

Centenary of the First World War

For *Century Weekly*

By Richard N. Cooper

We live in a period of rapid globalization, meaning a rapid growth of cross-border economic intercourse, involving trade, investment, migration, and ideas. The last such period was 1866 to 1913, when international trade and investment grew rapidly, new technologies spread, and international migration was proportionately even greater than today. Why 1866? Because that is the year in which the first successful trans-Atlantic cable was laid, implying that information could travel across the Atlantic Ocean faster – much faster – than a man (and the diseases he might carry) could travel. The telegraph reduced greatly the uncertainties associated with trade and investment. This cable-laying was followed in 1869 by the opening of the Suez Canal and by the completion of a trans-continental railroad in the United States, both greatly shortening travel times for goods and people. Japan and Hong Kong were first linked to Europe by telegraph in 1871; China (except, secretly, the international quarter of Shanghai) was not included because of aversion by Qing Dynasty court mandarins to information from outside China.

By 1913 exports reached 18 percent of GDP in Britain (up from 12 percent in 1870), and 16 percent in Germany (up from 10 percent), even higher in smaller countries such as Belgium, the Netherlands, and Denmark. (By contrast, exports were less than 3 percent of Russian GDP in 1913, and less than 2 percent for China.) The percentages are much higher today, but these figures reflected rapid growth of trade in the late 19th century. Foreign investments exceeded 90 percent of GDP in Britain by 1913, and over two-thirds of GDP in France, the two most important overseas investors.

The high degree of economic interdependence, combined with an arms race (especially in warships) in the first decade of the 20th century led Norman Angell to write *The Great Illusion*, first published in 1910, in which he argued (addressing a European audience, especially British and German) that in contrast to past wars a future war would be devastating even to the military victors, since they would forfeit the vast gains from credit and commerce, built on confidence and trust, which would greatly exceed whatever might be gained in booty and territory. Angell has often been misquoted as arguing that the prevailing high degree of interdependence would make European war unlikely or even inconceivable. What he actually meant, without using the word, is that high pre-war interdependence would make war stupid for all parties.

Unhappily, Angell was correct. The First World War, which engaged all of the major European powers (Netherlands, Portugal, Spain, Sweden, and Switzerland remained neutral), resulted in the disappearance of four empires – Hapsburg (Austria-Hungary), German, Russian, and Ottoman, all on the losing side – and the near mortal weakening of two, Britain and France, on the “winning” side. America, which joined the war late, emerged as a major player in world politics for the first time – and subsequently withdrew.

Why did the First World War start, despite Angell's prescient (and widely read) warning? Here is not the place to recount the threats and counter-threats, the bluffs and the wishful thinking that led in August 1914 to a war that lasted four years and cost nearly ten million wartime deaths, not counting the additional millions that died in the flu epidemic of 1918-19 whose spread was undoubtedly facilitated by the war. Suffice it to say that one major power, Russia, had a low level of international economic engagement in 1913 and plausibly could think it might gain from a European war – largely by taking Istanbul from the Ottoman Turks, thereby assuring unrestricted Russian access to the Mediterranean Sea and the wider oceans, and not incidentally by restoring Christianity to what had earlier been the orthodox Christian center of Constantinople. Germany, fearing Russian growth supported by Russia's ally France, responded by attacking France before Russia could fully mobilize its military forces, vainly hoping to compel France to negotiate peace before having to fight Russia.

This sequence of events – much more complicated in reality than briefly represented here – proved to be disastrous for all initiating parties. It led to the bolshevik revolution in tsarist Russia (with Germany's help, by transporting Lenin to Russia from his exile in Switzerland), a violent civil war, and the establishment of the Soviet Union, which lasted until 1991. It led to the collapse of the Hapsburg empire and the creation several new states in central Europe. It led to the break-up of the Ottoman empire and the creation under British and French influence of several artificial states in the Arab world, some of which are still fragilely with us.

And it led to the replacement of the German empire with the weak Weimar republic and, along with the Great Depression of 1929-1933, laid the basis for a German-initiated second great European war in 1939-1945. While Britain and France survived the war intact territorially, they between them lost over two million young men and experienced great economic hardship following the war. And the newly created ethnically-oriented countries of Europe, based in part on US President Woodrow Wilson's call for self-determination, encouraged independence movements in many of their colonies around the world, as well as upsetting the established social order at home.

During the past half century we have had another great wave of globalization, greatly facilitated by the container ship, the jet engine, and the internet, as well as by government actions to reduce the barriers to trade and to capital flows. The degree of international interdependence is much higher today than it was in 1913, with for example over 25 percent of Britain's GDP devoted to exports, and 40 percent of Germany's. Britain's foreign assets are now over twice its GDP, and foreign assets nearly equal GDP for Germany and the United States. Angell's warnings apply with even greater force today than they did in 1913: even the apparent victors of a war would be worse off afterward.