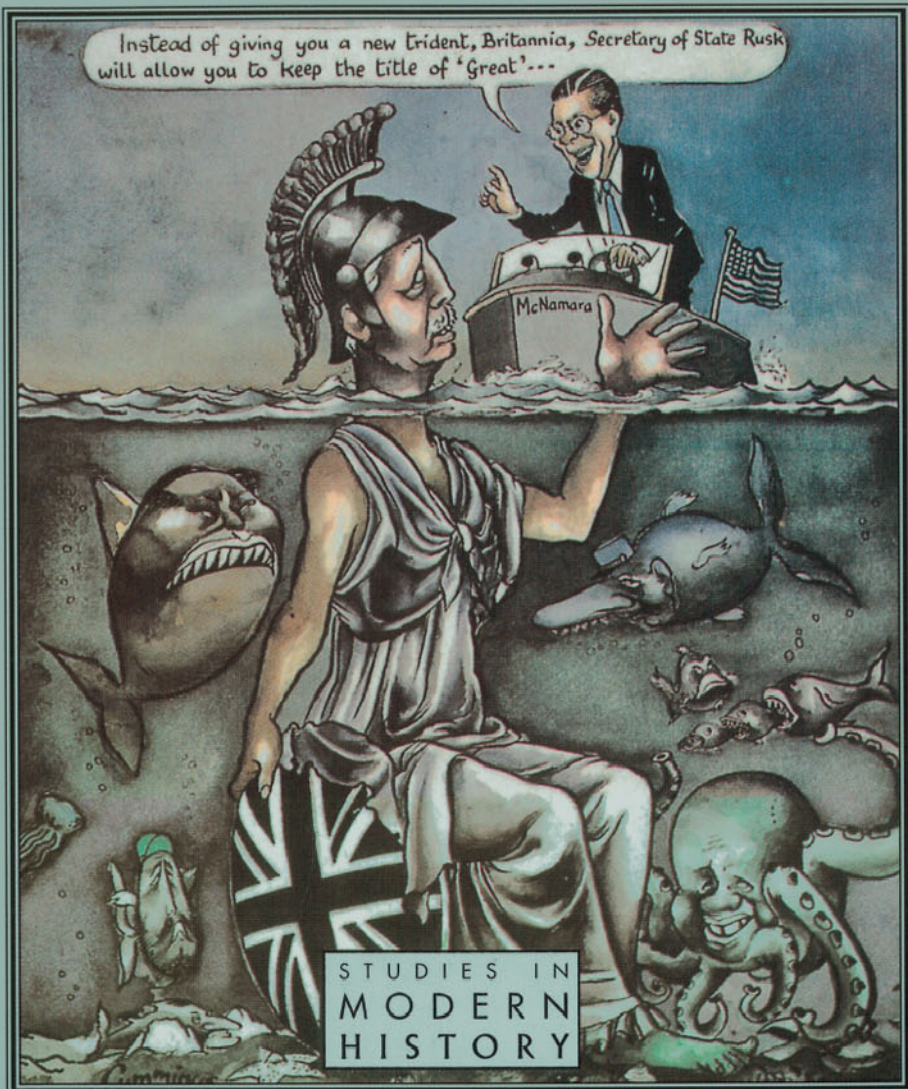


# BRITANNIA OVERRULED

British Policy and World Power in the 20th century

second edition

DAVID REYNOLDS



BRITANNIA OVERRULED

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British Policy and World Power  
in the Twentieth Century

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in the Twentieth Century

DAVID REYNOLDS

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## ABBREVIATIONS

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The following abbreviations are used in the text or bibliography. Those italicised are periodicals or collections of documents.

<i>AA</i>	<i>African Affairs</i>
ACDN	FCO, <i>Arms Control and Disarmament Newsletter</i>
ACDQR	FCO, <i>Arms Control and Disarmament Quarterly Review</i>
<i>AHR</i>	<i>American Historical Review</i>
<i>BD</i>	<i>British Documents on the Origins of the War, 1899–1914</i>
BEF	British Expeditionary Force
<i>BjPS</i>	<i>British Journal of Political Science</i>
CAB	Cabinet minutes, memoranda and papers (PRO)
CAP	Common Agricultural Policy
CBI	Confederation of British Industries
Commons	House of Commons, Debates
CND	Campaign for Nuclear Disarmament
<i>CR</i>	<i>Contemporary Record</i>
<i>DBPO</i>	<i>Documents on British Policy Overseas</i>
DEFE	Ministry of Defence papers (PRO)
<i>DH</i>	<i>Diplomatic History</i>
DRC	Defence Requirements Committee
EC	European Community
<i>EcHR</i>	<i>Economic History Review (2nd series)</i>
ECSC	European Coal and Steel Community
EDC	European Defence Community
EEC	European Economic Community
<i>EHR</i>	<i>English Historical Review</i>
EMF	European Monetary Fund
EMS	European Monetary System
ERDF	European Regional Development Fund
ERM	Exchange Rate Mechanism (of EMS)
EU	European Union
FBI	Federation of British Industries
FCO	Foreign and Commonwealth Office (after 1968)

ABBREVIATIONS

FO	Foreign Office. (FO + number indicates FO papers in PRO)
GDP	Gross Domestic Product
GNP	Gross National Product
GO	<i>Government and Opposition</i>
HJ	<i>The Historical Journal</i>
HZ	<i>Historische Zeitschrift</i>
IA	<i>International Affairs</i>
IHR	<i>International History Review</i>
IMF	International Monetary Fund
INS	<i>Intelligence and National Security</i>
JAS	<i>Journal of American Studies</i>
JCMS	<i>Journal of Common Market Studies</i>
JCH	<i>Journal of Contemporary History</i>
JEEH	<i>Journal of European Economic History</i>
JFKL	John F. Kennedy Library, Boston, Massachusetts
JICH	<i>Journal of Imperial and Commonwealth History</i>
JMH	<i>Journal of Modern History</i>
JSS	<i>Journal of Strategic Studies</i>
Keesing's	<i>Keesing's Contemporary Archives</i>
Lords	House of Lords, Debates
MAS	<i>Modern Asian Studies</i>
NATO	North Atlantic Treaty Organisation
NC	Neville Chamberlain papers (Birmingham University Library)
PA	<i>Parliamentary Affairs</i>
PP	<i>Past and Present</i>
PREM	Prime Minister's papers (PRO)
PRO	Public Record Office
PUS	Permanent Under-Secretary
RIS	<i>Review of International Studies</i>
SDI	Strategic Defense Initiative
T	Treasury Papers (PRO)
TA	Territorial Army
VAT	Value Added Tax

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Cambridge  
December 1990

D.J.R.

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Cambridge  
February 2000

D.J.R.

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Prudence Kay

*her past*

James Ray Reynolds

*his future*

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## INTRODUCTION

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In the 1870s Great Britain possessed more battleships than the rest of the world combined. It directly controlled about a fifth of the earth's surface, including India, Canada and Australasia. It was the world's largest economy, accounting for nearly a quarter of total manufacturing output and a similar proportion of world trade. The first industrial nation had become the greatest power the world had ever seen. A century later, however, Britain had lost nearly all its overseas possessions, its manufacturing base had collapsed and it was on a par with Italy in per capita output and income. The first 'post-industrial' nation was struggling to find its post-imperial role. Explaining this 'decline' has been a national obsession. Economic sclerosis, imperial nostalgia and insular parochialism have all been blamed. Even those trying to combat the mood have often been backward-looking. In 1987 Margaret Thatcher campaigned on the slogan 'Britain Is Great Again'.

Yet Britain's erstwhile greatness has been misunderstood. Power is a more complex phenomenon than the possession of large navies or vast empires, and chapter one explores the changing character of British power in the nineteenth and twentieth centuries. Moreover, power is relative: it is not simply that Britain changed, but, even more, that the world changed around it. Explanations of Britain's fate that concentrate on its internal history<sup>1</sup> can undervalue this fundamental point. As the poet Rudyard Kipling asked a century ago 'what should they know of England who only England know?'.<sup>2</sup> The first chapter therefore also surveys the transformation of the modern world through the spread of industrialisation, the emergence of new powers and the reaction against imperialism.

In other words, broad trends in the world at large helped shape Britain's fate. Understanding this may make it easier to come to terms with what has happened. But important recent studies of British foreign policy push this insight to the point of being almost determinist in tone. Paul Kennedy (1981, 1988) and Bernard Porter (1987) take as their major theme the problems of an economy surpassed by rivals and enervated by military spending – part of a perennial rhythm of rise and decline among great powers. Yet the specific course of events was far from being pre-determined, certainly not by economic performance alone. Moreover, other

European countries, notably France, went through similar experiences – economic decline, loss of empire, eclipse by the superpowers – and their responses were significantly different. Thus, it is too simple to claim that ‘power determines policy’.<sup>3</sup>

After looking in chapter two at the concept of policymaking and at Britain’s policymaking institutions, the remaining chapters therefore examine the reactions of British leaders to the upheavals of the twentieth-century world. Of central importance are the crises of two world wars, although these are sometimes depicted (and even dated) in unfamiliar ways. The chapters evolve chronologically, and, although in no sense constituting a comprehensive account of British overseas policy in the twentieth century, they provide an overview of the whole story.

Thinking in this way about power and policy has implications not merely for the explanation of Britain’s twentieth-century fate but also for the way in which we describe it. Much of the debate assumes that Britain has lost a position which in reality it never had. Conventional wisdom postulates a steady decline from a position of ‘primacy’ at the beginning of this century,<sup>4</sup> with only ‘delusions of grandeur’<sup>5</sup> keeping Britain going as a would-be great power after 1945. Such an account exaggerates Britain’s nineteenth-century strength. Moreover, it also overstates Britain’s weakness for much of the twentieth century. By understanding power in eclectic and relational terms and by looking at some of the crucial turning-points, we can see this more clearly. Contrary to some historians, Britain was never a nineteenth-century ‘superpower’.<sup>6</sup> Nor was its ‘decline’ in the first half of the twentieth century as abrupt and pronounced as is often implied by those who treat the era after 1945, or 1956, as merely an elegiac finale.<sup>7</sup> The decade after the Second World War ended saw Britain, as never before, trying to act as a superpower. Although that strategy was shortlived, the country is still living with its consequences today. And by paying close attention to the second half of this century, we can see the nature of both power and policy have changed significantly. The story is not just one of ‘decline’ but of transformation.

These, then, are the main themes of the book. To examine them takes us beyond diplomacy in a narrow sense, to look at imperial, industrial and financial policy, at the armed forces, at government institutions and at domestic politics. In the now highly-specialised historical profession these too often form discrete sub-disciplines – separate compartments insulated by jargon and incomprehension. This book tries to transcend some of these barriers and allow the wealth of recent research in each area to enrich our understanding of the others and of the larger problem of Britain’s changing place in the world. It also draws on the work of political scientists – especially theories of power, policymaking and the international system – to

help give the analysis a firm conceptual base, while trying to avoid the aridity of much theoretical writing on international affairs.

In writing it I have become aware of many points at which the record remains unclear, especially when access to government archives is still barred under the thirty-year rule. I hope therefore that this overview will act as a stimulus to debate and further research. Equally important, I hope it will help to bridge the ever-widening gap between scholars and the public in an area of topical interest. It is therefore aimed at both students and general readers, particularly those, like myself, for whom the first half of this century is part of history not memory – for whom the Boers, the Kaiser, Appeasement, the Empire, ‘Winston’, the Commonwealth or Suez cannot simply be invoked but need explanation.

Thus, I try to do justice to two central but distinct tasks of the historian. One is to analyse, with the benefits of hindsight, the long sweep of events – discerning patterns and demonstrating how we got from one point to another. But the danger of hindsight is that it may encourage a sense of inevitability: what happened seems the only thing that could have happened. The historian must therefore also recapture the openness of events, reminding self and readers that events now long in the past were once in the future, and seeing them as they were seen at the time. The two tasks cannot be totally disentangled, of course. We can never reconstruct the past except with hindsight; that alone makes it possible to identify putative turning-points for closer analysis. In fact, any intellectual framework used by historians is strictly artificial. Anthony Eden, Lord Avon, once exclaimed that ‘there are no chapters in foreign policy, only chapters in books about it’.<sup>8</sup> These particular chapters are offered, then, as one historian’s contribution to our understanding of Britain’s place in the twentieth century and of its prospects for the twenty-first.

## References

1. e.g. Barnett 1972
2. Kipling 1933 (ed.): 218
3. Farrar 1981: 199
4. Friedberg 1988: 303
5. Porter 1987
6. e.g. Jones 1980: 10
7. Kennedy 1981; Bartlett 1989
8. Dilks 1972: 38

## Power

### The relativities of power

For the student of international relations few concepts are more important than that of 'power'. Yet its meaning is difficult to pin down. In common parlance we tend to judge a country's power by the size of its armed forces or the number of missiles it possesses. We also rank countries as greater or lesser powers. Yet scholars agree that we would be wiser to think of power not as a *possession* but as a *relationship*<sup>1</sup> – one in which A gets B to do something that B would not otherwise do. This can be effected in various ways. Outright war is obviously the most extreme form, but other modes of power include coercion, manipulation, inducements and influence, as we move toward the opposite end of the spectrum. The sources of a country's power are also diverse. It is customary to focus on those that translate easily into military might, particularly population, natural resources and, in the industrial age, economic strength. Aside from such 'tangible' elements, however, scholars also note the importance of 'intangibles' such as national unity and morale, the coherence of the governmental system, the quality of leadership or diplomatic skill.<sup>2</sup>

All these elements come into play in a particular power relationship between two states. A strong economy may not be decisive if the country's armed forces are ill-prepared for war. A large army may be irrelevant if the country has no will to fight, or if its leaders are distracted by other concerns at home or abroad. A state with limited economic resources may be able to secure unexpected advantage by diplomatic dexterity. And the reputation for being powerful may ensure influence long after economic and military strength has waned, particularly if war can be avoided.

There is a danger, therefore, in categorising countries as ‘minor’ or ‘great’ powers, as ‘world powers’, ‘superpowers’, and the like. Although useful shorthands, such language can lure us into a static understanding of power as a permanent possession. Conceiving, instead, of power in relative terms means recognising that it may vary from situation to situation: the United States played a decisive role in defeating advanced industrial nations like Germany and Japan in 1945, yet it could not overcome the third-world peasant state of North Vietnam. Likewise, the Soviet Union was able to coerce Eastern European satellites such as Hungary in 1956 or Czechoslovakia in 1968 but it could not defeat the Afghanistan guerrillas in the 1980s. Power is also relative across time: countries rise and fall in effective power, for reasons that are usually connected with the state of their economies and armed forces but which are by no means simply reducible to those factors. Often the perception of a country’s power, at home and abroad, is as important as its actual capabilities<sup>3</sup> – as the Americans discovered in the 1970s after Vietnam.

Power, then, is relative not absolute; its sources are intangible as well as tangible. What matters is not abstract rankings of great powers but the complex balance of forces in each particular power relationship. These complexities of power must be kept in mind when examining the British case. But there is another important relativity. What happened to Britain was paralleled by the story of several other Western European states in the twentieth century, notably France, but also Spain, Portugal and the Netherlands. The fate of the so-called ‘Pax Britannica’ cannot be understood through purely British-centred explanations, for it is tied up with the rise and fall of a ‘Eurocentric’ world.

For a millennium after the fall of Rome, Europe was on the periphery of ‘civilisation’. The world’s centre of gravity lay in the Near East, India, and China – technological pioneer of gunpowder, canals and the mechanical clock. The world’s most dynamic ideological force in this millennium was not Christianity but Islam, whose expansion reached its apogee in the great early-modern empires of the Mughals in India, the Safavids in Persia and the Ottomans in the Near East. For centuries the Islamic tide lapped around the Mediterranean, leaving an indelible mark on the Balkans and southern Spain. As late as 1683 Ottoman armies were at the gates of Vienna.

But by this time the Europeans were reaching out around the globe, using the sailing ship which they had developed to a state of unequalled sophistication. As traders and as settlers they expanded into Asia and the Americas, with the countries of Northwest Europe, strategically located on the Atlantic seaboard, taking the lead. Although conventionally dated from around 1500, this was a slow process: in 1700 much of the world’s

production and trade remained concentrated in Asia and the crisis of the three great Islamic empires came only in the eighteenth century.<sup>4</sup> The process of European expansion was accelerated by five great bouts of European war in the period 1689–1815, during which French hegemony was destroyed as part of a world-wide struggle for trade and colonies. Although by the end of these wars most of the Americas – North and South – had thrown off colonial rule, European outreach intensified throughout the world in the nineteenth century with the spread of industrialisation. European manufactures and non-European primary products became part of a global trading system, and a new struggle for colonies broke out in the last quarter of the nineteenth century, centred now on Africa.

By 1900 the Europeans seemed supreme. They occupied one-third of the earth's land surface in 1800, two-thirds by 1878 and 84 per cent in 1914.<sup>5</sup> Yet within fifty years the tide of history had ebbed dramatically. In the eighteenth century the wars over French hegemony had helped spread European influence around the globe. In the first half of the twentieth century two great German bids for domination sapped Europe's wealth and brought the Continent under the influence of two new 'super-powers', America and Russia. The first of these was a veritable economic giant in 1945, producing half the world's manufactured goods. At the same time the process of decolonisation accelerated dramatically and by the late 1960s most of the European empires had disappeared. In their wake all the European powers faced a painful process of re-definition, which increasingly focused on the development of the European Community. By the 1990s the economic centre of the world was again shifting away from Europe, this time to the Pacific basin, which accounted for two-thirds of the world's population and generated half of its total gross domestic product by the year 2000.<sup>6</sup> And Islam was once more a world force, both in population and ideological vigour. The collapse of the 'iron curtain' in 1989 gave Europe the prospect of a new unity and its Western part remains a significant force in international affairs, but its three centuries of world dominance are over – at least for the foreseeable future.

Any account of Britain's changing place in the world over the last century must therefore recognise that it is part of this larger metamorphosis of European power. Purely British-centred explanations are inadequate. Yet in the nineteenth century Britain did achieve a remarkable international position and, in order to understand how and why it was lost, we must begin by identifying what this was.

## Britannia rules

Britain stood in the vanguard of the great movements of European expansion – commerce and conquest in the eighteenth century, industry and empire in the nineteenth. Its principal advantage was probably an island position. Unlike rivals such as France or Prussia, sharing land borders with often hostile powers, Britain could shelter behind what Shakespeare called its ‘moat defensive’, the English Channel. This did not guarantee immunity – in the 1690s and again in 1804–5 the threat of invasion seemed acute – but it did mean that normally the British did not need the sort of large standing army that became familiar on the Continent. The Royal Navy, however, was both popular and necessary – a trend also encouraged during the Civil War years when the service was placed on a properly-funded footing. The navy was Britain’s main barrier against hostile forces crossing the Channel. It was also important because, as an island, increasingly dependent on the import of food and key raw materials such as cotton, Britain needed to protect its seaborne commerce from privateering and wartime enemies.

Britain’s insular position left it well-placed to capitalise on the five great rounds of warfare against France. While French leaders from Louis XIV to Napoleon had to fight their primary battles on land against continental foes, Britain was able to divert more of its resources to the struggle for trade and colonies. The Seven Years War of 1756–63 left the British in control of most of North America, and, although they lost nearly all their American colonies in the new world war of 1776–83, they held on to what became Canada and also the British West Indies. The Revolutionary and Napoleonic wars of 1793 to 1815 brought long periods of isolation and economic crisis for the British but also, eventually, overwhelming victory. French seapower was shattered and Britain was left as the world’s main colonial power, paramount in India but also well-entrenched in Australasia and southern Africa. Its fleet, previously based mostly at home and in the Baltic and Mediterranean, was now spread around the globe. In 1848 only 35 warships were in home waters and 31 in the Mediterranean. There were 27 on the West Africa station, 10 at the Cape of Good Hope, 25 in the East Indies and China, 10 in the West Indies, 14 in South America and 12 in the Pacific.<sup>7</sup> Their ability to command the seas depended on holding what Admiral Sir John Fisher was later to call the ‘five strategic keys’ that ‘lock up the world’ – the great British bases at Dover, Gibraltar, Alexandria, the Cape of Good Hope and Singapore.<sup>8</sup>

Established in key points around the globe, able to reach out through a strong navy and merchant marine, Britain after 1815 also enjoyed the advantage of being the world’s first industrial nation. This position was

intimately bound up with commercial hegemony. From the late eighteenth century the country's initial industrial surge was stimulated by cotton manufacture. All the raw material was imported and most production was for export. By 1830 half the value of British exports came from cotton goods and raw cotton made up 20 per cent of net imports. As the cotton boom waned by the 1840s so iron and steel became the new growth sector, stimulated particularly by the railway-building manias of the 1830s and 1840s and then by British dominance in the construction and financing of railways around the world. By 1860 a country with only 2 per cent of the world's population was generating about one-fifth of Europe's total gross national product (GNP), producing half the world's iron and steel and accounting for 40 per cent of world trade in manufactured goods. It had the highest GNP in the world and its population enjoyed the highest average per capita income. Britain's dominance of the world economy in the mid-nineteenth century was greater than that of the USA at its peak a century later.<sup>9</sup>

So, in the mid-Victorian era Britain seemed truly great. It was the dominant sea power, the leading colonial power and the world's industrial giant. Economic strength and a well-grounded system of national debt had enabled it to see off the challenge from Napoleon. In the decades after 1815 the Royal Navy did seem to rule the waves, sweeping piracy from the Indian Ocean and China Seas, combatting the slave traders in the Caribbean and South Atlantic, and advancing British mercantile interests, particularly in the 'Opium War' of 1839–42 to open up China to British trade. Many foreign leaders had no doubt that British power was decisive. 'Only England, mistress of the seas, can protect us against the united force of European reaction,' exclaimed Simon Bolivar, the liberator of South America, as he contemplated the threat of Spanish reconquest, while Muhammad Ali, the Ottomans' unruly viceroy of Egypt, observed, 'with the English for my friends I can do anything: without their friendship I can do nothing'.<sup>10</sup> Like Rome, Britain seemed to rule or shape much of the world, what Tennyson celebrated in 1886 as

... the mightiest Ocean-power on earth  
Our own fair isle, the lord of every sea.<sup>11</sup>

Politician Joseph Chamberlain simply called it the 'Pax Britannica'.

The sensation of national power seemed most palpable during the celebrations for Queen Victoria's Diamond Jubilee in June 1897. A week of festivities ended with a vast naval pageant off the Isle of Wight when the Queen reviewed 165 of her ships manned by 40 000 men. But the highpoint was 22 June when Her Majesty processed in state through six miles of

London streets amid cheering crowds. The capital had spent a quarter of a million pounds on street decorations, many of them illuminated by the latest miracle of British industrialism, the electric light bulb. For most observers the theme of the celebrations was ‘the world-wide Empire of Britain . . . the exultant expression of a power the greatest in the world’s history’.<sup>12</sup> Of particular fascination were contingents of troops from the Queen’s territories all over the world. G.W. Steevens of the new popular newspaper *The Daily Mail* depicted them marching up Ludgate Hill to St Paul’s –

white men, yellow men, brown men, black men, every colour, every continent, every race, every speech – and all in arms for the **BRITISH EMPIRE AND THE BRITISH QUEEN**. Up they came, more and more, new types, new realms at every couple of yards, an anthropological museum – a living gazeteer of the British Empire. With them came their English officers, whom they obey and follow like children. And you began to understand, as never before what the Empire amounts to.<sup>13</sup>

The rhetoric of the week was extravagant, often implausible. A jubilee mug, inscribed with portraits of the seventy-eight-year-old Queen, carried the legend ‘The Centre of a World’s Desire’.<sup>14</sup> A Canadian poet penned his own tribute:

Here’s to Queen Victoria  
Dressed in all her regalia  
With one foot in Canada  
And the other in Australia<sup>15</sup>

A remarkable posture indeed, but one that was difficult to sustain for long. In July 1897 the popular bard of empire, Rudyard Kipling, offered his own more sober verdict on the Jubilee. His ‘Recessional’ reminded readers of the obligations of empire and also carried intimations of its mortality:

Far-called our navies melt away –  
On dune and headland sinks the fire –  
Lo, all our pomp of yesterday  
Is one with Nineveh and Tyre!<sup>16</sup>

The mood of 1897 – of present power and anticipated decline – has often been used by historians as a benchmark for the twentieth century. It is claimed for instance that ‘Britain alone had dominated world affairs in the years following 1815’,<sup>17</sup> that in this period Britain was ‘the only superpower, whose intervention was decisive for the balance of power,

not only in Europe but in the world',<sup>18</sup> and that the end of British naval supremacy in the early twentieth century meant the loss of 'the nation's unique role as the independent, detached arbiter of world affairs'.<sup>19</sup> Such language is misleading. British power was more limited in the nineteenth century than appearances suggested.<sup>20</sup> The nature of that power – economic, international and imperial – is the theme of the next three sections of this chapter.

## Wealth

It is an axiom of international affairs that 'wealth is usually needed to underpin military power'. There is 'a very significant correlation *over the longer term* between productive and revenue-raising capacities on the one hand and military strength on the other'.<sup>21</sup> And, in the long run, the British case seems to support that claim. In 1880 Britain produced nearly 23 per cent of total world manufactured goods, only 10 per cent in 1928 and 4 per cent in 1980 (table 1.1). As a trading nation Britain's decline was longer-delayed, but the end result was similar. At the beginning of this century Britain generated one-third of the world's exports of manufactured goods, a quarter in 1950 and less than 10 per cent by 1980 (table 1.2).

While Britain's share of the world's wealth was declining, the cost of military armaments rose exponentially. In 1893–5 Britain's *Majestic* class warships each cost on average £1 million, the *Dreadnoughts* of 1905–6 averaged £1.79 million and the *Queen Elizabeth* of 1912–13 required £2.5 million.<sup>22</sup> In the 1980s the cost of 385 Tornado fighters for the RAF was greater in real terms than that of all the 21 000 Spitfires produced before and during the Second World War.<sup>23</sup> With the increasing complexity of modern weapons you got less bang for your buck, year by year. Yet a nation that fell behind in the spiral of sophistication – be it *Dreadnought* battleships or nuclear missiles – risked eclipse as a first-rank power.

Scholars, politicians and pundits have agonised over the reasons for Britain's economic decline. Yet in the broadest terms, what happened is hardly surprising: 'it is a mistake to think that England's supremacy was normal and her decline abnormal'. On the contrary, original 'supremacy' rather than subsequent 'decline' is more in need of explanation.<sup>24</sup>

In 1860 20 per cent of the world's manufactured goods was being produced by a country with only 2 per cent of its population. Once the process of industrialisation spread, particularly through America and Germany in the last third of the nineteenth century, Britain's advantage would certainly be reduced. The USA – a country the size of a continent, blessed with

**Table 1.1 Relative shares of total world manufacturing output, 1860–1980 (in percentages)**

	1860	1880	1900	1913	1928	1938	1953	1963	1973	1980
UK	19.9	22.9	18.5	13.6	9.9	10.7	8.4	6.4	4.9	4.0
Germany/ W. Germany	4.9	8.5	13.2	14.8	11.6	12.7	5.9	6.4	5.9	5.3
USA	7.2	14.7	23.6	32.0	39.3	31.4	44.7	35.1	33.0	31.5
Russia/USSR	7.0	7.6	8.8	8.2	5.3	9.0	10.7	14.2	14.4	14.8
Japan	2.6	2.4	2.4	2.7	3.3	5.2	2.9	5.1	8.8	9.1
France	7.9	7.8	6.8	6.1	6.0	4.4	3.2	3.8	3.5	3.3

Source: Bairoch 1982: 296, 304. Annual figures except for 1860, 1880, 1900, 1928 and 1938, which are triennial averages.

**Table 1.2 Percentage of world exports of manufactures, 1899–1980**

	1899	1913	1929	1937	1950	1960	1970	1980
UK	33.2	30.2	22.4	20.9	25.5	16.5	10.8	9.7
Germany/ W. Germany	22.4	26.6	20.5	16.5	7.3	19.3	19.8	19.9
USA	11.7	13.0	20.4	19.2	27.3	21.6	18.5	17.0
Japan	1.5	2.3	3.9	6.9	3.4	6.9	11.7	14.8
France	14.4	12.1	10.9	5.8	9.9	9.6	8.7	10.0

Sources: Balfour 1982: 285; Chalmers 1985: 126.

booming population growth, abundant natural resources and a vast, tariff-free internal market – was especially likely to surpass Britain. Furthermore, those countries trying to catch up, assuming they had crossed a basic threshold of socio-economic capacity, could benefit from a leader's technological innovations, copying them directly rather than learning by trial and error. Indeed 'followers tend to catch up faster if they are initially more backward'.<sup>25</sup> Thus, leaders of a particular stage of industrialisation tend to be caught in the long run. In the last century, this has happened twice – for Britain around 1900 and America since 1945 (at a more advanced stage of industrialisation).

The 'catch-up' phenomenon in part explains Britain's fate.<sup>26</sup> The advantages of an 'early start' faded as others caught up: indeed they became disadvantages because the country was tied to outdated technology and working practices. But this points to a deeper problem. It is customary to think of Britain as an erstwhile industrial leader who gradually lost both its

place and its skills. Recent historiography, however, has argued that in crucial respects Britain was never truly industrialised in the first place. Its advantage in the early nineteenth century did not stem from high growth rates, impressive productivity, substantial investment or advanced technology. It was narrowly based in a few industries geared to exports and reliant on Britain's coal reserves and abundant unskilled labour. In the history of industrialisation Britain was unique in the size of its industrial workforce at a very early stage of its economic development. In 1840 British per capita income was equivalent to US\$550 (at 1970 values). By then only 28.6 per cent of the male workforce remained in agriculture. When most European countries crossed the \$550 income threshold later in the century, around half their workforce was still in agriculture.<sup>27</sup> In other words their industrial sector was far more efficient than was Britain's at the same stage.

It is therefore true to say that Britain had an industrial revolution in a *structural* sense, meaning a massive transfer of workers from agriculture to industry and from countryside to town. But its experience of industrial revolution was much slower and more limited in the *technological* sense, that is to say involving far-reaching changes in productivity, technology and industrial practices.<sup>28</sup> Nor did nineteenth-century businessmen visualise themselves as part of an industrial *revolution*, creating a culture of continuous change. Instead they 'saw the changes wrought by the innovations largely as once-for-all events. . . . They certainly did not see themselves as heralds of a new order that in the twentieth century would increasingly call upon scientific understanding in an ever-deepening search for the means of economic survival.'<sup>29</sup>

Thus, to lament 'the decline of the industrial spirit'<sup>30</sup> misses the fact that, in significant respects, the British never had it in the first place. The problems of twentieth-century British industry have their roots in the partial and idiosyncratic character of its early industrialisation. The easiest scapegoat has been Britain's patchwork of competing trades unions, defending over-manning, resisting new technology and exercising a unique hold over local workplace practices. Yet the union problem is only the tip of the iceberg. 'Well into the twentieth century employers in many British industries remained reluctant to assume direct control over the production process through the introduction of deskilling technology and more systematic management'.<sup>31</sup> Both unions and employers exhibited the small-scale 'competitive capitalism' that was typical of nineteenth-century British industry.<sup>32</sup> Most manufacturers were compact family firms, who relied on personal wealth and ploughed-back profits for new investment. They were run directly, without a managerial structure, and their technology relied on trial and error for much innovation. In the prosperity of the Victorian era, these small firms made accommodations with the many specialist craft unions

that emerged to protect workers' rights, allowing them considerable autonomy at the workplace level rather than engaging in prolonged strife that would endanger production and profits.

This pattern was slow to change. In the USA and Germany large industrial combinations were established in the late nineteenth century, bringing in their train a specialist management system and encouraging mass production of standardised goods. The equivalent British merger movement did not begin until the 1920s and even then was mainly a defence against the US and German giants. The result was usually a large holding company, such as Imperial Chemical Industries (ICI) or Associated Electrical Industries (AEI). Not until the 1950s did they begin to fuse the separate component companies into a fully-integrated structure with modern methods of accounting and control. 'Normally, it took a British firm three generations to reach the size and managerial structure that a comparable American enterprise achieved in one'.<sup>33</sup> Even so, the old patchwork union structure persisted, with a plethora of rival unions exerting substantial if divisive influence over the local workplace.

Likewise, the much-lamented deficiencies of British technological education have their roots in the period of industrialisation. In the heyday of the industrial revolution from 1770 to 1830 there was little need for educational skills among most of the workforce. Technology was crude and much was achieved by mere muscle-power.<sup>34</sup> Consequently, 'in Britain, where technological change came early, a new industrial society had already taken shape by the time the schools were built'. These embodied 'not only the prejudices and cleavages of the established order, but the material inequalities'. In contrast, 'the Germans developed their schools in advance of and in preparation for industrialization' which came near the end of the nineteenth century.<sup>35</sup> On this foundation of basic education, Germany reared an excellent system of secondary technical training. But British education at all levels remained inherently biased against technical subjects. In 1976 only 5.7 per cent of British eighteen-year-olds were in technical and vocational education outside the higher education structure. In Germany and Switzerland the figure was around 50 per cent.<sup>36</sup> Managers were consistently picked for 'leadership' qualities rather than expertise, and as late as 1987 only 24 per cent of senior British managers were graduates, compared with 85 per cent in the USA and Japan.<sup>37</sup> Britain has also generally lagged behind in research and development. Of the top 200 firms in the USA in 1948, 164 had their own industrial laboratories, compared with 40 of the top 200 in Britain.<sup>38</sup>

To say that Britain was never as radically industrialised as, say, the USA or Germany, is not, however, to say that it was 'anti-capitalist'. What was distinctively British was the strength of non-industrial forms of capitalism,

particularly financial, and their association with the members and ethos of Britain's landed élite – what has been called 'gentlemanly capitalism'.<sup>39</sup> Rather than seeing finance as a putative handmaiden of industry that failed to play its appointed role, historians are recognising that it has always been an autonomous sector in Britain, with its own rationale and national utility. Indeed it pre-dates the industrial revolution. The Bank of England (1694) was established as a private corporation and given special privileges in return for managing the Government debt – mainly the result of wars for empire against the French. Loans were raised through the City, and the Treasury serviced the national debt by income from customs and excise duties.<sup>40</sup> That corrupt system was destroyed by the early nineteenth-century 'economical' reformers, but investors shifted from British government stock to foreign investment and the City found a new *raison d'être* in servicing the booming world economy. Its interests lay not in industry, nor even investment *per se*, but in trading in money (and in any other commodity in which it could make a market). The greatest gains were realised outside Britain rather than within it.

The City's priority gradually became clear as the nineteenth century progressed: to maximise the scope of the international economy. This entailed free trade, free markets in money, goods and capital, and above all the preservation of the value of sterling as an earnest of Britain's financial integrity. These goals made good sense, both for the City's profits and for the country's balance of payments. Furthermore, trade often flowed to areas opened up by British investment. But the City's objectives were divorced from, and increasingly conflicted with, the demands of a separate and struggling sector of British capitalism – productive industry – where a policy of selective tariffs and flexible exchange rates backed by restructuring investment might have been desirable. And its hold over national life was aided by the fact that City, Bank and Treasury were peopled by a small, well-acquainted élite who usually came through the funnels of the major public schools and Oxbridge. Thus, Britain *was* a capitalist country, but one dominated to a unique degree by 'commercial capitalism'<sup>41</sup> and run by 'gentlemanly capitalists' who had little interest in modernising the 'competitive capitalism' of British industry.

The effect of 'catch-up' on an economy that was never radically industrialised, and whose most precocious sector was finance, explains much of the British economic performance. (Why the old practices were so tenacious is another question – to which some possible answers will be offered in due course.) What needs emphasis here is that the British evaded rather than confronted the challenge of new industrial rivals. Britain responded to competition 'not by modernizing her economy, but by exploiting the remaining possibilities of her traditional situation'.<sup>42</sup> In the late nineteenth century, as

industrialisation spread and a truly international economy emerged, British exports moved away from the developed markets of Europe and North America to concentrate on countries in Asia, Australasia and Latin America which lacked their own industries in textiles, iron or steel and which were already exporting their own food and raw materials to Britain. And, with its strong pre-existing financial sector, Britain was well-placed to act as banker, shipper and insurer of the new world economy.<sup>43</sup>

This pattern was formalised by Depression, World War and Cold War. In the 1930s the open, multilateral world economy fragmented into several semiclosed economic blocs, tied to the major currencies. As the world's major trader and investor, Britain was particularly hard hit. But it made the best of the situation by consolidating relations with its closest trading and financial partners. The principle of free trade – open access to the British market for virtually all foreign goods – was now abandoned in favour of protective tariffs. But preferentially lower tariff rates were accorded to countries of the British Empire ('imperial preference'). An embryonic sterling area also began to emerge, embracing those countries who traded heavily with Britain and kept their currencies pegged to sterling. From 1939 this was reinforced by formal exchange controls which continued after the war was over. The Sterling Area overlapped with the Empire but was by no means coterminous – Canada, for instance, was outside, while countries in Latin America and Scandinavia were included. Nevertheless, the increased importance of the Empire to Britain was striking. During the interwar years it attracted far more new British foreign investment than nonimperial countries – a contrast with the pre-1914 story – and between 1913 and 1938 the Empire's share of British exports rose from 22 per cent to 47 per cent.<sup>44</sup> The Empire/Commonwealth and the Sterling Area became the framework for British economic policy from the 1930s to the 1960s – a privileged market for goods and capital which insulated an increasingly backward economy from international competition. The collapse of this framework by the 1960s and the difficulties of British accommodation in a new one – the European Community – were at the heart of the economic malaise from which Britain has still not recovered.

None of this denies the genuine growth of Britain's economy during this century. In 1950 British industry produced twice as much as in 1913 and in the period from the mid nineteenth century to 1970 the gross domestic product (GDP) grew *on average* at nearly 2 per cent each year. Average incomes are now more than three times what they were in 1900 and the real wages of manual workers have doubled every thirty years during the century. But, although Britain grew, other economies grew faster, gradually overtaking Britain as an industrial producer and squeezing its share of the world's wealth. This reduced Britain's capacity to maintain large

**Table 1.3 Relative growth of GDP per man-year, 1873–1973**

	<i>Annual percentage growth rates</i>					
	<i>UK</i>	<i>USA</i>	<i>France</i>	<i>Germany</i>	<i>Italy</i>	<i>Japan</i>
1873–1899	1.2	1.9	1.3	1.5	0.3	1.1
1899–1913	0.5	1.3	1.6	1.5	2.5	1.8
1913–1924	0.3	1.7	0.8	-0.9	-0.1	3.2
1924–1937	1.0	1.4	1.4	3.0	1.8	2.7
1937–1951	1.0	2.3	1.7	1.0	1.4	-1.3
1951–1964	2.3	2.5	4.3	5.1	5.6	7.6
1964–1973	2.6	1.6	4.6	4.4	5.0	8.4
1873–1973	1.2	1.8	2.0	2.0	2.4	2.6

Source: Matthews et al. 1982: 31

armaments and safeguard its foreign commitments. Often the mechanism whereby diminishing wealth was translated into reduced power was via the balance of payments. For most of the nineteenth and early twentieth centuries Britain ran a deficit on visible trade but offset this by a surplus on invisible income from shipping, insurance and overseas investments. The only peacetime exceptions to that pattern occurred in 1919 and 1926 – both aberrant years because of immediate postwar commitments and then the General Strike. But from 1931 the country ran persistent peacetime balance of payments deficits, reflecting both its weakening competitive position industrially and the reduction of its invisible earnings. Frequently it was pressure on the balance of payments and especially on sterling which hobbled defence policy – retarding rearmament in the 1930s, helping force decisions to withdraw from India and Palestine in 1947–8 and from ‘east of Suez’ in 1968, and bringing the Suez operation to an abrupt end in November 1956.

Thus it is clear that in a broad sense wealth does determine power. Britain’s declining ability to shape world affairs owes much to the diminution in its relative economic strength. Yet the latter was no steady, inexorable slide from 1900. Had it been, arguably, Britain’s decline would have come much more quickly because many of the problems of economic uncompetitiveness were apparent in the early years of this century, as Britain’s especially poor growth figures indicate (table 1.3). What distorted the ruthless logic of the international market was the effect of two world wars.

It is customary to focus on their deleterious effects for Britain, and rightly so. The country lost nearly 15 per cent of its total assets in 1914–18 and nearly 28 per cent of what remained in 1939–45. So great was this decline

‘that over a period of nearly 40 years from the beginning of the First World War the total real wealth of the United Kingdom scarcely increased at all – a phenomenon that must have few parallels in the history of an advanced economy’.<sup>45</sup> In both wars, the USA was the prime economic beneficiary. Yet, remembering that power is relative, we can see that the wars were not uniformly disastrous for Britain. Tables 1.1 and 1.2 show how both conflicts retarded the German economic challenge to Britain’s position, while Japan, an economic beneficiary of the First, was seriously damaged by the Second. Indeed because of the vast devastation wrought by the war on all of continental Europe, including Germany and the USSR, around 1950 Britain was probably second only to the USA in total GNP.<sup>46</sup> It was not until the late 1950s that economic recovery and open international trade produced a competitive Western economic market of the sort not seen since 1913. In this context the root problems of Britain’s uncompetitive industry came to the fore again with renewed urgency, as the relative growth figures indicate (table 1.3).

Thus, the timing of events is as important as their causes. The parameters of power comprise more than economic strength. In particular, we need to look more closely at the rhythms of war, peace and international rivalry.

## Rivals

Power is relative. Britain’s strength in the half-century after 1815 depended partly on its own resources but also on the weakness of its opponents. Such weakness was unusual – a far cry from the struggles against Spain and France in the days of Philip II, Louis XIV and Napoleon. Moreover, it proved only a brief hiatus. From the late nineteenth century Britain faced a wider range of enemies, no longer confined to Europe, and with greater military strength. They would eventually capitalise on new technologies of warfare to render its ‘moat defensive’ irrelevant and erode its independence.

Contrary to common belief, ‘European peace in the nineteenth century did not derive to any great degree from Britain’s maintaining a continental balance of power’.<sup>47</sup> It owed far more to the exhaustion of Europe after two decades of war and the satisfaction of all the continental powers with the ensuing peace – except for defeated France, which was isolated. In trying to avoid further horrific wars, the five major powers – Austria, Britain, France, Prussia and Russia – looked beyond a mere balance of military might. They consulted regularly together in what became known as ‘the Concert of Europe’ to maintain the territorial settlement of 1815 or at least to try to

ensure that changes, such as the creation of Belgium in 1830, took place by agreement rather than force.<sup>48</sup> Rather than the Pax Britannica sustaining an era of European peace, it was peace which sustained the Pax. Indeed Britain was almost a 'free rider' – allowed to concentrate its resources on global expansion because of the European equilibrium.<sup>49</sup> When continental states chose once more to use war as an instrument of policy – with the unification of Italy and Germany in the 1860s – Britain could do little to affect the outcome.

These wars revealed the limits of British military power. The country's great strength lay in its navy, transformed from wooden sailing ships to steampowered ironclads by the 1860s. Lord Palmerston justly boasted that 'diplomacy and protocols are very good things, but there are no better peace-keepers than well-appointed three-deckers'.<sup>50</sup> Yet it was also Palmerston who admitted that 'ships sailing on the sea cannot stop armies on the land'.<sup>51</sup> Seapower could be used to real effect in areas adjacent to the oceans, from Portugal to China, particularly where there were few hostile vessels in the offing, but the Royal Navy was impotent in the great crises in the interior of Europe, such as the revolutions of 1848–9 or Bismarck's wars of 1864–70. Moreover, these conflicts effected a military revolution on the continent. The new 'Prussian way of war'<sup>52</sup> – conscript armies, superior firepower, a centralised General Staff and railways for rapid mobility – was gradually emulated by the other continental powers. But in Britain conscription remained politically unacceptable, and as a military force 'Britain was simply not in the same league as the major continental powers'.<sup>53</sup> In 1871 Lord Salisbury estimated that whereas the Austrians and Germans could each put over a million men into the field and the Russians nearly 1.5 million, Britain's 'utmost strength . . . for the purpose . . . of foreign action' was 100 000.<sup>54</sup> Little wonder that Bismarck reportedly scoffed that if the British army landed on the German coast he would send the local police force to arrest it.<sup>55</sup>

Thus, in part because of geopolitics, in part because of policy, the military power of Victorian Britain was of limited use in deciding continental quarrels. By 1871 Bismarck's new German empire was the greatest military power on the continent, dominating Central Europe. Disraeli called the Franco-Prussian war 'a greater political event than the French revolution. . . . The balance of power has been entirely destroyed, and the country which suffers most . . . is England'.<sup>56</sup> Moreover, by the late nineteenth century the balance of forces globally was also shifting against Britain. After the post-Napoleonic interlude, European imperial rivalries had been renewed with the scramble for Africa in the 1880s and 1890s and the attempted partition of China at the end of the century. Britain's naval supremacy disappeared. In 1883 the Royal Navy possessed thirty-eight

battleships; the rest of the world had forty. By 1897 Britain was outnumbered, sixty-two against ninety-six.<sup>57</sup> By this time the Russian empire had spread across Asia to the Pacific and the borders of India. And new powers were emerging outside Europe to contest the European dominance of world affairs. Japan industrialised and built up its armaments, defeating China in 1894–5 and, more strikingly, Russia in 1904–5. Even more important, the United States had survived the trauma of civil war in 1861–5. Instead of two separate and rival states vying for control of the American continent, a united, if federal, government held sway from the Atlantic to the Pacific – a distance equivalent to that from the Pyrenees to the Urals. Already in 1866 the French economist Michel Chevalier was urging Europe to unify in the face of the ‘political colossus that has been created on the other side of the Atlantic’ because ‘within thirty years North America will be a rival to Europe, competing with her in everything’.<sup>58</sup>

In the first half of the twentieth century Britain tried to defend a global position consolidated after the Napoleonic wars at a time when the continent was stable and at peace. Rivals now were numerous. The old fears of French hegemony had not disappeared and were particularly significant in the 1920s and 1960s. Outside Europe the Japanese challenge was acute in the 1930s and early 1940s. But the main threats were threefold. Within Europe the status quo was challenged by Germany’s economic power and its bids for a continental empire – the root cause of two devastating wars in which the old Europe committed suicide. Outside Europe the fundamental challenge, albeit peaceful, came from America, Britain’s rival for global economic leadership. And in the wings Russia played a Janus-like role – half European, half Asiatic – a threat to Britain’s Indian empire in the early part of the century, an imperial power in Europe itself for four decades after the Second World War.

The first German bid for hegemony, in 1914–18, was repulsed but at great cost, not just in lives and wealth but also through the shift of power to the Pacific, as Japan and particularly America were confirmed as major naval and economic powers. Moreover, Germany was not crushed and its bitter resentment formed the seed of a future conflict. This found fertile soil in the chaos of Eastern and Southeastern Europe where the collapse of the Habsburg empire left a patchwork of unstable, feuding successor states, many with German minorities. Equally important was the fact that while two of the great Eastern empires – the Habsburgs and the Ottomans – had collapsed in the war, the third – the Romanov empire across Russia and Asia – survived revolution and civil war to re-emerge under new Bolshevik leadership. In future this would pose a double danger for Britain – the old geopolitical rivalries in southern Asia were now coupled with the ideological challenge of a power ostensibly bent on world revolution.

The second European war grew out of the first – part of a thirty years war for German hegemony.<sup>59</sup> Yet ‘round two’ assumed a more menacing form for Britain because of the latest revolution in military technology. In the 1900s the main German challenge to Britain had been by sea; in the 1930s the bomber replaced the battleship as *the* strategic weapon. Now geography was no longer a major British asset: in the air-age an enemy could simply leap-frog the Channel. ‘The old frontiers are gone’, warned Stanley Baldwin, soon to become Britain’s Prime Minister, in 1934. ‘When you think of the defence of England you no longer think of the chalk cliffs of Dover; you think of the Rhine’.<sup>60</sup> Indeed Britain was peculiarly vulnerable to the new weapon because the pre-eminent position of London – centre of government, finance, trade and transportation, home for a fifth of the country’s population – made it a more significant target than anywhere else in Europe. Not only was seapower less important for British security, it was also less effective in protecting Britain’s empire and trade. Heavily-armed battleships, designed for set-piece engagements between rival fleets, were now vulnerable from below and from above. In 1917 and again in 1941–2 Germany’s submarines nearly severed Britain’s Atlantic lifelines, while the importance of naval airpower was dramatically demonstrated in December 1941 when Britain’s only two capital ships guarding her Asian empire, the *Prince of Wales* and the *Repulse*, went down in two hours before Japanese torpedo-bombers.

In 1940–2 the European and global threats and the end of the seapower era conjoined in the great crisis of British power. In the decade before 1914 the global challengers had been kept at bay as Britain concentrated on Germany. The war of 1914–18, though involving the Middle East and sporadically East Asia, was primarily a European conflict. The war of 1939–45 took a very different course. First, in 1940 Hitler defeated France and overwhelmed Western Europe, achieving in six weeks a continental empire that had eluded the Kaiser in four years of fighting. Isolated, Britain was dependent to a far greater extent than in 1914–18 on the USA and, after Hitler turned east in 1941, the Soviet Union. Secondly, Italy and Japan took advantage of the collapse of Europe to press their own claims for empire in North Africa and East Asia respectively, each of which threatened central interests of a beleaguered Britain. To recover their position in both areas the British were also reliant on the United States.<sup>61</sup>

By 1945 Germany’s second bid for hegemony had ended in disaster, but Hitler had brought the old Europe down in ruins around him. Such was the extent of his early successes that he had, in effect, called the superpowers into existence to redress the balance of the Old World. At the end of the war the American and Soviet armed forces each totalled between 11 and 12 million men, more than double those of Britain. American troops occupied

Japan and Western Germany, while the Red Army's victory over the Nazis had brought it control of much of East and Southeast Europe as well as Eastern Germany. Yet Britain was still a major power in the post-war world, third in military and industrial terms to the USA and USSR even in the early 1950s. Had the world reverted to the pattern of the previous post-war era, with Russian and American withdrawal, Britain's eclipse would not have been so complete. But out of the war came bitter Soviet–American rivalry, over the division of Europe, the future of Germany and the ideological struggle between capitalism and communism. This time, then, these two extra-European powers maintained vast military establishments. Once they had 'decided' to do so, the great disparity in resources between them and Britain told against the latter in a way it had not after the war of 1914–18, even though the British kept their armed forces 'artificially' high until the end of the 1950s by the unprecedented device of peacetime conscription. In 1953, Britain's peak post-war year, its armed forces totalled 900 000 compared with 3.5 million for the USA and an estimated 4.75 million for the USSR.<sup>62</sup>

The Cold War – the absence of stable peace and the spiralling Soviet–American rivalry – was one reason why the British could not maintain their international position. But equally important was the revolution in military technology associated with nuclear weapons. Given the Soviet conventional superiority and the growing fear of war over Berlin, the British could not hope to stop a possible Red Army advance. They had little choice but to rely on the American monopoly of the atomic bomb, developed at the end of the war, as their main deterrent. The NATO alliance of 1949 reflected this new strategy. But later that year the USSR tested its own atomic device. Geography, Britain's great ally in the seapower age, told against it in the nuclear age even more than in the 1930s. A small, densely-populated island, it was more vulnerable to nuclear devastation than the continent-wide superpowers. A few bombs could effectively finish it off, and, unlike the USA, it was well within range of Soviet airpower. Although Britain tried initially to maintain its own nuclear capability, since the 1960s its small strategic nuclear force has been US-made and the fundamental principle of its defence policy has been to shelter under NATO's American nuclear umbrella.

The other main orbit for modern British foreign policy has been the European Community (EC). Since its creation in 1958 this has become the framework for Western European economic and political cooperation. Yet Britain did not join at the beginning and its belated efforts to do so were frustrated by France: in the 1950s and 1960s the old Anglo–French rivalry was renewed in the battle over European integration. Initial British reluctance and France's subsequent veto ensured that Britain did not join the

EC until 1973, *after* its basic shape was determined – a fundamental disadvantage for Britain ever since. The enlargement of Europe south in the 1980s and east in the 1990s shifted its centre of gravity farther away from Britain, while the renewed process of ‘deepening’, through economic and monetary union, accelerated the erosion of national sovereignty. Like it or not – and many Britons do not – the European Community is now a fact of British life, setting the framework for much of domestic and foreign policy.

Both NATO and the EC were in part attempts to solve the ‘German problem’. A divided Germany with its Western part integrated into the economy of its neighbours constituted a *de facto* peace settlement for a generation. Since the mid-1960s Germany has been the major continental partner in NATO and its efficient, export-led economy has dominated Western Europe, but this revival took place within the constraints provided by NATO and the EC. By the end of the 1980s, however, the Soviet empire in Eastern Europe had disintegrated, the future of NATO was uncertain as Soviet troops pulled back, and German unification proceeded apace. The potential dominance of the German economy seemed even greater with the addition of 17 million people and new access to markets and labour across Eastern Europe. For Britain the German problem had been re-opened, bringing the century around in full circle, except that now the German challenge was primarily economic and Britain was in no position to compete. In 1989 two-thirds of its substantial deficit on trade in manufactured goods within the EC was with the Federal Republic.<sup>63</sup>

To sum up: in an era of seapower the British had enjoyed greater security than most continental powers, thanks to their insular position and strong navy. Nevertheless, Britain could never be indifferent to radical changes in the European balance, and its high-Victorian sense of security and power owed much to the unusual stability of the Continent at that time. In the twentieth century, new technologies of airpower and then nuclear weapons placed Britain in unprecedented potential danger. At the same time new foes emerged to contest its extended international position, proving especially menacing when they challenged simultaneously, as in 1940–2. While Germany hammered away at the old Eurocentric order from within, Japan, Russia and, more insidiously, America pushed it over from without. Both world wars, particularly the second, greatly accelerated the changes in the technology of warfare and in the relative positions of the great powers. And after 1945 the Cold War and nuclear arms race hastened Britain’s eclipse by, and dependence on, powers with greater resources than itself.

Yet this discussion of international rivalries points us to another consideration. In its heyday, Britain did not stand alone. The rise and fall of Britain’s empire constitutes another changing parameter of power.

## Empire

It was the empire which made Britain great. At the beginning of this century the United Kingdom had only 42 million people, whereas the United States had 76 million and Russia 133 million. When one added in the population of Britain's overseas territories, however, the arithmetic was very different. At its peak in 1933 the British Empire covered nearly a quarter of the earth's land surface and embraced a similar proportion of its population, over 500 million in all. France, with the next-largest empire if one excludes Russia, accounted for only 9 per cent of the earth's land surface and 108 million of its people.<sup>64</sup> At times of crisis the Empire could be a vast resource of material and manpower. In the First World War Britain mobilised 6.7 million men, but 3 million more came from the Empire, nearly half of them from India.<sup>65</sup> In 1939–45 the imperial contribution was even more substantial: while Britain mobilised 5.9 million, the so-called 'white dominions' – Canada, Australia, New Zealand and South Africa – raised 2 million and India 2.5 million.<sup>66</sup> With such statistics in mind, some historians have chastised British leaders for 'losing' the Empire. Correlli Barnett, for example, argues that, had the British not lost their nerve, they could have held India by 'resolute autocracy'.<sup>67</sup> Yet that is to miss the tenuous nature of British imperial power.

Britain's global base as a great power was very different from that of its rivals. In the late nineteenth century the concept of a 'world power' was much in vogue, meaning a state with the interests and the capability to act on a global scale. On these criteria the USA and Russia, both vast continental empires that survived the crises of civil war in 1861–5 and 1917–21, had the potential to be world powers. In 1914–45 Germany tried and ultimately failed by military means to establish its own continental base for world power through domination of Europe, though in the process it helped make real the world-power potential of America and Russia. The only existing world power in the late nineteenth century was Britain but, in the words of the German commentator Constantin Frantz in 1882, it was really 'an artificial worldpower' (*eine künstliche Weltmacht*), 'because the territorial basis of this power was just a European country'. Its resource-base lay across the seas in far-flung colonies which lacked a natural unity. They were only held to Britain 'through the threads of the fleet, and these threads could all be broken or cut'.<sup>68</sup>

Britain's lack of a contiguous empire was its basic weakness as a world power, but almost as significant was the diversity of its colonial possessions. Although not acquired 'in a fit of absence of mind',<sup>69</sup> the empire did emerge piecemeal and haphazardly, with little coordination from London. It was a

ragbag of possessions – leftovers in Canada and the Caribbean from the pre-1776 American colonies; spoils, particularly in India, from the wars against France; creeping imperialism in West Africa as weak tribal government caved in before the advance of European commerce and culture; pre-emptive strikes in South and East Africa in the late nineteenth century to stop European rivals; the post-1918 carve-up of the old Ottoman empire in the Middle East.

Nor did Britain ‘own’ these diverse ‘possessions’. In most cases British control was skin-deep, although the forms varied from place to place.<sup>70</sup> In colonies settled by white emigrants from Britain, successive governments in London generally followed the path of ever-greater devolution. The pattern was pioneered in Canada, where, after disturbances in the late 1830s, it was decided to transfer some areas of domestic administration to an elected government, while ‘reserving’ defence and foreign policy for the imperial authorities. This principle of ‘diarchy’ – a division between transferred and reserved powers – was applied to the other white settler colonies in Australasia and southern Africa during the late nineteenth and early twentieth centuries. By 1931, when the British Parliament’s remaining authority was abrogated, the Dominions, as the white settler colonies were known, were effectively independent in all domestic affairs. Increasingly the main bond linking them with Britain was that of loyalty to the country from which many of them or their families had only recently come in the great waves of migration in the 1900s. This was a potent force in mobilising support for Britain in two world wars. In the 1930s, for instance, perhaps 80 per cent of Australians were of British stock and 74 per cent of Canadians were of English or Scots origin.<sup>71</sup>

The policy of measured devolution was adopted in colonies where there was a large British settler community which had the capacity for fiscal independence. Non-white colonies were treated differently because, until well after 1945 in many cases, they were regarded as incapable of self-government. There, more autocratic and paternalistic methods were employed, with an unelected government headed by a British Governor exercising certain devolved powers under supervision from London. Much of the dependent empire was run in this way as Crown Colonies. Even where there seemed no great benefit to Britain – as in West Africa, the West Indies or the Falklands – London hung on for fear that a rival power would acquire them or because they lacked a natural ethnic or political viability of their own. But at the same time the British tried to minimise the costs. The result was an attitude of what might charitably be called benevolent neglect, as London turned a blind eye to the problems of poverty and underdevelopment, except and until, as in the Caribbean in the 1930s,

they exploded in serious disorder. This was cut-price empire – Britain was getting little out, but putting little in.

Between the Dominions and the Crown Colonies stands the special case of India. There the British succeeded the old Mughal emperors and their tributaries as the paramount power.<sup>72</sup> In ‘British India’ they ruled directly through a European-led civil service. In some six hundred princely states, covering a third of the sub-continent – some tiny, others, like Hyderabad, as large as England – they ruled indirectly through hereditary lords and princes who handled all but defence and foreign policy under the eye of a British ‘resident’. Even in British India, however, imperial rule was only superficial. At its peak in 1900 the European (or Covenanted) élite of the Indian Civil Service numbered only 1300, in a population of around a quarter of a billion. British influence depended on alliances with local landed and commercial leaders and on the Western-educated Indians who filled the clerical grades of British administration. They mediated between the British raj and the lower levels of provincial and village society – effecting British wishes, collecting revenue and gathering intelligence. Despite early Victorian waves of evangelical and reforming zeal, the prime object of British rule was not to Anglicise or even ‘improve’ India. As elsewhere in the Empire, Indians were left to their own religious, social and economic devices, except where order was threatened or British interests jeopardised.

In the case of India those interests were considerable.<sup>73</sup> At the beginning of the century Britain provided sixty per cent of India’s imports, particularly textiles, machinery and iron and steel products, and used the surplus to balance its deficits on trade with continental Europe and North America. Even more important was the Indian army. In 1914 its strength of 160 000 fighting troops, one-third of them British, represented half Britain’s peacetime worldwide military strength – essential manpower for a country that did not have conscription. Cost as well as numbers was important. India, in Lord Salisbury’s phrase, was regarded ‘as an English barrack in the Oriental seas from which we may draw any number of troops without paying for them’.<sup>74</sup> More precisely, the general principle was that the Government of India paid out of its own tax revenues for the peacetime army in India and for the basic costs of troops serving overseas. In this way the Indian army was employed repeatedly in a great arc from China to East Africa around the turn of the century. During the 1914–18 war nearly one million men were sent overseas, half of them to spearhead Britain’s effort in the Middle East.

In retrospect, the great British empire seems something of a con trick. How could so many be ruled for so long by so few? There *were* forces promoting genuine acceptance of British rule – the ties of kinship in the