspectives and other liberal critics.<sup>9</sup>

The causes of World War I have long been an important topic of debate and source of hypotheses among political scientists.<sup>10</sup> The case appears to pose a particular problem for those claiming that interdependence reduces the likelihood of war. In the four decades prior to the Great War, Europe experienced a dramatic increase in the levels of interdependence, especially among several of the major powers. Liberal theory, therefore, would appear to predict a low probability of war among interdependent European states, including a low probability that wars would spread to include countries with globalized economies. Thus, as many have argued, the fact that interdependent states engaged in a war of unprecedented intensity could be interpreted as proof that interdependence is irrelevant to conflict.<sup>11</sup> Several scholars have attempted to defend liberal theory in light of this evidence by arguing that interdependence did not function because of the absence of democracy in Germany,<sup>12</sup> that interdependence was not sufficiently deep,<sup>13</sup> or that the ongoing economic conflict

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Kim and David L. Rousseau, "The Classical Liberals Were Half Right (or Half Wrong): New Tests of the 'Liberal Peace', 1960-88," *Journal of Peace Research*, Vol. 42, No. 5 (2005), pp. 523-543; Cullen F. Goenner, "Uncertainty of the Liberal Peace," *Journal of Peace Research*, Vol. 41, No. 5 (2004), pp. 589-605.

<sup>9</sup>John A. Hobson, *Imperialism* (Ann Arbor, MI: University of Michigan Press 1938[1905]); V.I. Lenin, *Imperialism: The Highest Stage of Capitalism*, (New York: International Publishers 1970[1916]); Albert O. Hirschman, *National Power and the Structure of Foreign Trade*, (Berkeley, CA: University of California Press 1945); Katherine Barbieri, "Economic Interdependence: A Path to Peace or a Source of International Conflict?," *Journal of Peace Research*, Vol. 33, No. 1 (1996), pp. 29-49; Katherine Barbieri and Gerald Schneider, "Globalization and Peace: Assessing New Directions in the Study of Trade and Conflict," *Journal of Peace Research*, Vol. 36, No. 4 (1999), pp. 387-404. For critiques of quantitative evidence indicating that trade increases conflict, see John R. Oneal and Bruce Russett, "Assessing the Liberal Peace with Alternative Specifications: Trade Still Reduces Conflict," *Journal of Peace Research*, Vol. 36, No. 4 (1999), pp. 423-442; Erik Gartzke and Quan Li, "Measure for Measure: Concept Operationalization and the Trade Interdependence-Conflict Debate," *Journal of Peace Research*, Vol. 40, No. 5 (2003), pp. 553-571.

<sup>10</sup>Jack Snyder, "Civil-Military Relations and the Cult of the Offensive, 1914 and 1984," *International Security*, Vol. 9, No. 1 (Summer 1984), pp. 108-46; Scott D. Sagan, "1914 Revisited: Allies, Offense, and Instability," *International Security*, Vol. 1, No. 2 (Autumn 1986), pp. 151-75; Jonathan Shimshoni, "Technology, Military Advantage, and World War I: A Case for Military Entrepreneurship," *International Security*, Vol. 15, No. 3 (Winter 1990-1991), pp. 187-215; Marc Trachtenberg, "The Meaning of Mobilization in 1914," *International Security*, Vol. 15, No. 3 (Winter 1990-1991), pp. 120-50; Jack S. Levy, "Preferences, Constraints, and Choices in July 1914," *International Security*, Vol. 15, No. 3 (Winter 1990-1991), pp. 151-86; Keir Lieber, "The New History of World War I and What It Means for International Relations Theory," *International Security*, Vol. 32, No. 2 (Fall 2007), pp. 155-91.

<sup>11</sup>E.H. Carr, *The Twenty Years' Crisis: 1919-1939* (London: Macmillan, 1939); Kenneth N. Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979); John J. Mearsheimer, "Back to the Future: Instability in Europe After the Cold War," in *The Cold War and After: Prospects for Peace*, editor Sean M. Lynn-Jones, (Cambridge, MA: MIT Press, 1991); Copeland, "Economic Interdependence and War: A Theory of Trade Expectations."

<sup>12</sup>John R. Oneal and Bruce Russett, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: W.W. Norton, 2001)

<sup>13</sup>Oneal and Russett, *Triangulating Peace*; Rosecrance, *The Rise of the Trading State*.

between Russia and Germany overpowered the pacific effects of interdependence in 1914.<sup>14</sup>

It would seem as clear as anything can be in international affairs that interdependence failed to function as predicted by liberal theory at the advent of the First World War. Yet, consensus is not causation. There are flaws in the connections drawn by both critics and advocates of liberal theory that make the conclusion that World War I challenges liberal theory empirically suspect.

### 3 World War I as a Test of Liberal Theory

Existing uses of World War I to falsify the pacific effects of interdependence are methodologically flawed for two reasons. First, the fact that war occurred between interdependent states in one important case only demonstrates that interdependence is not sufficient by itself to guarantee interstate peace; interdependence could still reduce the overall likelihood of war. Second, focusing on the outbreak World War I to test this theory is also problematic because it is a case chosen based on the dependent variable, the outbreak of war. War may be made very unlikely and nonetheless occur. If we are to look back afterward and conclude that the likelihood of war was not much affected by mitigating factors, then we are committing the classic *post hoc ergo propter hoc* fallacy.

While a probabilistic theory cannot be disproved with a single case, a reasonable observer might counter by noting that some cases are best conceived of as critical. Liberal theory is deeply flawed if it cannot account for a contest as catastrophic as World War I. We agree completely. To say that a war in which over 10 million people died is simply an outlying case in which a probabilistic relationship failed would be to engage in intellectual equivocation. World War I was not a blip.

The second point, however, is more consequential. While many have argued that in neither qualitative nor quantitative research should scholars choose cases based on the dependent variable,<sup>15</sup> others argue that doing so is valid when one is particularly interested in explaining a specific case or outcome.<sup>16</sup> Indeed, we take no issue with the study of World War I as a unique historical phenomenon or with including interdependence as a possible causal variable when attempting to

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<sup>14</sup>McDonald and Sweeney, "The Achilles' Heel of Liberal IR Theory?"

<sup>15</sup>Gary King, Robert O. Keohane and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research* (Princeton: Princeton University Press, 1994)

<sup>16</sup>Henry E. Brady and David Collier, *Rethinking Social Inquiry: Diverse Tools, Shared Standards* (Oxford: Rowman and Littlefield, 2004)

explain what did or did not contribute to its outbreak. Instead, our concern is that scholars have mistakenly chosen to use the Great War to falsify liberal theory. Such an approach uses the July 1914 crisis as a “hypothesis testing” case, which is among the most difficult and controversial types of case study.<sup>17</sup> It is one thing to study a case in order to understand what led to a particular outcome; it is a wholly different undertaking to use the case to test a general hypothesis about factors that tend to lead to particular outcomes. While King, Keohane and Verba (1994) doubt that valid inference can be drawn from testing a hypothesis with a single case, others argue that doing so is valid for crucial, or critical cases.<sup>18</sup> Indeed, World War I can be viewed as a least likely case for liberal theory because it presents a period of significant and increasing interdependence followed by a war. On its face, as the conventional wisdom has already internalized, the case presents a problem for those who argue that interdependence causes peace. If instead *even this case* offers some support for liberal claims, then this is powerful evidence in favor of the liberal perspective.

When conducting a hypothesis-testing case of a probabilistic theory based on a most/least likely logic, analysts should define their case based on the independent variable they believe makes the case crucial. World War I can be viewed as least likely to support liberal theory specifically because of the interdependence between the great powers that preceded it. If the war had occurred absent this, the case would, on its face, either support liberal theory or be orthogonal to it. Thus, in order to use this case to test the hypothesis that interdependence reduces the probability of conflict, we must define the case in terms of an era of high European interdependence and study conflict behavior in the region as a whole. To put it another way, as others have argued, when defining a case analysts must ask themselves: “What is this a case of?”<sup>19</sup> We argue that an answer of: “This is a case of war” may allow us to understand the causes of that war, or possibly the causes of war in general. Yet only by defining the case as “A case of high interdependence” can we understand whether this factor makes war less likely. To do otherwise, to test this hypothesis by defining the

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<sup>17</sup>Harry Eckstein, “Case Studies and Theory in Political Science,” in *Handbook of Political Science*, (Reading, MA: Addison-Wesley, 1975), Vol. 7, pp. 79-138, edited by F. Greenstein and N. Polsby; Jack S. Levy, “Case Studies: Types, Designs, and Logics of Inference,” *Conflict Management and Peace Science*, Vol. 25, No. 1 (2008), pp. 1-18).

<sup>18</sup>Eckstein, “Case Studies and Theory in Political Science,”. As Levy (2008) argues, “The inferential logic of least likely case design is based on the “Sinatra inference”—if I can make it there I can make it anywhere. The logic of most likely case design is based on the inverse Sinatra inference—if I cannot make it there, I cannot make it anywhere.” (p.12)

<sup>19</sup>Levy, “Case Studies: Types, Designs, and Logics of Inference,”

case as July 1914, is to commit a fallacy as significant in turn as dismissing the war as an “outlier.”

This paper conducts a review of the era leading up to World War I as a hypothesis-testing case. The case is chosen based on an independent variable—relatively high interdependence among several major powers—and includes significant variance on this variable in the form of many less interdependent states and variance on the dependent variable—conflict. While it is possible to define any previous point in history as beginning the lead-up to the war, many historians begin their study of the war’s origins in 1871, following Germany’s victory in the Franco-Prussian War. We will begin by describing the key sources of tension among the great powers during this era. Doing so is to some extent an exercise in counterfactual analysis: by identifying the most salient sources of tension during the era, it is possible to predict *ex ante* where war would have been most expected if interdependence and war were unrelated.<sup>20</sup> As we demonstrate, disputes among the highly interdependent powers, most importantly Britain, France and Germany, were generally resolved peacefully during this era, despite a number of crises involving potentially violent disputes among these powers. By contrast, the disputes during this era among the less interdependent powers generally did escalate to war. Thus, the pre-World War I era as a whole demonstrates a substantial relationship between interdependence and the reduction in the likelihood of conflict.

We continue our analysis of this era of high great-power interdependence by examining the July 1914 crisis as a deviant case-within-a-case. We do so for two reasons. First, as we said above, regardless of the methodological arguments one might make to the contrary in principle, it is important to understand why interdependence failed to prevent a wider war in 1914. Second, deviant case analyses can be useful for the refinement and extension of hypotheses.<sup>21</sup> By examining July 1914 within the broader context, we hope to provoke a refinement or extension of liberal theory.

In the discussion below, we will argue that the fact that interdependent powers went to war in 1914 does not demonstrate that interdependence does not reduce the likelihood of conflict, but rather demonstrates that other variables (also operating in a probabilistic manner) can increase such

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<sup>20</sup>David Lewis, *Counterfactuals* (Cambridge: Harvard University Press, 1973); James D. Fearon, “Counterfactuals and Hypothesis Testing in Political Science,” *World Politics*, Vol. 43, No. 2 (Jan., 1991), pp. 169-195.

<sup>21</sup>Imre Lakatos, “Falsification and the Methodology of Scientific Research Programmes,” in *Criticism and the Growth of Knowledge* (New York: Cambridge University Press, 1970), edited by Imre Lakatos and A. Musgrave, pp. 91-196; Levy, “Case Studies: Types, Designs, and Logics of Inference,”



likelihood so as to outweigh the effects of interdependence. Interdependence failed in 1914 because of several intervening variables, including the system of European alliances, the incentives of leaders to limit their options during crisis situations, and the decisions of individual leaders to honor their alliance commitments. The key factor in making the 1914 crisis different from previous crises, we will argue, was that the both Russia and Germany decided to uphold their alliance commitments, which drew the highly interdependent states into a conflict begun by the non-interdependent states.

## 4 European Crises 1871-1914

Wars always appear inevitable in retrospect. But few wars seemed more unlikely to contemporaries in the years leading up to them than World War I. Journalists at the time, and historians in later periods emphasize that Europe, or at least the West, had largely discounted the danger of a major conflagration by the summer of 1914. Why should this be so? Certainly, European history did not suggest that peace was inevitable, or even particularly durable. Warfare had been such a regular feature of European politics that it is hard to escape the conviction that war was overdue. One reason for optimism in the West about the durability of peace was that stability had been tested several times and found to be robust. A series of crises involving Germany, France, Britain and Russia had appeared to take Europe to the brink of war, but each crisis had abated as the mutual benefits of existing commercial relations asserted themselves. The general view was that diplomacy, civilization, or mutual interest had made it clear to the leaders involved that war was not in their interest. At the same time, recurrent conflicts at the edges of Europe had been localized. Balkans conflicts flared up repeatedly, but the rest of Europe had managed to keep these contests localized.

Few conflicts have received more careful attention from historians and students of international affairs than the First World War. So much has been said and written about the Great War that key aspects are substantially understood. Strangely, studies of the First World War seldom begin at the beginning. Obviously, the lasting interest in World War I stems from its size. But this “war to end all wars” only got big by increments, after the perennial, if much smaller, conflict in the Balkans had already established itself. Yet, it is still important to remember that the Great War *did* begin in the Balkans. The tendency to focus on Germany or Russia may have led to misconceptions about

cause and effect. If one wants to know why World War I became so large, then it is reasonable to explore joining by the major European powers. If instead one wants to know how World War I began, as a war, then it makes more sense to focus on Serbia and Austria-Hungary. The point is precisely that warfare in the Balkans was no surprise. There was nothing about the onset of another Balkans war that requires unusual explanation. Instead, it is the expansion of that war which citizens in the West had discounted, and which when it came, came as a surprise. We discuss differences between East and West below, after first reviewing a few other details.

Scholars generally agree that between 1871 and 1914 many European powers became increasingly interdependent, particularly in terms of increased trade and capital mobility. Generally speaking, the highly interdependent states in Europe were in the West, including France, Britain, Germany, Belgium, Holland, Norway, Sweden and Denmark. Other powers such as Italy and Russia were significantly less developed economically and less integrated into the global economy. The least economically integrated states at the time were Austria-Hungary and the Ottoman Empire. Finally, the poorer states of the Iberian and Balkan Peninsulas were minimally interdependent.<sup>22</sup>

In addition, this period in Europe is marked by considerable tensions and many militarized disputes, including between states that were both highly and minimally interdependent. Three major sources of tension were behind these crises, and each may have resulted from changes in the balance of power. The first was Germany's occupation of Lorraine and (less so) Alsace, both captured from France during the Franco-Prussian War. To many in France, relations with the Reich could not be normal so long as these territories remained in German hands. A second source of tension was the competing colonial ambitions of the major powers. Few territories were left to conquer, even as Germany increased its drive for colonial expansion after unification. Finally, after decades of decline, the Ottoman Empire no longer had the strength to hold on to its European possessions. This, and the accompanying rise of Balkan nationalism, threatened not only Turkey's interests but also those of the other powers in the region, especially Austria-Hungary and Russia.

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<sup>22</sup>Albert Fishlow, "Lessons from the Past: Capital Markets During the 19th Century and the Interwar Period," *International Organization*, Vol. 39, No. 3 (Summer 1985), pp. 383-439; Papayoanou, "Interdependence, Institutions, and the Balance of Power: Britain, Germany, and World War I.,"; Peter J. Katzenstein, "International Interdependence: Some Long-Term Trends and Recent Changes," *International Organization*, Vol. 29, No. 4 (Autumn 1975), pp. 1021-1034; Norrin M. Ripsman and Jean-Marc F. Blanchard, "Commercial Liberalism under Fire."

## 4.1 West

These changes in the balance of power, and the competing ambitions associated with them, led to frequent clashes among European states, but these disputes generally did not escalate to war when conflicts involved states that were also interdependent. To begin with, despite the bitter rivalry between Germany and France, the two powers remained at peace for over forty years after the Treaty of Frankfurt. What makes the era so remarkable is that both nations spent these decades girded for war, having created specific plans for invading each other—Germany the Schlieffen Plan and France Plan XVII, diluted versions of which were eventually executed in August of 1914.

Why, then, did Germany and France, which had motives for war along with detailed plans for fighting, refrain from doing so for several decades? One explanation is that France and Germany were economically dependent on each other. During this era, both manufacturing and finance became highly integrated between these countries, levels of trade between the two grew significantly, and unprecedented amounts of capital flowed across their borders. A key example is the German finance of iron mining in the French region of Longwy-Briey (a region the Germans later controlled during the war to their strategic advantage). As Turner notes, “so far from being bitter rivals French and German capitalists were happy to cooperate.”<sup>23</sup> Neither nation was willing to concede key claims against the other; France wanted its northeastern territories returned, and Germany was tired of being shut out of colonial expansion. Still, neither was willing to sacrifice mutual benefit to pursue these disputed objectives, at least not through direct confrontation and not as isolated issues. While interdependence is certainly not the only explanation for the long peace between Germany and France, it appears to have been a factor in reducing the incentives for conflict between them.

Significantly, the competition for colonies led to a series of crises among the European powers during the pre-World War I era. Yet, none of these crises resulted in war involving the highly interdependent nations. Britain and France, long-time rivals both on the Continent and in terms of their global possessions, experienced two near-war crises during this era. In 1893, France sent gunboats to Bangkok to demand that Siam cede Laotian territory. Siam, a British client state, requested support from London. Rather than backing its protégé against its chief historical adver-

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<sup>23</sup>L.C.F. Turner, *Origins of the First World War* (New York and London: W.W. Norton, 1970), p. 13.

sary, the British prevailed on the Siamese to cede the disputed region to the French. In return, France would make no future demands for additional territory in the region, relieving the danger of future disputes among the interdependent European powers at the expense of English prestige and French ambition. Again in 1898 France and Britain nearly went to war, this time as a result of the Fashoda crisis. A standoff between forces of the two countries was caused by their competing attempts to extend their spheres of influence in East Africa. After several months, the French withdrew their troops and the governments agreed on a division of the region among themselves, ending the last major source of colonial tensions between them. In both crises, one of the major powers backed down or declined to intervene, apparently deciding that war was not worth the cost.

Tensions between Germany and France were also heightened by colonial competition. First, in 1905, the Kaiser visited Tangier and gave a speech promoting Moroccan independence, provoking the French authorities. France moved troops to the German border while Germany called up its reservists, but the crisis was resolved even before it became highly militarized through an international conference in Algeiras, Spain. There, the Germans reluctantly backed down in humiliation when only Austria-Hungary supported their position.<sup>24</sup> Several years later, a second serious Moroccan crisis erupted when Germany sent the gunboat Panther to Agadir in response to France's attempt to take full control of Morocco by advancing 15,000 troops to Fez. Again, the European powers negotiated, and again the Germans backed down. Neither the Kaiser nor the German Chancellor Bethmann-Hollweg were interested in war over Morocco. Even if the war could be contained, its effects on European commerce and capital flows could be catastrophic. Turner writes that three factors contributed to this decision: (1) the German navy was relatively weak and could not take on the French, who were supported by the British; (2) neither Austria-Hungary nor Russia had a significant interest in Morocco, allowing the conflict to be settled among the three western powers; and (3) "[t]he French withdrawal of short-term loans from the Berlin market, led to heavy falls on the stock exchange and demands from German financiers for a lessening of tension."<sup>25</sup> Stevenson writes that "once Wilhelm II had ruled that war must be avoided, Germany again accepted a diplomatic

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<sup>24</sup>David Stevenson, "Militarization and Diplomacy in Europe before 1914," *International Security*, Vol. 22, No. 1 (Summer 1997), pp. 125-161.

<sup>25</sup>Turner, *Origins of the First World War*, p. 19.

setback in preference to provoking hostilities or to bluffing.”<sup>26</sup> Nonetheless, the crisis adversely affected economic relations between France and Germany. As Joll writes, “[p]olitics were taking precedence over economics; and profitable economic links were no longer necessarily maintaining peaceful relations between the two countries.”<sup>27</sup> While interdependence may have helped mitigate motives for war, the crises themselves took a toll on the future effectiveness of economic linkages. The claim that interdependence inhibits warfare does not mean that it does so indefinitely.

Disputes between the other interdependent powers were also generally resolved peacefully during this era. For example, in the Dogger Bank incident during the Russo-Japanese War, the Russian navy fired on several British fishing boats in the North Sea, mistaking them for Japanese men-of-war after receiving false reports of a Japanese naval presence in the area. Although, as Remak argues, “if some sort of apparatus for the measurement of hostility between nations were to exist, Anglo-Russian relations, in the half century or so before 1904, might receive its highest score,”<sup>28</sup> the British chose not to retaliate. This decision is particularly striking given that the British were formally in alliance with the Japanese. Had the British retaliated, leading to a war with Russia, we can easily imagine many analysts calling such a war “inevitable” in retrospect. Similarly, while the British-German rivalry grew in intensity during this period, fueled partly by Germany’s post-unification ambitions for colonial empire, this rivalry did not result in war until 1914. On multiple other occasions—most notably the Boer War, in which Germany chose to remain neutral—disputes that could well have led to war were resolved peacefully. Indeed, the one notable conflict involving an interdependent European state during this period is the Italo-Turkish War of 1911-12, in which Italy gained control of Libya. That said, it should be noted that Italy was not a highly developed and interdependent state during this time period and that the Ottoman Empire was minimally so.

In summary, between the Franco-Prussian War and World War I, four salient major power rivalries led to frequent disputes that were invariably, and often surprisingly, resolved peacefully: (1) France and Germany; (2) Britain and France; (3) Britain and Russia; and (4) Britain and Germany. In addition, it should be noted that the economically interdependent states in the Benelux

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<sup>26</sup>Stevenson, “Militarization and Diplomacy in Europe before 1914,” pp. 139-40.

<sup>27</sup>James Joll, *The Origins of the First World War* (London and New York: Longman, 1984), p. 133.

<sup>28</sup>Joachim Remak, *The Origins of World War I: 1871-1914* (Hinsdale, Ill.: Dryden Press, 1967), p. 40.

and Scandinavia maintained peaceful relations during this era both with each other and the major powers, unlike previous eras. Remak sums up relations among the interdependent powers as follows:

Germany did restrain her ambition for decades. Britain and France showed that no matter how ancient their enmities and how present their imperial rivalries, it was perfectly possible to find a formula for accommodation. Germany and France reached no similar agreement, yet talks between the two never ceased. Strong forces in both countries worked toward reducing tensions, and by 1914, they had reached an understanding concerning spheres of economic interest. . . . Great Britain and Germany, real though their naval and colonial rivalries were, similarly continued to explore the possibilities of a *détente*. . . .<sup>29</sup>

## 4.2 East

As the interdependent powers set a pattern of peace, other European states often escalated their disputes to war, particularly in the Balkans. The underlying reason for the tension in the Balkans during this era was the rapid decline of the Ottoman Empire, which, accompanied by the rise of nationalism in the region, led many Balkan nations to seek independence. In addition to Turkey's interest in maintaining its European possessions, Russia and Austria-Hungary also had key strategic interests in the region. Russia generally supported the rise of Balkan nationalism because (1) from a strategic perspective, it had a long-time rivalry with Turkey and ambitions for access to the Mediterranean; and (2) pan-Slavism was increasingly influential in Moscow. The multi-national Austria-Hungary, however, was threatened by the rise of Balkan nationalism, facing a security dilemma especially with respect to Serbia. As Farrar writes: "what would preserve Austria-Hungary as a great power would provoke Serbian nationalism, and what would satisfy Serbian nationalism would threaten Austria-Hungary as a great power. Thus coexistence seemed virtually impossible and conflict almost inevitable."<sup>30</sup> Again, however, what appears inevitable in retrospect may have been less so in actual practice. If there was much to impel conflict in the Balkans, there was

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<sup>29</sup>Remak, *The Origins of World War I: 1871-1914*, p. 57.

<sup>30</sup>L.L. Farrar Jr., "The Limits of Choice: July 1914 Reconsidered," *Journal of Conflict Resolution*, Vol. 16, No. 1 (March 1972), pp. 1-23, 10.

also a considerable basis for an intensification of clashes among the Western great powers, as we have already discussed. What seems most distinct about the Balkans was the general absence of a positive motive for peace. Lacking the commercial incentives to cooperate that had saturated relations in the West, Eastern nations were more prone to see the strategic calculus as zero-sum.

While lacking fundamental strategic interests in the region, other countries often participated in driving or mediating the festering Balkans disputes, a process that increasingly enmeshed the foreign policies of European powers with their Balkans protégés. Nations outside the region increasingly “tied their hands” with alliance commitments in order to bolster the leverage of Balkans partners. Ironically, Bismarck often argued that Germany had no interest in going to war over a conflict in the Balkans: “For us, Balkan questions can never be a motive for war.”<sup>31</sup> Yet, the reputations of foreign powers seemed increasingly tied to their actions in the Balkans, even as discretion over foreign policy was increasingly handed over to local officials, through tightening alliance commitments.

Several conflicts in the late-nineteenth century perpetuated the trend of disputes leading to wars in the region. Early conflicts included the Serbian and Montenegrin war of independence against Turkey in 1876, the Russo-Turkish War in 1878, the Serbo-Bulgarian War in 1885 and the Greco-Turkish War in 1897. In the direct lead-up to World War I, the first crises of note were the Pig War between Serbia and Austria-Hungary, followed by the Bosnian annexation crisis. After Serbia, seeking to reduce its dependence on Austria-Hungary, increased its levels of French imports and created a customs union with Bulgaria, Austria-Hungary responded in 1906 by stopping the import of Serbian livestock. Serbia found markets for its livestock elsewhere, consequentially dramatically reducing the economic interdependence between the two states. The economic nature of the dispute is striking, given the role of Austria-Hungary and Serbia as the initial combatants in World War I.

The Pig War also led to Austria-Hungary’s decision in 1908 to annex Bosnia and Herzegovina, both of which it had administered under the 1878 Treaty of Berlin. Serbia had sought to use Bosnia and Herzegovina as an outlet to the Adriatic in large part to overcome the Austro-Hungarian blockade of Serbian goods. The Austrian annexation understandably threatened both Russia, which

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<sup>31</sup>Quoted in Remak, *The Origins of World War I: 1871-1914*, p. 14. Bismarck famously stated that conflicts in the Balkans were not “worth the bones of a single Pomeranian grenadier.” Laurence Lafore, *The Long Fuse: An Interpretation of the Origins of World War I*, 2nd ed. (Philadelphia: J.B. Lippincott, 1971), p. 91.

would have preferred these territories to be independent, and Serbia, which would have preferred them to be Serbian. Russia, still recovering from its war with Japan, was in no position to fight. Russian officials actually took the extraordinary step of informing the Austrians that Russia did not intend to intervene even if Austria-Hungary occupied Belgrade. Germany informed Russia that if Russia mobilized against an Austrian invasion of Serbia, Germany would declare war on Russia and France. As a result, Russia backed down, forcing Serbia to withdraw its protest of the annexation.

The Bosnian crisis is notable for several reasons. First, Russia suffered a significant humiliation by being forced to back down, both in the eyes of the major powers and with respect to Serbia, which began to distrust Russia's commitment to support its ambitions. Second this crisis supported a precedent set in Morocco in 1905 in which the side showing a greater resolve to fight got its way.<sup>32</sup> With the expansion of commerce beginning in the late 1900s, European powers were faced with larger mutual losses for war. The strategic game became increasingly like Chicken rather than the more traditional Prisoners' Dilemma. Indeed, Germany could reasonably draw a lesson from the crisis that, if it committed to war, Russia was likely to back down and conflict would be averted. Third, this is an example of conflict between the Triple Alliance and Triple Entente being courted by Austria-Hungary, rather than by Germany. As Lafore argues, the Dual alliance tied Germany's future "to a state whose future involved securities of a very different kind from Germany's."<sup>33</sup> This point is crucial as it demonstrates that the foreign policy of economically interdependent Germany was becoming increasingly tied to that of the minimally interdependent Austria-Hungary.<sup>34</sup>

The immediate consequence of rising tensions in the Balkans was a pair of regional wars fought in 1912 and 1913. In 1912, a coalition made up of Greece, Serbia, Montenegro and Bulgaria declared war on Turkey seeking to drive the Turks completely out of Europe. Many in Europe predicted the conflict would spread to the rest of the continent, especially because Austria-Hungary was expected to intervene in order to protect its interest in Novibazar, a region it administered under the Treaty of Berlin but which was occupied by Serbia during the fighting. Similarly, many observers expected that Russia would not back down as it had earlier in the Bosnian crisis. Lafore argues that:

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<sup>32</sup>Stevenson, "Militarization and Diplomacy in Europe before 1914," p. 135.

<sup>33</sup>Lafore, *The Long Fuse: An Interpretation of the Origins of World War I*, p. 97.

<sup>34</sup>On the Bosnian crisis generally, see Lafore, *The Long Fuse: An Interpretation of the Origins of World War I*; Remak, *The Origins of World War I: 1871-1914*; Stevenson, "Militarization and Diplomacy in Europe before 1914."



It seemed improbable that Austria-Hungary, which had been willing to precipitate a major crisis for the minor and gratuitous purpose of annexing Bosnia, should not hold back in the face of the loss of positions always described as vital; or that Russia, which would almost surely have been willing to fight in 1908 had its armies been strong enough, and had told the Serbs in that year that in eighteen months they would be fully prepared, would now abstain from the defense of interests always previously described as vital.”<sup>35</sup>

A general war was again averted because Germany declined to support Austria-Hungary’s ambitions and because Russia eventually also backed down. At first, Russia mobilized forces along its Western frontier (although Russia claimed this was unrelated to the war). In Germany, however, the political leadership, apparently true to Bismarck’s strategic disinterest in the Balkans, decided not to support Austria-Hungary. Once the Germans made this decision, the Russians also withdrew, perhaps in part because Germany’s decision not to support Austria-Hungary allowed Russia to back down while still saving face. Thus, despite an interest in avoiding further humiliation, the Russians told the French that “even if Austria should attack Serbia, Russia will not fight.”<sup>36</sup>

A similar crisis arose in 1913 when the winners of the First Balkan War fought a war over the spoils they had captured from the Ottomans. Specifically, Serbia, Greece and Bulgaria each fought for a greater share of Macedonia, with the war later spreading to include Montenegro, Romania and the Ottomans. Austria-Hungary, threatened again by the specter of Slavic nationalism, reacted slowly to the quickly unfolding events, but eventually mobilized troops against the Serbian and Russian borders. Once again, the conflict was prevented from spreading through the diplomacy of the interdependent states. Joll argues that Britain was able to negotiate the end of the conflict and the independence of Albania because, “to the annoyance of the Austrians, the Germans decided that they would not put their whole weight behind the Austrian efforts to limit Serbia’s gains.”<sup>37</sup>

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<sup>35</sup>Lafore, *The Long Fuse: An Interpretation of the Origins of World War I*, p. 170. Joll, *The Origins of the First World War*, notes that Russia recognized that “failure to support Serbia again would mean, the Russians thought, the end of Russian prestige in the Balkans and the beginning of a possible new diplomatic alignment there.” p. 55.

<sup>36</sup>Quoted in William C. Wohlforth, “The Perception of Power: Russia in the Pre-1914 Balance,” *World Politics*, Vol. 39, No. 3 (April 1987), pp. 353-381, 359. As Turner argues, “[i]t therefore appears that if Russia had resorted to military measures in support of Serbia’s claim to an Adriatic port then a world war would have broken out in 1912.” *Origins of the First World War*, p. 43.

<sup>37</sup>Joll, *The Origins of the First World War*, p. 52. See generally Turner, *Origins of the First World War*; Sean M.

The two Balkan Wars are significant for several reasons relevant to the outbreak of war in 1914. First, along with the earlier conflicts in the region, they showed that when Balkan states had disputes with each other, they were generally settled by war, a pattern far different from that for the interdependent western European powers. Indeed, the interdependent powers were often critical in mediating disputes and in helping to terminate recurrent regional wars. Second, the cycle of Balkans conflicts showed the potential for small, non-interdependent states to exploit security relationships with the major European powers. As is widely understood, one of the risks in forming an alliance is that a state may be entrapped into a war by an ally.<sup>38</sup> In the Balkans, it appears that Serbia, Bulgaria and others exploited to their advantage the rivalry between Austria-Hungary and Russia, as well as the desire of Germany, Britain and France to avoid a major war.<sup>39</sup> As Remak argues, “under the alliance system, as it then stood, minor powers were in a position to make very major decisions.<sup>40</sup> Third, the crises showed that Germany and Russia were the pivotal states in the alliance system; their decisions on whether or not to support their smaller allies were the key to limiting or expanding the size of wars. Joll notes that “the Balkan quarrels had not escalated into a European war because the Germans were not prepared to give their ally a free hand against Serbia.”<sup>41</sup> But equally so, the crises did not escalate because the Russians appeared willing to back down in certain situations. Fourth, the Balkan Wars continued a trend of increasingly militarized conflicts in which the more militarized side was regularly the winner. This encouraged leaders on all sides to use brinkmanship tactics in the hope that their opponents would back down.

Perhaps the most significant residual of the Balkan Wars was that they created an rising reputational incentives for the great powers to solidify their alliance relationships in the region. The

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Lynn-Jones, “Détente and Deterrence: Anglo-German Relations 1911-1914,” *International Security*, Vol. 11, No. 2 (February 1986), pp. 121-150.

<sup>38</sup>See, for example, Thomas J. Christensen and Jack Snyder. “Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity.” *International Organization*, Vol. 44, No. 2 (1990), pp. 137-168. David A. Lake, *Entangling Relations: American Foreign Policy in Its Century* (Princeton: Princeton University Press, 1999). For a similar argument, see Glenn H. Snyder, “The Security Dilemma in Alliance Politics,” *World Politics*, Vol. 36, No. 4 (July, 1984), pp. 461-495.

<sup>39</sup>See A.J.P. Taylor, *The Struggle for Mastery in Europe, 1848-1918* (Oxford History of Modern Europe, 1954). Williamson has argued that Austria-Hungary used the assassination of Archduke Franz Ferdinand as a pretext for pulling Germany into a war with Serbia. See Samuel R. Williamson, Jr., “Influence, Power, and the Policy Process: The Case of Franz Ferdinand,” *The Historical Journal*, Vol. 17, No. 4 (June 1974), pp. 17-34; Williamson, “The Origins of World War I,” *Journal of Interdisciplinary History*, Vol. 18, No.7 (Spring 1988), pp. 95-818.

<sup>40</sup>Remak, *The Origins of World War I: 1871-1914*, p. 63.

<sup>41</sup>Joll, *The Origins of the First World War*, p. 53.

European alliance system was arguably created by the great powers as a deterrent to reduce the likelihood of war. This was the case beginning with the Bismarckian system created in the 1870s and 1880s, designed to protect the newly unified Germany from its neighbors, but also with the Triple Alliance and Triple Entente, designed in part to deter each other. The dilemma facing the great powers in the early twentieth century was how to effectively signal their resolve to fight in the most effective way in order to deter the other side. In several crises, leaders used the sunk cost method of sending a costly signal by undertaking such actions as mobilizing troops. Leaders also signaled resolve by creating domestic audience costs by making hawkish statements in the midst of crises, resulting in humiliating consequences when the loser was eventually forced to back down.<sup>42</sup>

The most important way in which leaders (most importantly those of Germany and Russia) signaled their resolve during this era was by limiting their choices in crisis situations.<sup>43</sup> As Schelling famously conjectured, decisionmakers in a crisis bargaining situation may improve their expected payoff by constraining their ability to choose certain strategies.<sup>44</sup> German and Russian leaders tied their hands in two ways during this era. First, they increasingly ceded decisionmaking authority to the military by putting in place processes in which, once an initial decision was made to begin hostilities, it was very costly for civilian leaders to revoke it. As a result, Joll writes, “the general staffs were taking decisions which often committed them to irreversible military actions if war threatened: and consequently in a crisis the freedom of action of the civilian ministers was often more circumscribed than they themselves realized.”<sup>45</sup> The second way in which German and Russian leaders limited their options was through their alliances with key states in the region (Austria-Hungary and Serbia, respectively). The alliances allowed the weaker partner to draw on the power of the stronger partner in crisis bargaining, thereby increasing the prospects for diplomatic success in the game of brinkmanship that all had learned to play with increasing fervor over recurrent crises. However, this leverage also came at a price, which was the increasing risk that the great power had of being drawn into regional Balkans disputes, should bluster and brinkmanship fail to compel

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<sup>42</sup>See generally James D. Fearon, “Signaling Foreign Policy Interests: Tying Hands Versus Sinking Costs,” *Journal of Conflict Resolution*, Vol. 41, No. 1 (1997), pp. 68-90.

<sup>43</sup>See Farrar, “The Limits of Choice: July 1914 Reconsidered,” for a similar argument.

<sup>44</sup>Thomas Schelling, *The Strategy of Conflict* (Cambridge, MA: Harvard University Press, 1960).

<sup>45</sup>Joll, *The Origins of the First World War*, p. 56.

accommodation from local adversaries and their patrons. In a very real sense, the foreign policies of the interdependent great powers was gradually being reassigned over subsequent crises, from the interdependent partner to the non-interdependent partner, thus heightening the danger of entrapment or “chain ganging.” The result was that German and Russian leaders faced a difficult choice in subsequent conflicts. Credibility and support for their partners required increasingly binding commitments, but these in turn created increasingly diametric alternatives for the larger powers in the midst of a crisis. They could no longer remain on the sidelines. They must either back down and suffer domestic audience costs and international reputation costs or escalate the crisis in the hope that their opponents would be the ones to back down. Ironically, interdependence in the West actually accentuated this logic, as the stakes for a contest, and previous experience convinced both sides that their opponents would be the first to blink. Again and again, Balkan crises failed to spread as either Germany or Russia chose to back down. This reassured the interdependent powers that the European system was robust to such crises and that someone (else) would see reason.

In summary, we offer three main points about the period between the Franco-Prussian War and World War I. First, that disputes among the interdependent powers were generally resolved peacefully in the pre-World War I era. Second, that disputes among the non-interdependent powers generally escalated to wars, except where the (interdependent) great powers saw it in their interests to intervene to mediate disputes and prevent them from drawing in other powers. Finally, as a result of a series of crises, the leaders of Germany and Russia, the pivotal states in the alliance system, had an increasing incentive to credibly commit to supporting their allies Austria-Hungary and Serbia in a conflict with each other. Crises in this era became increasingly about compelling the other side to back down by showing a greater resolve to fight.<sup>46</sup> One way Germany and Russia attempted to do this was by delegating foreign-policy making power to their small allies, knowing that their potential opponents would perceive that these non-interdependent states had stronger incentives to go to war. That a general war did not break out before 1914 is, in many ways, attributable to German and Russian decisions to back down rather than supporting regional allies. This in turn led to (over)confidence that wider war would be averted, if only at the last moment.

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<sup>46</sup>Stevenson, “Militarization and Diplomacy in Europe before 1914.”

## 5 July, 1914: A Deviant Case-within-a-Case

What was different in 1914 relative to previous crises? While the conflict-reducing effects of interdependence may have subsided with growing tensions on the continent, this in itself is a tacit acknowledgement that interdependence inhibits conflict, at least temporarily. Yet, the sequence in which nations joined the war was more-or-less consistent with their level of integration into the growing global economy. A more proximate cause was that neither Russia nor Germany backed down from a conflict, honoring their alliance commitments to the point of starting a general war. As several scholars have argued, German support for Austria was needed for its action against Serbia, and the war would not have spread were it not for Russian intervention.<sup>47</sup> Similarly, Richard Ned Lebow argues that “[t]he principal difference between the Balkan crises of 1908-9 and 1914 was Russian willingness to go to war in support of Serbia in 1914.”<sup>48</sup> The question then becomes why Russia and Germany made these decisions in 1914. Scholars have spent the better part of a century analyzing these and other decisions that turned the crisis into a world war. Our aim here is not to conduct such an analysis, nor to provide a novel theory of why the war occurred. Our aim is far more modest: to explain how the system of alliances combined with the previous crises to result in an increase in the incentives for Russian and German leaders to step ever closer to the brink of war, thus decreasing the likelihood that economic interdependence would prevent a general war.

A key factor that appears to have contributed to the German and Russian decision was that both sides appear to have been under the impression that the other would back down rather than begin a general war. As we have already suggested, it is best to think of the escalation of the war as a series of Chicken games.<sup>49</sup> In 1912, Germany backed down, and in 1913 it was Russia’s turn. In the classic Chicken game with full information, these are the two equilibria: one player always swerves. Yet the assumption of full information is highly inconsistent with the larger logic of brinkmanship and tying hands commitments through alliances. Communicating resolve to bolster

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<sup>47</sup>Gary Goertz and Jack S. Levy, “Causal Explanation, Necessary Conditions, and Case Studies,” in *Explaining War and Peace: Case Studies and Necessary Condition Counterfactuals* (New York: Routledge, 2007), edited by Gary Goertz and Jack S. Levy; Luigi Albertini, *The Origins of the War of 1914* (London: Oxford University Press, 1957, vols. 1-3).

<sup>48</sup>“Contingency, Catalysts and Nonlinear Change,” in *Explaining War and Peace*, p. 102.

<sup>49</sup>cf. Stephen Van Evera, “Why Cooperation Failed in 1914,” *World Politics*, Vol. 38, No. 1 (Oct., 1985), pp. 80-117.

the bargaining position of smaller states in the region requires uncertainty about the true resolve of the great powers. With asymmetric information, equilibria also occur where either both players swerve or neither player swerves, and this is what happened to Russia and Germany in 1914.

Having learned in previous crises that the other state could be brought to heel, especially in the face of firm resolve, both states were intent on pushing the other to its limit. Thus, Austrian leaders believed that giving Serbia an ultimatum supported by Germany would reduce the risk of Russian intervention.<sup>50</sup> Likewise, German leaders believed that supporting Austria's ultimatum would prevent a broader war.<sup>51</sup> German Foreign Minister Gottlieb von Jagow famously remarked that "the more determined Austria shows herself, the more energetically we support her, so much the more quiet Russia will remain."<sup>52</sup> Russian officials, for their part, were convinced that Germany and Austria could be compelled to relent. As Joll puts it, "The Austrians had believed that vigorous actions against Serbia and a promise of German support would deter Russia: the Russians had believed that a show of strength against Austria would both check the Austrians and deter Germany. In both cases the bluff had been called, and the three countries were faced with the military consequences of their actions."<sup>53</sup> Similarly, Lafore writes that "while the Germans thought Russia must and could be prevented from interfering, the Russians thought that Austria must be persuaded or threatened into abandoning its project. The two notions were precisely incompatible."<sup>54</sup>

Neither side was willing to face another retreat. Russia, in particular, did not want to appear weak, having already lost in the Russo-Japanese war and the 1908-09 Bosnian crisis.<sup>55</sup> Vigorous Russian support, in turn, strengthened Serbia's resolve.<sup>56</sup> Like his Russian counterpart, the Kaiser, in a change in policy from the Balkan Wars, decided to support Austria-Hungary unconditionally,

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<sup>50</sup>Williamson, "The Origins of World War I,"); Joll, *The Origins of the First World War*.

<sup>51</sup>Joll, *The Origins of the First World War*; Stephen Van Evera, "The Cult of the Offensive and the Origins of the First World War," *International Security*, Vol. 9, No. 1 (Summer, 1984), pp. 58-107.

<sup>52</sup>Quoted in Imanuel Geiss, *The Outbreak of the First World War: Selected Documents* (New York: W.W. Norton, 1967), p. 123.

<sup>53</sup>Joll, *The Origins of the First World War*, p. 21.

<sup>54</sup>Lafore, *The Long Fuse: An Interpretation of the Origins of World War I*, p. 233.

<sup>55</sup>D.C.B. Lieven, *Russia and the Origins of the First World War* (New York: St. Martin's, 1983); Joll, *The Origins of the First World War*. Remark notes that "[t]his time, the alternative to active military aid might indeed have been a grave diminution of Russian influence not only in Serbia but throughout the Balkans." Remark, *The Origins of World War I: 1871-1914*, p. 136.

<sup>56</sup>Albertini, *The Origins of the War of 1914*; Joll, *The Origins of the First World War*; Stevenson, "Militarization and Diplomacy in Europe before 1914."

recognizing that failure to do so risked the destruction of the alliance.<sup>57</sup> As Levy argues, “German decision-makers hoped and expected that an Austrian *fait accompli* against Serbia in the immediate aftermath of the royal assassination, backed by German warnings to Russia, would minimize the likelihood of Russian intervention.”<sup>58</sup> To be clear, it was far from inevitable that both Germany and Russia would back their allies in 1914. It was entirely possible that one of them would back down again and that a series of similar crises would ensue. Yet each such crisis would have increased the incentive to show resolve and increased the cost of backing down, thus making war more likely.

Other factors, such as interdependence, could have reduced the likelihood of war. Arguably they did. Yet, just as interdependence is said to increase the incentives for peace by making war more expensive, widening the difference in payoffs between cooperating and not cooperating, so too alliances operate by making war *less costly*, discouraging aggression or increasing leverage by making it more expensive for allies to fail to intervene in contests involving security partners. It is not clear which effect—the conflict-inhibiting impact of commerce or the conflict inducing-effect of alliance ties—was more intense for the nations of Europe in 1914. We can, however, make the following comparisons. First, the *benefits* of interdependence varied among countries, ranging from the nearly autarchic relationships among Balkan powers to the significantly integrated commercial powers of western Europe. The most reluctant states to engage in contests would seem to be those of the West, ironically the most powerful and militarily capable nations. This indeed is what we observe. Second, the *costs* of backing down for European powers almost certainly increased over time, as leaders observed their opponents backing down in previous crises and as alliance ties became increasingly leveraged through tighter commitments. Russia and Germany repeatedly showed a preference for discretion rather than mutual destruction. It was only as alliance ties solidified and policy making was increasingly shifted to the non-interdependent powers of the Balkans that the interdependent powers appeared to become less attentive to the economic consequences of a wider war. Even this risk was discounted by key actors who expected their opponents to crumble under pressure, in part *because* interdependence increased the anticipated cost of a broader contest.

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<sup>57</sup>Farrar, “The Limits of Choice: July 1914 Reconsidered”; Stevenson, “Militarization and Diplomacy in Europe before 1914.”

<sup>58</sup>Jack S. Levy, “Preferences, Constraints, and Choices in July 1914,” *International Security*, Vol. 15, No. 3 (Winter 1990-1991), pp. 151-186, 160.

Certainly, a world war was not inevitable once Germany and Russia decided on this course of action. Most importantly, France and Britain had not joined the war yet. The question remained whether they too would honor their alliance commitments.<sup>59</sup> Indeed, at least one determinant of the conflict may have been the ambiguity of the British position on intervention and the German assumption that Britain would remain neutral, in part out of a desire not to disrupt its trade.<sup>60</sup> Nor have we argued above that it was in any way inevitable that, unlike during the prior crises, both Russia and Germany would choose to support their allies in 1914. These choices were contingent on many factors—ex ante, it may have been just as likely that further minor wars could have broken out in the Balkans without leading to a general European or world war. Rather, our objective has been to point to a key factor distinguishing the development of the 1914 crisis from previous crises—and to note that this factor is the intervening variable that obscured the pacifying effects of interdependence in that crisis. Nations were not more economically interdependent in 1914 than in 1913 or 1912. More to the point, the nations that began the war in 1914 were the same ones that had experienced recurrent conflict previously, and that were generally not well integrated into the regional or global economy. Instead, nations were more interdependent in terms of security commitments. A tighter network of competing constraints in the form of tightening alliance ties now vied with crosscutting economic dependencies for the attention and loyalty of national leaders.

In addition, there is evidence that the relationship between interdependence and conflict remained in effect during the war. Consider the European states that were convinced to enter the war after August of 1914: Italy, Turkey, Bulgaria, Romania, Greece and Portugal. While all joined the war for different reasons, with the possible exception of Italy none of these states was significantly interdependent before the war began. And, in Italy's case, it entered the war because of significant territories offered her in Libya, Eritrea and Somaliland by France and Britain, suggesting that a large offer such as this may have been required to outweigh the importance of interdependence. Furthermore, while little attention is paid to the European states that remained neutral, it

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<sup>59</sup>Remak, *The Origins of World War I: 1871-1914*, notes that, "if, for instance, the Austrians had been certain beyond a doubt that an attack on Serbia would be an attack on Russia, or if the Germans had been altogether convinced that to invade France would, undoubtedly, involve them in war with England, might not history have taken a happier course?" p. 89.

<sup>60</sup>Jack S. Levy, "The Role of Necessary Conditions in the Outbreak of World War I," in *Explaining War and Peace*.



is worth noting that among these were the Netherlands, Norway, Sweden and Denmark, all highly economically interdependent states.<sup>61</sup> Denmark deserves particular attention because it had fought wars with Germany in the 19th century and the sovereignty of Southern Jutland was unresolved, so a salient dispute existed between the two countries. Yet, as Bludnikow notes, Denmark maintained its neutrality “to be able to enjoy the advantages of its extensive international trade and shipping.”<sup>62</sup> The Netherlands, whose neutrality was not a foregone conclusion, also chose to remain neutral for economic reasons.<sup>63</sup> Thus, a pattern emerged in which non-interdependent states chose to enter the war, generally seeking territorial gain, while interdependent states preferred to remain neutral, enjoying lucrative commerce.<sup>64</sup> No exception to the trend, the United States attempted similarly to conduct commerce and avoid conflict for much of the war, until this became impossible under the combined impact of Allied political machinations and German submarine warfare.

## 6 Conclusion

Those intent on understanding the relationship between interdependence and World War I must ask the following question: if interdependence did not reduce conflict, where would we have expected conflict during the era leading up to the war? As the analysis above suggests, the rivalries among Germany, Britain and France were among the most intense of the period and, all else equal, could be expected to result in major contests, as they had in the past, and as was expected by both leaders and many in the general public at the time. Yet, during the period of greatest commercial expansion, interdependent powers were less likely to go to war, despite having the means and the motives to do so—motives so strong that few students of history would have been surprised if war had been a much more common occurrence. Among non-interdependent powers, in contrast, wars broke out frequently, in patterns that seemed both timeless and familiar. If interdependence

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<sup>61</sup>Belgium could be included in this class as well because at no point did it decide to renounce its neutrality.

<sup>62</sup>Bent Bludnikow, “Denmark During the First World War,” *Journal of Contemporary History*, Vol. 24, No. 4 (October 1989), pp. 683-703, 683.

<sup>63</sup>I. N. Gallhofer and W. E. Saris, “Strategy Choices of Foreign Policy Decision Makers: The Netherlands, 1914,” *Journal of Conflict Resolution*, Vol. 23, No. 3 (September 1979), pp. 425-445; Amry Vandenbosch, *Dutch Foreign Policy Since 1815* (The Hague: Martinus Nijhoff, 1959).

<sup>64</sup>The only significant exception is Spain, which although poor and minimally interdependent, remained neutral. Its decision may be due to the fact that it had little to gain from the conflict, being geographically isolated from the main fronts and having already lost all of its colonial possessions (unlike Portugal, which fought to hold on to them).

is ineffective, therefore, we must ask ourselves why World War I began among the minimally interdependent powers—the weakest nations in Europe—and not in the interdependent West.

Just as importantly, the analysis provided above suggests that the 1914 crisis is a particularly weak event in which to study the relationship between interdependence and conflict. The crux of our argument is that the war spread to the interdependent powers because of intervening factors that nullified the pacifying effects of economic interdependence. The system of alliances, created to deter opponents and reduce the likelihood of great power war had an important and unintended consequence that manifested itself through a series of growing crises: it created an incentive for the leaders of the interdependent powers to shift foreign policy discretion away from themselves and toward the non-interdependent powers most closely tied into the alliance system, Austria-Hungary and Serbia. As war broke out in the Balkans, the options available to interdependent states were constrained to such an extent as to render impotent the pacifying effects of commercial interests.

Our argument further suggests that the type of dyad-level analysis used to generate the theories discussed above may not be able to fully explain the relationship between interdependence and the outbreak of World War I. Only by looking at the network of ties between the interdependent and non-interdependent powers can we truly appreciate the role of this structure in the era's crisis behavior.<sup>65</sup> Likewise, our argument also suggests that focusing solely on one way in which states are connected to each other—economic interdependence—paints an incomplete and misleading picture. Doing so leaves out the important ways in which the economically developed major powers were connected to a second set of non-interdependent states by a network of alliances. Understandably, taking account of this level of complexity makes it difficult for scholars to create parsimonious theories, although several scholars have begun to use network theory and methods to do just this.<sup>66</sup> We hope scholars will build on the arguments here to refine claims about how economic

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<sup>65</sup>Schroeder makes a similar point about the war: “The disaster in 1914 did not derive therefore from a failure by industrialists to understand the political logic and requirements of economic integration or even the failure or refusal of politicians, military men, various interest groups, and broad publics to appreciate the long-range advantages of peaceful international cooperation over unrestrained competition and conflict. It lay rather in the structure of international politics.” Paul W. Schroeder, “Economic Integration and the European International System in the Era of World War I,” *The American Historical Review*, Vol. 98, No. 4 (October 1993), pp. 1130-1137, 1134.

<sup>66</sup>Michael D. Ward, Randolph M. Siverson and Xun Cao, “Disputes, Democracies, and Dependencies: A Re-examination of the Kantian Peace,” *American Journal of Political Science*, Vol. 51, No. 3 (2007), pp. 583-601; Han Dorussen and Hugh Ward, “Trade Networks and the Kantian Peace,” *Journal of Peace Research*, Vol. 47, No. 1 (2010), pp. 29-42; Yonatan Lupu and Vincent A. Traag, “Trading Communities, the Networked Structure of

interdependence interacts with other ties to condition, rather than determine, whether states fight.

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International Relations and the Kantian Peace.” Manuscript, University of California-San Diego.