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THE SOAPBOX

The Conundrum of American Power in the Age of World War I

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Reports of the rise of the United States to a lead role on the global stage in the early twentieth century have been greatly exaggerated. As many Americans at the time recognized, the United States continued to have less capacity for overseas power projection and remained far more dependent on the world's reigning hegemon, Great Britain, than is generally now realized. The United States, it is true, acquired an overseas empire in 1898. But it lacked the basic attributes of a great power, such as economic sovereignty, naval power, and domestic consensus on the desirability of global great-power status. Even after World War I, which was a better candidate than the Spanish-American War as the moment when the United States became a leading global power, both the material and the cultural basis of that power remained fragile.

Scholars have overstated U.S. power at the turn of the century, not least because they tend to measure it in terms of industrialization. The United States unquestionably became a great industrial power in the late-nineteenth century, but focusing so much on industrialization has occluded the importance of globalization—that other great global economic phenomenon of the period—for understanding U.S. power. Before World War I, the United States had virtually no control over what we might call the sinews, or infrastructure, of globalization: financial services, ocean-going merchant shipping, trans-oceanic communications (cables and radio), and global naval power. Its lack of control over these sinews constituted a geopolitical liability, even as its growing industrial power conferred geopolitical advantage.

This moment has also been misunderstood due to a schism within the field of modern American history. Scholars focused on 'hard' political, economic, and military power, and those more interested in the multifaceted nature of power, including its 'softer' elements, do not talk enough with each other. This lack of conversation has left both sides with unduly cramped definitions of "their" kind of power. "Hard" power scholars typically conceive of power in material terms and reduce turn-of-the-century U.S. power to economic and naval inputs, defined in terms of industrialization and battleships, respectively. "Soft" power scholars tend to understand power in terms of knowledge production and cultural capital. As a result, neither group has thoroughly reflected upon the definition of "hard" power offered by scholars of the so-called Wisconsin School, leaving those canonical (and still vital) works as the only

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systematic attempt to think through the political-economic-military questions at issue in turn-of-the-century U.S. expansionism. A reassessment is needed, which synthesizes old classics and new work in international economic and imperial history alike, for the purpose of identifying novel lines of historical inquiry.

What follows is an attempt to build bridges between the "hard" and "soft" power scholarly approaches in order to offer a new account of the political economy of U.S. expansionism in the World War I era. It argues that prevailing definitions of "hard" power need to be updated to include the sinews, or infrastructure, of globalization, and that naval power must be understood as more than capital ships. It also argues that domestic political culture was a crucial variable in limiting or enabling the expansion of U.S. power, and that existing interpretations of "hard" power themselves have a history. Understanding U.S. foreign relations at the turn of the century requires historians to draw on a range of approaches: no single methodology can fully capture the complex dynamics of the moment.

Reassessing this history requires delving more deeply than perhaps usual into the colloquial weeds—that is, the intricacies of financial services, merchant shipping, trans-oceanic communications, navies, and international law. Such a close-up, high-resolution perspective exposes many anomalies built into the master narrative based on the view from 30,000 feet. It also requires looking carefully at longstanding narratives about British "decline" and Anglo-American "rapprochement" at the turn of the century, and how they have functioned to reinforce simplistic explanations of the "rise" of U.S. power.[1] Much as U.S. "rise" has been overstated, so too has British "decline," and for largely the same reason—a focus on industrialization to the exclusion of globalization as both an economic and geopolitical phenomenon. With the two nations no longer on complementary trajectories—and with the United States choosing policies that advanced its own interests at the expense of British interests—the transition from British to U.S. global hegemony appears less rapid, natural, and consensual, and more gradual, coerced, and rivalrous, than the rapprochement narrative suggests. Rethinking this history means revising prevailing interpretations of the political economy of U.S. foreign relations, the nature of U.S. responses to the European conflict after 1914, and the significance of World War I in U.S. history.

Globalization and Industrialization

Economic historians now regard the decades before 1914 as the first era of globalization. While the concept of "globalization" is contested, it is best defined as a process of global commodity–market integration primarily driven by the extraordinary drop in the cost of long-distance transportation in the nineteenth century.[2] It must be disaggregated from the other major global economic phenomenon of the period, namely industrialization: the two were related but distinct.

Of these two, industrialization has long impressed historians as possessing a geo-economic, not merely economic, character. This understanding dates back at least to the early twentieth-century work of the geo-strategist Halford Mackinder, who famously argued that the spread of the railroad would enable Russia, with the vast resources of its continental base, to compete against the insular sea-power of Britain. For him, the railroad, raw materials, and, implicitly,

[1]See, e.g., Bradford Perkins's still-cited *The Great Rapprochement: England and the United States, 1895–1914* (New York, 1968), 8.

[2]For an overview of different ways to define globalization, see Antony G. Hopkins, "The History of Globalization—and the Globalization of History?" in *Globalization in World History*, ed. Antony G. Hopkins (New York, 2002), 12–44. The definition adopted here borrows heavily from Kevin O'Rourke and Jeffrey Williamson, "When Did Globalization Begin?" *European Review of Economic History* 6, no. 1 (Jan. 2002): 23–50, and Kevin O'Rourke and Jeffrey Williamson, "Once More: When Did Globalization Begin?" *European Review of Economic History* 8, no. 1 (Apr. 2004): 109–17. See also Kevin O'Rourke and Jeffrey Williamson, eds., *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Cambridge, MA, 1999).

factories, functioned as the key sinews, or infrastructure, of industrialization. Manufacturing (especially heavy-manufacturing) capacity and a large, resource-rich territory became key components of national power.[3]

By contrast, globalization is rarely thought of in geo-economic or geo-political terms. Indeed, globalization has seemed to many to be the antithesis of anything worthy of the "geo-" prefix, or what Charles Maier has termed "territoriality": "the properties, including power, provided by the control of bordered political space."[4] Industrialization is easy to accommodate to notions of territoriality. Raw materials, factories, and railroads clearly exist within territorial boundaries. Histories of wartime economic mobilization highlight their military potential: factories can be converted from producing civilian goods to military goods, while railroads can transport armies and supplies as well as passengers and civilian freight. Thus nations can obviously weaponize the sinews of industrialization.

Globalization does not so readily fit common models for territoriality and power. The globe, which globalization evokes as the geographical unit of analysis, is not a "bordered political space," to use Maier's phrase; if anything, globalization seems to be about the erosion of national borders. Moreover, the very notion of globalization having sinews may seem counterintuitive. The essence of globalization appears to be constant movement—flows, or currents, of information, capital, goods, and people.[5] Sinews sound too solid and permanent. Similarly, the most common geopolitical metaphor—the balance of power—privileges static stocks over moving flows. A "balance" suggests masses, like the sums of nations' productive capacity, sitting on opposite sides of a scale. It is difficult to imagine weighing flows in a balance. Where industrialization seems material and political, in short, globalization seems immaterial and apolitical.[6]

But globalization did have material sinews, and it had geopolitical implications. Like industrialization, globalization before World War I depended upon an extensive, trans-oceanic infrastructure. It was made up of steamships, or the world's ocean-going (as distinct from coastal or riverine) merchant marine; the global communications grid, consisting of cables and radio, which began to develop in the late 1850s and enabled near-instantaneous communications around the world by the turn of the century; and financial services, including the provision of credit and marine insurance.[7] A final sinew, though in a somewhat different category, was naval power—specifically, a navy with the operational reach to control the world's trans-oceanic shipping lanes. If the other three sinews constituted the infrastructure of the global economic commons, then naval power, however far in the background it may have operated, kept the commons open.[8]

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[3]The classic statement is H. J. Mackinder, "The Geographical Pivot of History," *Geographical Journal* 23, no. 4 (Apr. 1904): 421–37. See also Charles Maier, "Consigning the Twentieth Century to History: Alternative Narratives for the Modern Era," *American Historical Review* 105, no. 3 (June 2000): 818–21; and Katherine C. Epstein, "A Useful Category of Analysis? Grand Strategy and U.S. Foreign Relations from 1865 to 1918," in *Rethinking Grand Strategy: America and the World from the Colonial Era to the Present*, eds. Christopher Nichols, Elizabeth Borgwardt, and Andrew Preston (New York, forthcoming 2020).

[4]Maier, "Consigning the Twentieth Century to History," 808. See also Charles Maier, *Leviathan 2.0: Inventing Modern Statehood* (Cambridge, MA, 2014), and *Once Within Borders: Territories of Power, Wealth, and Belonging since 1500* (Cambridge, MA, 2016).

[5]For the language of stocks and flows, see Nicholas Lambert, "Brits-Krieg: The Strategy of Economic Warfare," in *Understanding Cyber Conflict: 14 Analogies*, eds. George Perkovich and Ariel Levite (Washington, DC, 2017), 123–45. For currents, see Emily S. Rosenberg, "Transnational Currents in a Shrinking World," in *A World Connecting, 1870–1945*, ed. Emily S. Rosenberg (Cambridge, MA, 2012), 815–996, here 815–22.

[6]Nathan Ensmenger, "The Environmental History of Computing," *Technology and Culture* 59, no. 4 supplement (Oct. 2018): S7–S33.

[7]Cf. Steven Topik and Allen Wells, "Commodity Chains in a Global Economy," in *A World Connecting*, 628–84.

[8]Kenneth Garbade and William Silber, "Technology, Communication, and the Performance of Financial Markets: 1840–1975," *Journal of Finance* 33, no. 3 (June 1978): 819–32; Ranald C. Michie, *The City of London: Continuity and Change, 1850–1990* (Basingstoke, UK, 1992), 66–79; David Kynaston, *The City of London*, vol. 1, *A World of Its Own, 1815–1890* (London, 1994), 258–60; O'Rourke and Williamson, *Globalization and History*, 219–20; Jonathan Winkler, *Nexus: Strategic Communications and American Security in World War I* (Cambridge, MA, 2008), 6–8,

Like the infrastructure of industrialization, that of globalization was territorial and could be weaponized. Merchant ships, cables, and financial houses—to say nothing of navies—were owned by people with territorial addresses. Ownership, whether public or private, existed within property regimes dependent on the power of national governments; it did not exist in an extra-territorial realm. If nations could weaponize the infrastructure of industrialization by throwing the stocks produced by it into the balance, then they could weaponize the infrastructure of globalization by interrupting its flows. Power was embedded not only in the production of resources, but also in the structure of the global economic system; and its distribution within the structure was lumpy, not uniform.[9] From this perspective, globalization did not necessarily undermine territoriality but potentially facilitated its projection on a global scale. Moreover, although the infrastructure of globalization existed partly on the a-territorial global commons, weaponizing it did not require action there, where it would be subject to international maritime law. Instead, like the infrastructure of industrialization, it could be weaponized by exercising national sovereignty to regulate its owners within territorial boundaries. Thus, while globalization had the potential to erode the power of nation-states, it also had the potential to enhance their power, depending upon which nation-states controlled its infrastructure and which did not.

In short, economic power is multifaceted, and it can be disaggregated. Too narrow a focus on industrialization tends to reduce economic power to productive capacity. That is an important component of economic power, but not the only one. The ability to produce is not the same as the ability to transport, insure, or finance. A nation can be industrially strong while being financially and commercially weak. Strength or weakness in any of those component parts can generate strategic opportunity or vulnerability.[10]

British "Decline"

Historians often characterize turn-of-the-century Britain as being in "decline," its hegemony threatened by rising industrial powers with continental resource bases. Rooted in Victorian- and Edwardian-era struggles over British political economy and grand strategy and revived too uncritically by postwar historians, the decline thesis overlooks evidence of Britain's continuing strength.[11] When not just industrial capacity but also the infrastructure of globalization is taken into account, it becomes clear that Britain remained the hegemon of the global economy in the decades before World War I. As the historian Martin Daunton has written of Britain, "The late nineteenth century can now be interpreted less as a period of decline and more as an era of globalization."[12]

34–6; Nicholas Lambert, *Planning Armageddon: British Economic Warfare and the First World War* (Cambridge, MA, 2012), 109–16, 156–7; Topik and Wells, "Commodity Chains in a Global Economy," 661–71.

[9]I am grateful to Daniel Sargent for suggesting this turn of phrase to me. Harold James, "Cosmos, Chaos: Finance, Power, and Conflict," *International Affairs* 90, no. 1 (Jan. 2014): 37–57, captures this sense of power as embedded in the structure of the system. For the language of lumpiness, see John Krige (who borrows it from Frederick Cooper), "Introduction," in *How Knowledge Moves: Writing the Transnational History of Science and Technology*, ed. John Krige (Chicago, 2019), 2–10.

[10]For further development of this point, see Katherine C. Epstein, "Scholarship and the Ship of State: Rethinking the Anglo-American Strategic Decline Analogy," *International Affairs* 91, no. 2 (Mar. 2015): 319–30.

[11]There is a rich literature on these struggles, as well as on the intellectual history of the decline thesis. As points of entry, see G. R. Searle, *The Quest for National Efficiency: A Study in British Politics and Political Thought, 1899–1914* (Berkeley, CA, 1971); Peter Cain and Antony Hopkins, *British Imperialism: Innovation and Expansion, 1688–1914* (London, 1993), 202–25; Duncan Bell, *The Idea of Greater Britain: Empire and the Future of World Order, 1860–1900* (Princeton, NJ, 2007); Richard English and Michael Kenny, "British Decline or the Politics of Declinism?" *British Journal of Politics and International Relations* 1, no. 2 (June 1999): 252–66; Richard English and Michael Kenny, "Public Intellectuals and the Question of British Decline," *British Journal of Politics and International Relations* 3, no. 3 (Oct. 2002): 259–83; and David Edgerton, *Warfare State: Britain, 1920–1970* (Cambridge, UK, 2006).

[12]Martin Daunton, *Wealth and Welfare: An Economic and Social History of Britain, 1851–1951* (Oxford, UK, 2007), 166.

Britain continued to dominate ocean-going merchant shipping, global communications, financial services, and globally deployable naval power. By 1914, 3,000 of the 4,800 larger ocean-going vessels in the world were registered to British companies.[13] London stood as not only the commercial but also the financial center of the global trading system. Its unrivalled discount market for bills of exchange, made possible by the existence of accepting houses, and other forms of short-term commercial credit proved particularly important.[14] In complex and interlocking ways, the centrality of the London acceptance market depended on the volume of trade passing through England, the availability of investment funds, and international confidence that the Bank of England would serve as lender of last resort.[15] The growth of a network of overseas branch banks, which provided local trade credit, complemented the financial services available in London.[16] British companies, most importantly Lloyd's of London, dominated the marine insurance and reinsurance industry.[17] International confidence in the pound sterling was so high that one spoke of a sterling standard rather than the gold standard.[18] Even in Latin America, the United States's so-called sphere of influence, where historians often assume that Britain was muscled out before World War I, British investments were roughly three times higher than U.S. investments in 1913.[19]

Because so much of the world's trade was carried in British ships, negotiated over British communications, financed in London, and denominated in sterling, Britain accrued substantial invisible earnings even when it was not the importer or exporter. Moreover, relative industrial decline was in some sense necessary to the maintenance of financial and commercial preeminence, since the increase in other nations' manufactured exports at Britain's expense gave them the earnings to pay their debts to British creditors.[20] This is not to say that Britain's economic sovereignty was unlimited; like every other nation, it had to adapt its policies to international market discipline. However, as hegemon of the global economy, it enjoyed greater economic sovereignty than any other nation. Narratives about British decline overlook this fact.

Britain's equally overlooked relative fiscal strength further enhanced its capacity to project global power. Following the seventeenth-century Dutch example, the British pioneered new techniques for extracting resources from society in the eighteenth century. Ideologically legitimized by the Glorious Revolution, Parliament tapped into society's savings through government bonds and levied effective internal taxes (as well as taxes on foreign trade), a portion of the revenues from which it pledged to pay interest on government debt.[21] Although the establishment of a large standing army ideologically repulsed most Englishmen, a large navy, expeditionary land forces, and financial subsidies to British allies proved acceptable, and

[13]Lambert, *Planning Armageddon*, 238–9; see also Cain and Hopkins, *British Imperialism*, 170–1.

[14]To "discount" a piece of financial paper means to buy it at less than its face value. A discount market consists of the buying and selling of a certain type of paper at a discount.

[15]For a sense of how the inter-locking system worked, see Walter Bagehot's classic *Lombard Street: A Description of the Money Market* (London, 1922; first ed. 1873), 32–6; Cain and Hopkins, *British Imperialism*, 116–21, 170–80; and David Kynaston, *The City of London*, vol. 2, *Golden Years, 1890–1914* (London, 1995), 8–11. For a plain-English explanation of how bills of exchange worked, see Lambert, *Planning Armageddon*, 113–4.

[16]Cain and Hopkins, *British Imperialism*, 116–21, 179–80.

[17]Solomon S. Huebner, "The Development and Present Status of Marine Insurance in the United States," *Annals of the American Academy of Political and Social Science* 26 (Sept. 1905): 241–72, here 245–52, 261–2.

[18]Cain and Hopkins, *British Imperialism*, 177.

[19]Victor Bulmer-Thomas, "British Trade with Latin America in the Nineteenth and Twentieth Centuries" (University of London, Institute of American Studies, Occasional Papers no. 19, 1998), 9.

[20]Cain and Hopkins, *British Imperialism*, 198–99; Antony Hopkins, *American Empire: A Global History* (Princeton, NJ, 2018), 242–3, 272–5.

[21]See Patrick K. O'Brien, "The Political Economy of British Taxation, 1660–1815," *Economic History Review* 41, no. 1 (Feb. 1988): 1–32; Patrick K. O'Brien, "The Nature and Historical Evolution of an Exceptional Fiscal State and Its Possible Significance for the Precocious Commercialization and Industrialization of the British Economy from Cromwell to Nelson," *Economic History Review* 64, no. 2 (May 2011): 408–46.

government revenues made them possible. N. A. M. Rodger has aptly dubbed Britain a "fiscal-naval" state to distinguish it from the European "fiscal-military" states.[22] The capital- and technology-intensive control of the global commons and key territorial areas, rather than the manpower-intensive control of land masses, vaulted Britain to a position of global hegemony, which the premier industrializing challengers in the late nineteenth century were fiscally ill-equipped to challenge. As federal polities in which the component parts jealously guarded the power of direct taxation, Germany and the United States had political traditions that worked against the construction of a modern fiscal-military or fiscal-naval state.[23] Accordingly, the fiscal strength of the British state remained unparalleled.

To these other sources of Britain's continuing strength must be added its empire. Those who characterize turn-of-the-century Britain as being in decline tend to approach the empire as a strategic liability and an economic drain. In assessments of relative world power, the empire sometimes vanishes altogether. Scholars often point to one statistic to illustrate British decline relative to industrializing challengers: in the late nineteenth century, the Gross Domestic Product (GDP) of Germany and the United States both overtook that of Great Britain. But, as Antony Hopkins notes, "If the GDP of colonies is added to that of the metropoles to produce an 'imperial GDP,' the British economy was the largest in the developed world in 1913. The United States followed; Germany, Russia, and France were some way behind."[24] That year, Britain also controlled two-thirds of the total land under colonial rule and almost three-quarters of all colonial subjects. In Hopkins' words, "This was an impressive haul for a country conventionally supposed to be in decline."[25] Nor was the British empire the sclerotic, strategically indefensible unit that declinists tend to suggest. New ideas about how to organize and mobilize the empire poured forth from the late nineteenth century on. Advocates of "Greater Britain," like tariff reformers, looked to the empire not as a liability but as a potential asset, one that could be drawn upon to survive and thrive in a world of large industrializing challengers.[26] For its part, the British government did not give up on imperial defense in favor of concentrating on Europe: it remained committed to projecting power on a global scale, even in a challenging budgetary environment, by exploiting new technology and by reconceptualizing the possibilities of warfare in the era of globalization.[27]

If an appreciation of the multifaceted nature of economic power leads to a different framework from "decline" for thinking about Britain before World War I, what does it do for thinking about the United States?

[22]N. A. M. Rodger, "From the 'Military Revolution' to the 'Fiscal-Naval State,'" *Journal for Maritime Research* 13, no. 2 (Nov. 2011): 119–28.

[23]Volker Berghahn, *Germany and the Approach of War in 1914* (London, 1973), 70–84; D. E. Schremmer, "Taxation and Public Finance: Britain, France and Germany," in *The Cambridge Economic History of Europe*, vol. 8, *The Industrial Economies: The Development of Economic and Social Policies*, eds. Peter Mathias and Sidney Pollard (Cambridge, UK, 1989), 464–94; Andrew Shankman, "A Synthesis Useful and Compelling: Anglicization and the Achievement of John M. Murrin," in *Anglicizing America: Empire, Revolution, Republic*, eds. Ignacio Gallup-Diaz, Andrew Shankman, and David J. Silverman (Philadelphia, 2015), 20–56, here 31–3, 51–3.

[24]Hopkins, *American Empire*, 247.

[25]Figures and quote from ibid., 285.

[26]See Bell, *The Idea of Greater Britain*; James Belich, *Replenishing the Earth: The Settler Revolution and the Rise of the Anglo-World, 1783–1939* (Oxford, UK, 2011), 456–78.

[27]See Epstein, "Scholarship and the Ship of State," for further development. Not mentioned therein, but also helpful, are Nicholas Lambert, "Economy or Empire? The Fleet Unit Concept and the Quest for Collective Security in the Pacific," in *Far Flung Lines: Studies in Imperial Defence in Honour of Donald Mackenzie Schurman*, eds. Greg Kennedy and Keith Neilson (Abingdon, UK, 1996), 55–83; Douglas E. Delaney, *The Imperial Army Project: Britain and the Land Forces of the Dominions and India, 1902–1945* (Oxford, UK, 2017); and James, "Cosmos, Chaos," 38–39.

U.S. "Rise"

One of the most compelling narratives of the United States's emergence as a great power before World War I comes from the so-called "Wisconsin School," a group of scholars who fundamentally recast the history of U.S. empire in the late 1950s and 1960s. Writing at the same time as postwar decline theorists in Britain, many Wisconsin scholars sought to analyze, as Walter LaFeber wrote in a seminal work, "the effects of the industrial revolution on United States foreign policy."[28] Hence Wisconsin scholars like LaFeber frequently (though not exclusively) emphasized the industrial production of "surplus goods," in the form of manufactured exports, as the force driving imperial expansion and the projection of U.S. power more generally.

This narrative, however, misses the United States's continuing lack of control over the sinews of globalization still dominated by Britain. At the turn of the century, the U.S. merchant marine had not recovered from the flight of the flag from the world's oceans during the Civil War.[29] The United States had a substantial coastal merchant marine, largely because laws gave a monopoly over coastal trade to U.S. ships, but U.S. goods were rarely shipped across oceans in U.S. bottoms.[30] Moreover, the United States had no global communications grid. In 1898, the orders to Admiral George Dewey to proceed against the Philippines, where the United States would symbolically mark its emergence as a world power by defeating Spain at the Battle of Manila Bay, passed over British cables.[31]

At the same time, the impressive steel exoskeleton of the U.S. Navy obscured deficiencies in its supply base, logistics, and readiness for combat. Equipment for constructing armor plate and ordnance had to be imported wholesale from France and England. The fleet was top-heavy in capital ships, lacking the smaller vessels necessary to perform myriad functions—protection from torpedo craft, refueling, and so forth—required to make a navy effective.[32] Its abilities to cope with enemy torpedo attacks, to fire accurately at likely battle ranges, and to communicate during engagements were severely limited.[33] The United States also lacked a global basing infrastructure and was particularly weak in dry docks—the most expensive and important part of any naval base.[34] Although adequate to defeat the navies of weaker nations, the U.S. Navy did not seriously rival the Royal Navy in terms of capability, performance, or reach. Indeed, while touring the world from 1907 to 1909, the Great White Fleet, that symbol of the United States's arrival on the world scene, had to stop at British bases to refuel.[35]

With regard to financial and commercial services, the United States lagged behind other industrialized nations. The state of the U.S. marine insurance and reinsurance industry was "disastrous": even in the Great Lakes trade, foreign companies wrote 61.5 percent of the

[28]Walter LaFeber, *The New Empire: An Interpretation of American Expansion, 1860–1898* (Ithaca, NY, 1998; first edn. 1963), xxxi.

[29]Richard Sicotte, "Economic Crisis and Political Response: The Political Economy of the Shipping Act of 1916," *Journal of Economic History* 59, no. 4 (Dec. 1999): 861–84, here 864–5; Topik and Wells, "Commodity Chains in a Global Economy," 634–5.

[30]Paul M. Zeis, *American Shipping Policy* (Princeton, NJ, 1938), 54.

[31]James A. Field, Jr., "American Imperialism: The Worst Chapter in Almost Any Book," *American Historical Review* 83, no. 3 (June 1978): 644–68, here 665–6.

[32]Benjamin Franklin Cooling, *Grey Steel and Blue Water Navy: The Formative Years of America's Military-Industrial Complex, 1881–1917* (Hamden, 1978), 66–82; Sean Getway, "Supporting the Trident: U.S. Naval Bases from 1898 to 1916" (MA thesis, University of Maryland, 2015), 1.

[33]Katherine C. Epstein, "'No One Can Afford To Say Damn the Torpedoes': Torpedoes, Battle Tactics, and U.S. Naval History before World War I," *Journal of Military History* 77, no. 2 (Apr. 2013): 491–520.

[34]On the importance of dry docks, see Getway, "Supporting the Trident," 11. For an overview of the different types of naval shore facilities, see ibid., 8–13.

[35]John Maurer, "Fuel and the Battle Fleet: Coal, Oil, and American Naval Strategy, 1898–1925," *Naval War College Review* 34, no. 6 (1981): 60–77, here 68–9.

risks and received 53 percent of the premiums collected.[36] Federal banking laws prohibited U.S. banks from accepting or rediscounting bills of exchange or establishing foreign bank branches. U.S. lenders were able to take over the financial operations of several small Latin American nations, but they were unable to make corresponding inroads in Argentina, Brazil, Chile, or China; in effect, they prospered not where they wanted to but where other powers permitted them.[37] U.S. anti-trust laws prohibited firms from combining vertically or horizontally to penetrate foreign markets.[38] The dollar was not an international currency; trade between the United States and Latin America, for instance, continued to be denominated in sterling.[39]

Furthermore, U.S. capital markets, though more mature than they had been before the Civil War, remained less developed than is sometimes supposed. Even as the United States was becoming a capital exporter to Latin America and Asia, the U.S. economy depended upon capital imports from Europe, especially from Britain.[40] In other words, the United States may have become a creditor nation vis-à-vis weaker powers, but it remained a debtor nation vis-à-vis its aspirant peers. Under these circumstances, the Open Door was not the expression of newfound American industrial might, as is sometimes portrayed, but a plea for opportunities by a financially, commercially, and militarily weak nation.

Building U.S.-controlled sinews of globalization to achieve greater national economic sovereignty could not be straightforward. Highly partisan disagreements over the distribution of costs and benefits shaped debates about the development of the nation's financial, communications, transportation, and naval capacities. As Richard Franklin Bensel argues, the Republican Party, in almost total control of the federal government during and after the Civil War, used this power to foster the development of industrial capitalism, recommitting the nation to the gold standard, strengthening the tariff, and removing legal barriers to the creation of a national market. All of these policies tended to redistribute wealth from the predominantly rural West and Democratic South to the largely Republican Midwest and Northeast, where U.S. industrial and financial power was concentrated.[41] However necessary this strategy may have been to enable the United States to thrive within a globalizing world economy, it had dramatically different regional impacts, undermining Republican claims to be acting in the "national" interest rather than their own. The economies of the U.S. South and West were the most directly dependent upon international trade, and the least self-sufficient. Even the beer in western saloons arrived by rail after the 1880s.[42] While the financial Northeast and industrial Midwest were dependent on Britain once over, the South and West were dependent twice over, on richer Northern elites and on richer British cousins. As the historian Edward Crapol put it, in the South and West, on the extractive periphery of both the national and international economy, residents "understood that their sections were not only colonial in relation to the

[36]Huebner, "The Development and Present Status of Marine Insurance in the United States," quote on 258, figures on 269.

[37]Carl Parrini, *Heir to Empire: United States Economic Diplomacy, 1916–1923* (Pittsburgh, 1969), 9, 22–4; J. Lawrence Broz, *The International Origins of the Federal Reserve System* (Ithaca, NY, 1997), 17–54; Cain and Hopkins, *British Imperialism*, 285–315, 432–46.

[38]Parrini, *Heir to Empire*, 7–9, 27–31.

[39]Barry Eichengreen and Marc Flandreau, "The Federal Reserve, the Bank of England, and the Rise of the Dollar as an International Currency, 1914–1939," NBER Working Paper (July 2010), 3–5; William L. Silber, *When Washington Shut Down Wall Street: The Great Financial Crisis of 1914 and the Origins of America's Monetary Supremacy* (Princeton, NJ, 2007), 35.

[40]Mira Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge, MA, 1989), 153–67, 587.

[41]Richard F. Bensel, *Yankee Leviathan: The Origins of Central State Authority in America, 1859–1877* (Cambridge, UK, 1990), and *The Political Economy of American Industrialization, 1877–1900* (Cambridge, UK, 2000).

[42]Richard White, *"It's Your Misfortune and None of My Own": A New History of the American West* (Norman, OK, 1993), 276.

Northeastern American metropolis, but were also at the colonial end of an imperial relationship with Great Britain."[43] The tariff, the gold standard, and other policies that increased the nation's economic sovereignty also served to enrich the North at the South's and West's expense within the national political economy. Thus there was no agreement on what constituted the "national interest" in terms of the Unites States's role in the world, but rather a fierce debate over which party, which section, and which economic sector would get to define that interest.

Even in the case of developing a stronger ocean-going merchant marine—which Republicans and Democrats, Northerners and Southerners, manufacturers and farmers all agreed, at least rhetorically, was desirable—Americans disagreed sharply over means. Republicans favored navigation laws requiring that U.S.-registered ships be built in the United States coupled with subsidies for shipbuilders—the latter serving to redistribute resources from the South and West to shipyards in the North and Midwest. By contrast, Democrats favored the "free-ship" option, which would permit U.S.-registered ships to be purchased in foreign yards, or they liked the idea of government ownership of the merchant marine—neither of which would have benefited Republican shipyards as much as subsidies.[44] Before World War I, this partisan and sectional disagreement produced a stalemate. With only minor exceptions, improvements to the nation's ocean-going merchant marine remained negligible.

Efforts to build a stronger financial services industry followed a similar pattern, though here a partial breakthrough ante-dated the war in the form of the Federal Reserve Act of 1913. Even more so than the merchant marine, banking and currency issues had long provoked intense controversy, going back to the days of Jefferson and Hamilton. Before World War I, the Northeastern, mostly Republican bankers who sought to duplicate the financial services industry that made Britain the center of global trade—a central bank, acceptance houses for bills of exchange, a discount market, and the removal of restrictions on foreign bank branches—had both foreign and domestic goals in mind. On the one hand, they regarded these changes as necessary to end U.S. dependence on British financial services and to make a bid for global economic power. On the other hand, they wanted to forestall radical alternatives to modern industrial capitalism at home by smoothing its terrifying boom-and-bust cycles, while ensuring that men of their class would control the new mechanisms for doing so.[45] President Woodrow Wilson agreed with the bankers as to the foreign-policy necessity of a stronger financial services industry, but the idea that the bankers would control the new central bank appalled both him and his Southern Democratic base; the potential benefits for their export trade mattered little as measured against the cost of more power for hated Northern financiers. In 1913, the parties struck a compromise: the bankers (and Wilson) would get their acceptance houses, discount market, and foreign bank branches, but the Democrats would get much greater public control of the new Federal Reserve system than the bankers wanted.[46]

No such prewar bipartisan compromise occurred for the navy. Britain had long relied on a fiscal tripod to pay for its powerful Royal Navy, consisting of internal direct taxes (on land and

[43]Edward Crapol, *America for the Americans: Economic Nationalism and Anglophobia in the Late Nineteenth Century* (Westport, CT, 1973), 69. See also C. Vann Woodward, *Origins of the New South, 1877–1913* (Baton Rouge, LA, 1967; first ed. 1951), 107–11; Gavin Wright, *Old South, New South: Revolutions in the Southern Economy Since the Civil War* (New York, 1986), 13–4; Edward Ayers, *The Promise of the New South: Life After Reconstruction* (Oxford, UK, 2007; first ed. 1992), 102, 104–5.

[44]Zeis, *American Shipping Policy*, 29–54, 87; John G. B. Hutchins, *The American Maritime Industries and Public Policy, 1789–1914: An Economic History* (Cambridge, MA, 1941), 470–5.

[45]On the international aspects of their thinking, see Harold James, "The Warburgs and Yesterday's Financial Deterrent" (unpublished paper in author's possession); and Broz, *International Origins*. On the domestic aspects of their thinking, see James Livingston, *Origins of the Federal Reserve System: Money, Class, and Corporate Capitalism, 1890–1913* (Ithaca, NY, 1986); and Elizabeth Sanders, *Roots of Reform: Farmers, Workers, and the American State, 1877–1917* (Ithaca, NY, 1999), 236–66.

[46]Sanders, *Roots of Reform*, 236–66.

other forms of property), internal indirect taxes (the excise and stamp taxes), and external taxes (customs duties).[47] But Americans regarded only the third leg of the tripod as legitimate at the time of their nation's founding—and even that became embroiled in partisan and sectional disputes by Jackson's day, as the Nullification Crisis demonstrated. To American small-"r" republicans, the ability to tax internally, whether directly or indirectly, reeked of the corrupt British fiscal-military (or rather fiscal-naval state) that they were determined not to recreate.[48] So, in the ante-bellum period, the federal government generated revenues by selling land and by taxing trade in the form of the tariff, but it could not have even an indirect internal tax like a sales tax, let alone direct taxes like income or property taxes.[49] The revenues from these sources sufficed to fund a series of small wars against Native Americans, but they were inadequate to support wars against peer competitors, even on the North American continent—hence the North's temporary adoption of an income tax to fight the Confederacy during the Civil War, legitimized only on the grounds of emergency and abolished once the emergency passed.[50] Unlike the income tax, the excise taxes adopted by the North to meet the fiscal demands of the war survived into peacetime, but their legitimacy was contested on class grounds, because they were regressive, and on sectional and partisan grounds, because they were distributed in such a way as to reward those who had supported the Union.[51] The tariff, of course, proved even more controversial after the Civil War than the excise taxes—and since U.S. naval growth beginning in the 1880s depended on revenues from the tariff, it was guaranteed to alienate Southerners and Democrats on fiscal grounds.[52] Forced to choose among its priorities in an adverse budgetary environment, the Navy invariably chose battleships, even as naval officers bemoaned the lack of bases and support vessels.[53] For their part, when growth in the basing budget was on the table, Congressmen invariably prioritized home bases, where they had constituents to reward them, rather than overseas bases.[54]

The political-cultural limits on the government's ability to tax forms of wealth other than trade began to loosen in the late-nineteenth century. Democratic discontent with the tariff, coupled with new ideas about the "ability to pay" as the appropriate basis of federal taxes, helped to erode longstanding opposition to internal taxes, culminating in the nation's first permanent peacetime income tax, passed by the Democrats in 1913. The income tax began to create the fiscal basis for the subsequent global projection of U.S. power—but that was not its purpose at the time.[55] Thus, disputes over the distribution of resources within the U.S. political economy prevented the United States from developing any significant challenge to British control of the sinews of globalization before 1914. Only a crisis could break the domestic-political logjam. It came in the form of World War I.

[47]O'Brien, "The Political Economy of British Taxation," esp. 8–28.

[48]Shankman, "A Synthesis Useful and Compelling," 31–3, 51–3. See also Andrew Shankman, *Original Intents: Hamilton, Jefferson, Madison, and the American Founding* (New York, 2018), 152–5, and "Toward a Social History of Federalism: The State and Capitalism to and from the American Revolution," *Journal of the Early Republic* 37, no. 4 (Winter 2017): 615–53.

[49]W. Elliott Brownlee, *Federal Taxation in America: A History*, 3rd ed. (New York, 2016), 31–57.

[50]Bensel, *Yankee Leviathan*, 168–9.

[51]Brownlee, *Federal Taxation in America*, 69–81; Ajay K. Mehrotra, *Making the Modern American Fiscal State: Law, Politics, and the Rise of Progressive Taxation, 1877–1929* (New York, 2014), 67, 72–5.

[52]John Milton Cooper, Jr., *The Vanity of Power: American Isolationism and the First World War, 1914–1917* (Westport, CT, 1969), 24–7; Peter Trubowitz, *Defining the National Interest: Conflict and Change in American Foreign Policy* (Chicago, 1998), 37–52; Thomas H. Coode, "Southern Congressmen and the American Naval Revolution, 1880–1898," *Alabama Historical Quarterly* 30 (Fall and Winter 1968): 89–110.

[53]Getway, "Supporting the Trident," 43–4, 51–3.

[54]Ibid., 15, 19–20, 25, 30–4, 41, 47, 49–50.

[55]Sanders, *Roots of Reform*, 7–8, 174–5, 223–7; Mehrotra, *Making the Modern American Fiscal State*, esp. 96–118; Brownlee, *Federal Taxation in America*, 80.

World War I and Anglo-American Rivalry

The outbreak of war in Europe in August 1914 caught the United States in the midst of a recession and three months before midterm elections. British actions aimed at hurting Germany quickly confronted the Wilson administration with a political and economic crisis of the first order. The legal basis and nature of these actions are frequently misunderstood, but it is critical to understand them in some detail, because debates over neutrality and international maritime law provided the principal field on which the Anglo-American relationship played out during the first three years of World War I. Furthermore, common misunderstandings of these debates derive from and reinforce oversimplified models of power, while their correction requires the full range of cultural and materialist approaches available to historians.

Britain implemented the core of its maritime strategy on the basis of its national sovereignty, not of international law. While traditional methods of using the Royal Navy to interdict merchant ships at sea and to blockade enemy ports played some role in British plans, far more important were measures to deny Germany access to the global commons by regulating with whom British financial, shipping, and communications firms could do business—that is, by weaponizing British control over the infrastructure of globalization. In a highly interdependent global economy, in which neutrals as well as Germany depended upon the smooth functioning of this British-controlled infrastructure, it was impossible to contain the injury to Germany: neutrals were certain to suffer severe collateral damage.[56]

Far more than the blockade of German ports or the interdiction of contraband under international law, it was Britain's regulation of British firms under British law that plunged the United States into crisis—one centered on cotton. Although cotton did not appear on the British contraband list at the beginning of the war—meaning that the crisis cannot be explained by British actions taken under cover of international law—British municipal regulations restricted the access of the American South to British-controlled communications, financial services, and ocean-going merchant ships. This loss of access prevented the region, which was Wilson's political base, from moving its crop to Europe: it could not communicate with potential buyers, finance or insure sales, or ship cargoes.[57] As a result, the price of cotton plummeted from $62.50/bale at the end of July to $36.25/bale in December.[58] Ominous as the South's situation was for a Democratic president, it constituted more than a regional crisis. Raw cotton remained the United States's single most important export, notwithstanding the vaunted growth of manufactured exports. In 1913, the value of all raw cotton exports stood just under $550 million, while the nation's total textile exports measured just over $50 million, and the total combined value of all exports of iron and steel-mill products, copper and manufactures, and all classes of machinery reached just over $460 million—less than the value of raw cotton alone. Wheat ranked far behind raw cotton at just under $90 million.[59] The foreign exchange earned from the export of raw cotton underwrote the United States's ability to service its foreign debts.[60] Secretary of the Treasury William McAdoo estimated that the United States owed London some $450 million in short-term loans alone.[61] To meet those debts, he believed that the United States must restart the export of cotton and wheat to Europe through the acquisition of ocean-going merchant ships and the creation of an acceptance and discount market

[56]Lambert, *Planning Armageddon*, chs. 1–5.

[57]Arthur S. Link, "The Cotton Crisis, the South, and Anglo-American Diplomacy, 1914–1915," in *Studies in Southern History*, ed. Carlyle Sitterson (Chapel Hill, NC, 1957), 122–38; Arthur S. Link, *Wilson*, vol. 2, *The Struggle for Neutrality, 1914–1915* (Princeton, NJ, 1960), 91, 131.

[58]Alexander D. Noyes, *The War Period of American Finance, 1908–1925* (New York, 1926), 65.

[59]These figures are taken and calculated from Table Ee569-589, "Exports of selected commodities: 1790–1989," *Historical Statistics of the United States*, Millennial Edition Online Database.

[60]Silber provides an excellent explanation of the importance and functioning of the foreign-exchange market in *When Washington Shut Down Wall Street*, 29–37.

[61]Noyes, *The War Period of American Finance*, 61.

for bills of exchange.[62] In short, Britain's campaign of economic warfare against Germany had glaringly demonstrated both its own ongoing hegemony over the sinews of globalization and enduring U.S. weaknesses. Working from the assumption that the United States equaled, if not exceeded, British power, many historians have missed this graphic exposure of U.S. strategic vulnerabilities and its political-economic implications, which together provide the critical but often ignored context for the Wilson administration's subsequent diplomacy vis-à-vis Britain.[63]

Scholars of Wilson's diplomacy also tend to define neutrality as a legal rather than a commercial issue, when in fact it was both—and with the commercial aspect probably the more important.[64] The legalistic approach safely quarantines neutrality in the realm of abstract ideals and relieves historians of the necessity to ask how neutrality might have advanced U.S. political and economic interests as well as values. By so doing, historians effectively reproduce the propaganda line of the Wilson administration: as Wilson put it, "The rights of neutrals in time of war are based upon principle not expediency."[65]

This assumption has discouraged proper inquiry into the day-to-day commercial practices that international maritime law sought to regulate. International maritime law assumed that the ownership and ultimate destination of cargoes could be determined from papers carried on board a merchant vessel. These assumptions had fit the conduct of oceanic trade when they developed during the age of sail, but they no longer accurately reflected the ordinary practices of oceanic trade by the outbreak of World War I.[66] By then, it had become common for ownership of cargoes to change hands repeatedly while the cargoes were in transit, and for the ultimate destination of the cargoes to be decided upon only when the carrying vessels came into range of a coastal wireless station and determined where they would fetch the highest price. Consequently, the papers carried on board merchant vessels could no longer be relied upon to reveal the ownership and ultimate destination of cargo.[67] A fundamental mismatch now existed between the model of oceanic trade upon which international maritime law was based and the realities of oceanic trade in the early twentieth century: square commercial pegs had to be banged into round legal holes.[68]

Partly because British planners recognized the mismatch that had developed between international maritime law and the day-to-day realities of global trade, the core of prewar British strategy was not to interdict the flow of contraband cargoes on the high seas, as legalistic historians generally assume, but to deny Germany the ability to get cargoes onto the high seas in the first place.[69] To do so, Britain could sidestep questions of international maritime law by exercising its sovereign right to prohibit British financial, communications, and shipping

[62]Silber, *When Washington Shut Down Wall Street*, 87–95.

[63]See, for example, Lloyd Ambrosius, *Wilsonianism: Woodrow Wilson and His Legacy in American Foreign Relations* (New York, 2002), 32; John A. Thompson, *Woodrow Wilson* (London, 2002), 78–9; John A. Thompson, *A Sense of Power: The Roots of America's Global Role* (Ithaca, NY, 2015), 16–20; and Benjamin Coates, *Legalist Empire: International Law and American Foreign Relations in the Early Twentieth Century* (New York, 2016), 138–9.

[64]A commonly cited book on the administration's neutrality policy—John Coogan's *The End of Neutrality: The United States, Britain, and Maritime Rights, 1899–1915* (Ithaca, NY, 1981)—commits this error.

[65]Quoted in Robert W. Tucker, *Woodrow Wilson and the Great War: Reconsidering America's Neutrality, 1914–1917* (Charlottesville, VA, 2007), 1.

[66]See, e.g., Articles 32 and 35 of the Declaration of London, which dealt with absolute and conditional contraband, respectively. Both articles explicitly presumed that a merchant ship's papers would indicate where and to whom its cargo would be consigned.

[67]For instance, see W. E. Minchinton, "British Ports of Call in the Nineteenth Century," *Mariner's Mirror* 62, no. 2 (May 1976): 145–57, here 146–7.

[68]Lambert, *Planning Armageddon*, 65, 89–92, 270–2.

[69]I speak of "legalistic" rather than "legal" historians because it is not only legal historians who tend to approach the neutrality issue from a legalistic perspective.

companies from doing business with the Germans.[70] Accordingly, legalistic historians' focus on the international law of contraband and blockade in Anglo-American disputes over neutrality is substantially misplaced, while their allegations of British "illegality" rest upon a fundamental misreading of the legal basis on which Britain implemented its maritime strategy.[71]

By the same token, legalistic historians have been incorrect to suggest that the Wilson administration acquiesced in Britain's maritime strategy.[72] In fact, the administration defended U.S. interests aggressively. Domestically, it pursued measures that challenged British dominance over the sinews of globalization, and which thus constituted not glancing blows at Britain's maritime strategy but strikes at its heart. Diplomatically, U.S. protests extracted major concessions, largely from the Foreign Office and over Admiralty objections, which did much to transform Britain's preferred economic warfare strategy into a more traditional, and less effective, blockade.[73] As a result, in Link's words, "American cotton flowed in huge quantities—perhaps 1,750,000 bales in all—to Germany via neutral and even German ports between October 1914 and March 1915."[74] Comparison of these figures with those from 1913 shows that the United States managed to export cotton to Germany at a faster rate once the war started than it had before the war.[75]

The legal basis and effectiveness of Britain's preferred strategy comes into clearer focus when one follows U.S. policy on neutral rights past the period of U.S. neutrality into the period of U.S. belligerency. Scholars of the neutrality question almost invariably stop the clock in April 1917 (if not earlier), when the United States ceased to be a neutral and became a belligerent. But of course this change in status did not mean that the United States stopped taking positions on neutral rights: it simply meant that the United States now took those positions as a belligerent rather than as a neutral. Perhaps unsurprisingly, the only book-length study of U.S. policy toward neutrals during the period of U.S. belligerency finds that the belligerent United States adopted many of the same practices toward neutrals which it had complained about from Britain when it was a neutral itself.[76] It threatened neutrals with deprivation and economic retaliation if they carried on their trade in ways that the United States regarded as injurious to the Allied war effort or as threatening to the U.S. postwar commercial position.[77] It blacklisted neutral firms.[78] Dispensing with even a superficial appeal to international maritime law, it seized neutral ships lying in U.S. harbors because it needed merchant shipping, not, as the British had, on the high seas because it suspected them of trading with the enemy.[79] Although the United States based its legal arguments for capture in port upon the ancient right of angary (not international maritime law), which permitted belligerents to seize property for military purposes, the ships were not all assigned to the transport of troops and munitions to Europe, as might be assumed given the military justification for their seizure: some of them were assigned to South America, where the United States was engaged in an intense

[70]Lambert, *Planning Armageddon*, 81–101, 133–7, 166–9, 210–6. This was the same right that the United States would invoke when it instituted its own trade controls following its entry into the war; see Thomas A. Bailey, *The Policy of the United States Toward the Neutrals, 1917–1918* (Gloucester, MA, 1966; first ed. 1942), 57–62, 74–7, 340, 349–57, 376–8, 432–7.

[71]Coogan, *The End of Neutrality*, does not distinguish between British actions taken on the basis of international law and those taken on the basis of national sovereignty.

[72]Ibid., esp. 178–9, 247–8.

[73]Lambert, *Planning Armageddon*, 247–51, 258–78.

[74]Link, *Wilson: The Struggle for Neutrality*, 131. See also Lambert, *Planning Armageddon*, 260–7.

[75]See Table 30, "Exports of Domestic Cotton and Lintners—Value and Quantity, With Distribution of Quantity, by Countries to Which Exported: 1821 to 1916," in Department of Commerce, Bureau of the Census, Bulletin 134, *Cotton Production and Distribution, Season of 1915–16* (Washington, DC, 1916), 47.

[76]Bailey, *The Policy of the United States Toward the Neutrals*.

[77]Ibid., 34–101.

[78]Ibid., 349–79.

[79]Jeffrey Safford, *Wilsonian Maritime Diplomacy, 1913–1921* (New Brunswick, NJ, 1978), 124–5.

commercial competition with its British co-belligerent.[80] At times, indeed, the belligerent United States took a harder line on neutral rights than did perfidious Albion.[81] State Department lawyers acknowledged this reality after the war, when they elected not to press the claims of U.S. nationals against the British blockade in part because "those neutrals which had been affected by American acts and pressures from 1917 to 1918 would have an encouraging precedent for future action."[82]

When the potential for legal claims to advance national interests, the mismatch between commercial realities and legal doctrine, and the U.S. position on neutral rights in the period of U.S. belligerency are given their due, U.S. defenses of neutral rights between 1914 and 1917 take on a more instrumentalist and less principled hue than they have in many accounts of Wilson's diplomacy. It becomes more difficult to portray Wilson's diplomacy as either pro-Allied or benevolently neutral. Instead, the president's policy appears as what it was: genuinely neutral, because Wilson was committed to advancing U.S. interests at the expense of European, including British, interests.

Challenging British Hegemony

The cotton crisis touched off by Britain's economic warfare against Germany sparked growing support, even among previously reluctant Southern Democrats, for developing a U.S.-controlled infrastructure for global trade.[83] The still-limited but increased willingness of Southerners to back measures that they traditionally feared would distribute the benefits to Northern Republicans stemmed chiefly from the impact of Britain's campaign of economic warfare against Germany: the South suffered disproportionately, because it had been more dependent upon access to the British-controlled global trading infrastructure than any other section.

As the cotton crisis unleashed a wave of Anglophobia across the South, demands for Wilson to act poured into Washington. The last proposal for strengthening the U.S. merchant marine before the war had come, predictably, from a Massachusetts Republican; the first proposal during the war came from a Mississippi Democrat.[84] Wilson recognized the seriousness of the situation. "The thing that is giving us the greatest concern right now," he wrote in mid-October, "is the situation of the South in view of the tremendous curtailment of the market for her one marketable crop, the cotton."[85] His administration moved quickly to address the situation, though not vigorously enough to satisfy many Southerners.[86] In the first of a number of efforts to revise U.S. shipping laws, the ship-registry bill, named after its sponsor Oscar Underwood (D-AL) and passed within weeks of the war's outbreak, changed U.S. registry law to enable American shipowners to re-flag foreign-flagged merchant ships, including German-flagged vessels that had fled to U.S. ports upon the outbreak of war. As the U.S. Joint State and Navy Neutrality Board observed at the time, re-flagging belligerent vessels and thus enabling them to escape the consequences of their nation's belligerency violated at least the spirit if not also the letter of international law—a fact which makes the neglect of this episode by historians interested in the legal aspects of Wilson's diplomacy somewhat puzzling. Predictably, the bill

80Ibid., 125.

81Bailey, *The Policy of the United States Toward the Neutrals*, 98–101; Safford, *Wilsonian Maritime Diplomacy*, 117–27.

82Bailey, *The Policy of the United States Toward the Neutrals*, 480.

83Richard L. Watson, Jr., "A Testing Time for Southern Congressional Leadership: The War Crisis of 1917–1918," *Journal of Southern History* 44, no. 1 (Feb. 1978): 3–40, here 5–6.

84Sicotte, "Economic Crisis and Political Response," 868–9.

85Quoted in Link, *Wilson: The Struggle for Neutrality*, 98.

86Anthony Gaughan, "The Origins of Militant Patriotism in the New South, 1865–1919" (Ph.D. diss., University of Wisconsin–Madison, 2002), 216–7.

touched off a diplomatic crisis with Britain.[87] A second initiative, the Alexander-Clarke ship-purchase bill, which sought to empower the government to purchase ships to create a federally owned merchant shipping fleet, was introduced three weeks later.[88] This measure failed in the face of vigorous opposition from the shipping industry, as well as from others who worried that government ownership would embroil the United States in direct confrontation with Britain.[89]

However, this defeat proved only a temporary setback. The Wilson administration persisted in its push for a large, government-owned merchant marine as part of an integrated program to build U.S.-controlled sinews of globalization that could rival those of Britain. Anti-British feeling ran high as a new government shipping bill was re-introduced in January 1916—led again by Alexander, now joined by William Stone (D-MO) and the radical agrarian Claude Kitchen (D-NC). Since mid-1915, concerns had been mounting that the United States would face a trade war with Britain in Latin America after the war.[90] Wilson and Colonel House had also begun to contemplate military preparedness, coupled with a refusal to participate in upholding any peace settlement, as a way to pressure the British and other belligerents into accepting U.S. mediation on U.S. terms.[91] Shortly after House learned about the final failure of his spring 1916 mediation mission, the Allies convened at the Paris Economic Conference, where they discussed plans for mercantilist postwar economic cooperation that the Wilson administration and many American businesses interpreted as threatening to U.S. economic interests.[92] A month after the conference, Great Britain announced that it was adding eighty-five U.S. firms to its "blacklist" of companies with whom British subjects were forbidden to do business.[93] Although Britain's action was based upon its "undisputable sovereign right in forbidding her own subjects to trade with certain firms in America," Wilson grew so angry that for the first time he seriously considered asking Congress to embargo loans and exports to the Allies.[94] A broad cross-section of U.S. economic sectors now swung into line behind the shipping bill, which became law in September 1916. Sharing in the general fear and anger at Britain, farmers recognized that the bill would lessen U.S. dependence on the British-controlled infrastructure of global trade, and its regulatory provisions alleviated their concerns that private Northern shipyards would unduly benefit.[95] Thus the conjuncture of the wartime crisis, which redistributed the costs and benefits of constructing this key U.S.-controlled sinew of globalization, and Democratic control over the federal government, which enabled them to put their ideological stamp on the means for building the merchant marine, led to a breakthrough.

A similar pattern occurred with the U.S. Navy and fiscal policy. Wilson's support for U.S. naval growth occurred against the same commercially aggressive, anti-British backdrop as his support for the government shipping bill. "Let us build a navy bigger than [Britain's]

[87]This effort has been covered by numerous historians, including Link, *Wilson: The Struggle for Neutrality*, 82–91; Ernest May, *The World War and American Isolation, 1914–1917* (Cambridge, MA, 1959), 66–70; and Safford, *Wilsonian Maritime Diplomacy*, 39–51. Lambert, *Planning Armageddon*, 237–51 is the first to explain the strategic implications of the issue.

[88]Named after Joshua Alexander (D-MO) and James Clarke (D-AK).

[89]Link, *Wilson: The Struggle for Neutrality*, 86–9; Safford, *Wilsonian Maritime Diplomacy*, 46–9.

[90]Safford, *Wilsonian Maritime Diplomacy*, 74–84.

[91]Ross Kennedy, *The Will to Believe: Woodrow Wilson, World War I, and America's Strategy for Peace and Security* (Kent, OH, 2009), 87–90.

[92]Parrini, *Heir to Empire*, 15–22, 31–9; Safford, *Wilsonian Maritime Diplomacy*, 89–90; Burton I. Kaufman, *Efficiency and Expansion: Foreign Trade Organization in the Wilson Administration, 1913–1921* (Westport, CT, 1974), 165–76.

[93]Thomas A. Bailey, "The United States and the Blacklist during the Great War," *Journal of Modern History* 6, no. 1 (Mar. 1934): 14–35; Arthur S. Link, *Woodrow Wilson and the Progressive Era, 1910–1917* (New York, 1954), 220–2; Safford, *Wilsonian Maritime Diplomacy*, 90.

[94]Bailey, "The United States and the Blacklist during the Great War," 22–3, quotation on 25.

[95]Safford, *Wilsonian Maritime Diplomacy*, 90–2.

and do what we please," he commented on the 1916 Naval Appropriations Act.[96] Similar sentiments animated the rabidly Anglophobic Chief of Naval Operations, the Georgian William Benson, who informed the U.S. naval liaison to Britain that "we would as soon fight the British and the Germans."[97] As with the shipping bill, a broad cross-section of economic groups, including "southern and western producers of raw materials who resented the British blockade," supported U.S. naval expansion.[98] That said, the strongest opposition to naval expansion also came from Southern Democrats, animated by traditional fears about the fiscal apparatus that would be necessary to support it and about the possibility that it would redistribute resources to the Republican North and Midwest.[99] Paradoxically, some of the most anti-navalist Southerners were also the most vociferously anti-British; how they expected to get Britain to change its maritime ways without a more powerful U.S. Navy is unclear.[100] Their protests failed to stop the naval expansion sought by Wilson and pro-preparedness Republicans, but they did force a political compromise: the price of the build-up would be a progressive tax regime consisting of direct, internal taxes. If the taxing power of the federal government had to grow, then it would grow at the expense of those who wanted it to grow. Accordingly, the 1916 Revenue Act was much more redistributionist than its 1913 predecessor, and World War I was "the seminal triggering event" of this new fiscal regime.[101] As with the shipping bill, the development of a political coalition to support the construction of the naval and fiscal sinews of globalization depended on the combination of the crisis of World War I with Democratic power over the government.

The politics behind the wartime construction of a stronger financial services industry, another component of economic power and independence, are more difficult to trace. That the war only strengthened Wilson's pre-existing determination to build a stronger financial services industry is clear.[102] An amendment to the Federal Reserve Act in 1916 permitted federally chartered national banks to form and invest in foreign banking corporations.[103] That same year, the administration introduced legislation that would eventually become the 1918 Webb-Pomerene Act, which revised the nation's antitrust laws to permit U.S. firms to combine for the purposes of foreign trade.[104] In 1919, to supplement the Webb-Pomerene Act, Congress passed the Edge Act, which permitted national banks to establish subsidiary foreign banking and investment corporations.[105] As a number of Wisconsinite historians have shown, these measures to build a stronger financial services industry were motivated by a desire to expand U.S. trade into overseas markets previously dominated by Europeans (and especially Britain) while the great powers were distracted by the war.[106]

[96]Quoted in Link, *Woodrow Wilson and the Progressive Era*, 190.

[97]Quoted in David Dimbleby and David Reynolds, *An Ocean Apart: The Relationship between Britain and America in the Twentieth Century* (New York, 1988), 67. See also Mary Klachko, "Anglo-American Naval Competition, 1918–1922" (Ph.D. diss., Columbia University, 1962), 105–6.

[98]Arthur S. Link, *Wilson: Confusions and Crises, 1915–1916* (Princeton, NJ, 1964), 334.

[99]John Milton Cooper, Jr., *The Vanity of Power: American Isolationism and the First World War, 1914–1917* (Westport, CT, 1969), 24–5, 90–8; Anthony Gaughan, "Woodrow Wilson and the Rise of Militant Interventionism in the South," *Journal of Southern History* 65, no. 4 (Nov. 1999): 771–808, here 777–78; Gaughan, "The Origins of Militant Patriotism in the New South," 14–6, 218–31.

[100]Compare James "Cyclone" Davis's anti-preparedness comments with his anti-British comments, quoted in Gaughan, "The Origins of Militant Patriotism in the New South," 227 and 230, respectively.

[101]Brownlee, *Federal Taxation in America*, 93–6; Link, *Woodrow Wilson and the Progressive Era*, 192–6; Mehrotra, *Making the Modern American Fiscal State*, 321–5 (quotation on 32).

[102]Martin Sklar, "Woodrow Wilson and the Political Economy of Modern United States Liberalism," *Studies on the Left* 1, no. 3 (1960): 26–41.

[103]Parrini, *Heir to Empire*, 112; Kaufman, *Efficiency and Expansion*, 117–24.

[104]Sklar, "Woodrow Wilson and the Political Economy of Modern United States Liberalism," 36–7; Parrini, *Heir to Empire*, 27–34; Kaufman, *Efficiency and Expansion*, 129–32, 153–9.

[105]Kaufman, *Efficiency and Expansion*, 228–48.

[106]This is one of the principal arguments of Kaufman's, Safford's, and Parrini's books.

The politics behind the construction of the final sinew of globalization, a global communications grid, are practically invisible. Thanks to Jonathan Winkler's work, we know that the war brought home to the Wilson administration the strategic and economic problems of relying on the British-controlled communications networks.[107] In contrast to the other aspects of international commercial infrastructure, Wilson and other Americans interested in expanding U.S. overseas trade seem to have given almost no thought to communications before the war began. What little interest did exist was concentrated in the armed forces and primarily strategic, rather than economic, in character. The frantic effort to construct new trans-oceanic communications capabilities after the outbreak of war was carried on between the Navy and the private sector, apparently requiring no major legislation. As a result, the effort to build a global communications grid seems to have uniquely escaped domestic-political controversy.

Despite the Wilson administration's energetic assertion of U.S. interests and the greater war-induced willingness among Southern Democrats to support the construction of U.S.-controlled sinews of globalization, these efforts enjoyed only limited success. By the armistice, the recently organized government Shipping Board had completed less than one-sixth of its projected building program.[108] In 1918, New York bank acceptance liabilities totaled only \$210 million, while London's stood at \$500 million.[109] Notwithstanding the administration's support for expanded foreign trade, U.S. banks struggled to provide trade credits in Latin America.[110] The U.S. marine insurance and reinsurance industry also remained weak. In 1920, roughly two-thirds of all marine insurance originating in the United States was "controlled directly, or by way of reinsurance, by foreign or foreign-controlled companies."[111]

Efforts to construct a U.S.-controlled global communications grid, a stronger fiscal base, and a larger navy also ran into difficulties. By the end of the war, the United States had the most robust long-range radio network in the world.[112] However, its progress in cables was much less impressive. U.S. cable companies made only limited inroads into Latin America, in the teeth of ferocious British competition, and none at all into Asia.[113] Even without foreign opposition, the lack of a single cable-manufacturing plant in the United States (Britain had six out of the world's twelve total) limited the potential growth of the U.S. cable network.[114] The wartime expansion of the U.S. fiscal base also proved fragile. While the income tax survived into the postwar period, Republican administrations in the 1920s rolled it back, along with other parts of the wartime tax regime.[115] Even at its peak in 1918, less than 10 percent of the labor force paid income tax.[116] Thus, the relatively more robust fiscal basis for global power projection depended upon the exceptional circumstances of the war, shriveling once it ended. This fiscal fragility, in turn, limited the challenge posed by the U.S. Navy to British interests. At Versailles, Wilson attempted to use the threat of U.S. naval growth to pressure

[107]Winkler, *Nexus*.

[108]Zeis, *American Shipping Policy*, 107; see also Safford, *Wilsonian Maritime Diplomacy*, 249–51.

[109]Paul Abrahams, *The Foreign Expansion of American Finance and Its Relationship to the Foreign Economic Policies of the United States, 1907–1921* (New York, 1976), 90–1; Kaufman, *Efficiency and Expansion*, 144.

[110]Abrahams, *The Foreign Expansion of American Finance*, 106–12; Kaufman, *Efficiency and Expansion*, 147–50, see also 228–48.

[111]Solomon S. Huebner, *Report on Status of Marine Insurance in the United States* (Washington, DC, 1920), 12.

[112]Winkler, *Nexus*, 251.

[113]Ibid., 264.

[114]Figures from ibid., 161; see also the figures on 233. For efforts to develop a U.S. cable industry, see ibid., 156–63, 229–34.

[115]Brownlee, *Federal Taxation in America*, 93–5, 106–17; Mehrotra, *Making the Modern American Fiscal State*, 294–5, 306–7, 351–2, 394–408.

[116]James Sparrow, *Warfare State: World War II Americans and the Age of Big Government* (New York, 2011), Chart A.5, 263; compare to his figure of more than 60 percent for 1945.

the British into concessions, but they refused to cave.[117] Rather than reviving the Wilsonian challenge, the Republican administration that succeeded him reduced the taxes which were necessary to pay for naval growth and sought a naval arms limitation agreement.[118]

The limits on the U.S. challenge to postwar British economic hegemony with regard to the sinews of globalization put the 1920s controversies over war loans, as well as the United States's new standing as a creditor nation, in new perspective. Gaining the whip hand over weak Latin American nations was one thing; gaining the whip hand over Europe was another matter altogether. In 1919, the United States was finally in a position to limit the economic sovereignty of the European great powers, as they had limited the economic sovereignty of their own colonies and dependencies.[119]

Americans wielded this power ruthlessly, as part of what amounted to a comprehensive bid to hamstring the British in their own quest for postwar economic hegemony. Wilson understood the leverage that British indebtedness conferred on the United States. In late 1916, his administration used the threat of cutting off the supplies of credit upon which Britain had come to depend to pressure the British into supporting his peace initiative.[120] In July 1917, Wilson wrote, "England and France have not the same views with regard to peace that we have by any means. When the war is over we can force them to our way of thinking, because by that time they will, among other things, be financially in our hands."[121] He intended for the United States to keep this leverage. One way for Britain to reduce its postwar dependence on the United States was to cooperate with France and to draw more efficiently on the resources of its empire. But the Wilson administration shut down this possibility by objecting to the resolutions adopted at the Paris Economic Conference of 1916 and to British schemes for imperial preference because they contradicted Wilson's vision of a postwar trade liberalization, embodied in Point Three of the Fourteen Points.[122] Another way for Britain to achieve greater postwar independence was through a relaxation of U.S. loan repayment demands. But the Wilson administration rejected this option on the grounds that private finance must be able to reestablish itself without government interference.[123] A third way for Britain to improve its future economic security was through reparations from Germany. But again the Wilson administration objected that the peace must not be punitive.[124] Contra Keynes's famous interpretation of the reparations question, it was Wilson, not David Lloyd George or Georges Clemenceau, who rejected all schemes for inter-Allied postwar economic cooperation.[125]

These Wilsonian rationalizations were doubtless sincere—but they also justified policies that advanced U.S. interests at the expense of British interests. The administration's odes to the neutral character of the market and the importance of trade liberalization were grounded in a long

[117]Adam Tooze, *The Deluge: The Great War and the Remaking of Global Order* (New York, 2014), 268–70; Donald Lisio, *British Naval Supremacy and Anglo-American Antagonisms, 1914–1930* (Cambridge, UK, 2014), 8; Jerry W. Jones, "The Naval Battle of Paris," *Naval War College Review* 62, no. 2 (Spring 2009): 77–89, here 82; Seth P. Tillman, *Anglo-American Relations at the Paris Peace Conference of 1919* (Princeton, NJ, 1961), 287–94.

[118]Lisio, *British Naval Supremacy and Anglo-American Antagonisms*, 9–10.

[119]For the language of economic sovereignty, see Tooze, *The Deluge*, 5–6.

[120]Kathleen Burk, *Britain, America, and the Sinews of War, 1914–1918* (Boston, 1985), 82–8; Tooze, *The Deluge*, 51–2.

[121]Quoted in Kathleen Burk, "War and Anglo-American Financial Relations in the Twentieth Century," in *Anglo-American Attitudes: From Revolution to Partnership*, eds. Fred M. Leventhal and Roland Quinnault (Aldershot, UK, 2000), 243–60, here 247.

[122]Robert Bunselmeyer, *The Cost of the War, 1914–1919: British Economic War Aims and the Origin of Reparation* (Hamden, CT, 1975), 45–7, 53.

[123]Tooze, *The Deluge*, 291, 299–303.

[124]Tillman, *Anglo-American Relations at the Paris Peace Conference of 1919*, 229–51; Bunselmeyer, *The Cost of the War*, 137–40.

[125]Tooze, *The Deluge*, 295–304; see also Tillman, *Anglo-American Relations at the Paris Peace Conference*, 260, 267–75.

liberal tradition of associating government intervention in the market with mercantilism and war, as well as the more recent American discovery, elucidated by Emily Rosenberg, that market transactions did not carry the same taint of exploitation as government takeovers of the customs services of sovereign foreign nations.[126] But these American odes also served to rationalize taking advantage of European weakness, just as they had the exploitation of Latin American weakness in dollar diplomacy before the war.

This strategy did not always lead to ideologically consistent results. Wilson evidently forgot his liberal opposition to postwar economic cooperation between governments when it came to the German cables seized (without any U.S. assistance) by Britain, France, and Japan during the war: here, the administration wanted international control lest other nations claim the cables as war prizes.[127] At the same time, neither the U.S. position on cables nor its position on reparations prevented the Americans from claiming the German ships it had seized in U.S. ports as reparations, despite an Allied proposal for pro rata distribution of the tonnage.[128] The inconsistency of Wilson's position on cables versus merchant ships was not lost on the Allies.[129] The administration's anger at Britain's refusal to repatriate *American* troops in *British* ships, while U.S. vessels were busily cutting into traditionally British trade routes in Latin America, may also help to explain the Allies' "disconcerting tendency to view the American mission's objectives as the design of a grasping national economic policy as avaricious as their own."[130]

Wilson's diplomacy was thus pro-American, not pro-British or pro-Allied. Motivated by a sense of both fear and opportunity due to the outbreak of World War I, his administration moved to end U.S. dependence on the British-controlled infrastructure of the global economy and to construct a U.S.-controlled alternative that would enable postwar U.S. economic might. While the reigning great powers fed their resources into the war, the United States did not merely stand aside: it forced the British to modify their preferred maritime strategy and fed the flames by selling to both sides. At the same time, it consciously used the European conflagration as an opportunity to move into previously European-controlled markets. As Arthur Link, Thomas Knock, John Milton Cooper, and Lloyd Ambrosius have argued, contrary to the claims made by some scholars of Wilson's diplomacy, his administration remained genuinely neutral toward all the European belligerents. Even Ross Kennedy, whose work is the best of those arguing that Wilson was really pro-Allied, writes, "The Europeans saw the president's policy for what it was—an attempt to make the Entente suffer the cost and pain of balancing the power of Germany and to coerce both sides of belligerents into accepting his peace program."[131] With friends like Wilson, it might be wondered, who needed enemies? As Adam Tooze has observed, "The world [Wilson] wanted to create was one in which the exceptional position of America at the head of world civilization would be inscribed on the gravestone of European power."[132]

In sum, the crisis of World War I redistributed the costs and benefits of economic dependence upon Britain within the U.S. political economy. This redistribution made it possible for the Wilson administration to lead an effort to construct U.S.-controlled sinews of globalization. However, it met with only limited success. Those limits, which tell a story of continuity alongside the story of war-induced change, were as much a part of the United States's place in the world as the nation's partial liberation from them. They testify not only to the United States's persistent weakness in certain respects, but also to Britain's persistent strength. They also

[126]Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900–1930* (Durham, NC, 2003), 71–6.

[127]Tillman, *Anglo-American Relations at the Paris Peace Conference*, 277–9; Winkler, *Nexus*, 213–25, 243.

[128]Safford, *Wilsonian Maritime Diplomacy*, 187; see also Kaufman, *Efficiency and Expansion*, 240–2.

[129]Safford, *Wilsonian Maritime Diplomacy*, 196.

[130]Ibid., 159–60, 170 (quotation on latter). See also Tooze, *The Deluge*, 203.

[131]Kennedy, *The Will to Believe*, 102.

[132]Tooze, *The Deluge*, 54.

underscore the singular importance of the Allied war debts as a source of postwar leverage for the United States.

Conclusion

Historians of the United States and Britain have invested similar amounts of intellectual energy in explaining reciprocal phenomena in the early twentieth century: the rise of the United States and the decline of Britain. Perhaps, however, the historical problem needs to be redefined for both. For the United States, the question should be how to explain not only the rise in U.S. power in the world, but also its continuing weaknesses; while for Britain, the question should be how to explain not only the decline of British power in the world, but also its continuing strengths.

Tethering the United States's emergence as a great power so tightly to narratives centered on industrialization has obscured the transformative character of World War I. Looking forward from 1913, rather than backward from 1945, it was no more self-evidently reasonable to expect that the United States would knock Britain from its perch as global hegemon within thirty years than it was to expect that domestic political-economic divisions would hobble U.S. efforts to challenge the European great powers or that Britain would develop its empire into a more powerful political-economic unit. It took World War I to begin to convert the former expectation into reality and the latter expectation into counter-factualism. Even then, real limits on U.S. power and real sources of British strength remained.

The premature dating of the United States's emergence as a great power has also facilitated, if not enabled, a misreading of the transition from the Pax Britannica to the Pax Americana. If the U.S. rise to great-power status and British decline from global hegemony are dated before World War I, then the developments seem natural, even consensual. Policy choices, to the extent they were even choices, simply reflect the recognition by statesmen in both countries of the effects of large-scale economic forces beyond their control. Rapprochement rather than rivalry is the logical relationship. By contrast, dating the emergence of the U.S. rise and British decline to World War I restores contingency and human agency, making it possible to see these developments for what they really were: not only the result of large-scale economic forces, but also the result of deliberate policy choices made by the Wilson administration, and endorsed by a wide range of Americans, to pursue U.S. interests at Britain's expense. The torch of hegemony, in this telling, was not passed but seized. With Britain seeking to rebuild its global economic hegemony after the war and the United States seeking to displace it, rivalry rather than cooperation continued to characterize the relationship on key political-economic issues.

We might, then, insist on a distinction between Anglo-capitalist modernity and American-capitalist modernity. Historians may have missed this distinction due to their interest in racial Anglo-Saxonism, capitalist integration of economically underdeveloped areas into a global market, and a shared Anglo-American rhetorical commitment to liberal values, all of which were very real and pointed the way toward cooperation or consortium between Britain and the United States. Alongside these logics, however, operated a geo-economic logic pointing in the direction of competition and rivalry, which this article has focused on in order to throw it into sharp relief. This geo-economic logic is not the backward projection of the historian: it was perceived and acted upon by Britons and Americans at the time. If the Anglo-American relationship and the emergence of U.S. global hegemony are to be understood in all their complexity, then all of these logics must be comprehended.

They cannot be comprehended, however, without a range of methodological approaches. The methods of cultural historians are vital to understand how knowledge about geostrategic power has been produced—for instance, the knowledge that geostrategic power depends on industrialization—and how historical actors who were engaged in strategic competition perceived their interests. At the same time, it is crucial that culturally minded historians train their sights on "traditional" military, economic, and political interests. Specialization has produced a methodological archipelago within modern American history. We need bridges between the islands.

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