

CHAPTER 1  
*Introduction*

Why did Britain pursue a cooperative grand strategy prior to World War I, emphasizing freer trade, reducing defense spending, signing arms limitation agreements, and retreating from empire, but then, prior to World War II, punish contenders by adopting imperial preferences and closer ties to the empire, enacting colonial quotas, and increasing defense spending? The existing literature on grand strategy either black boxes the state, making the assumption of a unified nation, or focuses on the influence of domestic politics. Neglected in this literature is the effect of international politics on altering a hegemon's domestic constellation of interests and power, and the subsequent ramifications for the hegemon's grand strategy.<sup>1</sup> For Britain, between 1889 and 1932, the foreign commercial policy of the rising contenders shifted from a preponderance of liberal contenders before 1914 to a preponderance of imperial contenders in the 1930s. Within Britain, this shift in the commercial composition had the domestic effect of ratcheting-up the strength of the members of the economic nationalist coalition (while weakening the supporters of the entrenched free trade coalition). Empowered economic nationalists pushed London from a cooperative grand strategy to a strategy of punishment, while advancing their own faction's interests.

This book develops a *second image reversed plus a second image* argument or from the outside-in and then the inside-out argument.<sup>2</sup> What distinguishes this argument is that it focuses on how the nature of and changes in the hegemon's international environment will enable a domestic policy coalition to advance its preferred grand strategy. The first factor in this argument is the foreign commercial policy of the rising contenders. A declining hegemon will confront commercially liberal contenders, imperial contenders, or some mix of these states. The primary distinction is that

a liberal foreign commercial policy entails an open door commercial order in any locale that the state comes to dominate, while an imperial commercial strategy translates into an exclusive or autarkic sphere, whether the current trading arrangement is open or closed door.

The second factor in this argument is the internal competition within the hegemon between the members of the free-trade coalition and the supporters of the economic nationalist coalition. Each broad and logrolled faction will lobby for the grand strategy that will advance its desired agenda, under certain conditions over the national interest. The free traders' policy preference calls for cooperating with liberal contenders (and in some instances imperial contenders) in order to reduce the costs of hegemony by means of freer trade, retreat from empire, fiscal orthodoxy (including reduced government allocation for defense spending), low-cost defense arrangements, and international arms limitation and disarmament agreements. Economic nationalists prefer punishing contenders (even liberal states where cooperation is possible) through tariff protection, greater military preparedness, offensive military operations, and closer economic and military links to the empire.

In integrating these variables, I argue that the declining hegemon's grand strategy is driven by the environment in which it finds itself; the commercial orientation of the contenders will affect the domestic balance of political power. The empowered coalition will use the political and economic gains to advance its preferred grand strategy.<sup>3</sup> If the hegemon faces mostly liberal contenders, this will strengthen members of the free-trade faction who will push for cooperation, which will have the domestic consequence of boosting efficient industry, the financial sector, consumers, and fiscal conservatives (while weakening the opposing economic nationalists). If the hegemon encounters mostly imperial contenders, this will enable constituents of the economic nationalist coalition who will lobby for punishment, which will have the internal result of bolstering inefficient and state industry, settler organizations and empire-oriented institutions, state bureaucrats, the military-industrial complex, and trading companies (while weakening the contending free traders). In capturing the distributional benefits from cooperation or punishment, the empowered coalition will apply pressure on the government to adopt a more accommodative or belligerent international posture.<sup>4</sup> Under certain circumstances, these external pressures will push the entrenched faction that is under threat of being rolled back to respond by advancing a grand strategy that will ratchet-up its own relative coalitional power—even though such actions will erode the hegemon's productive strength or

undermine its military security. The consequence can shorten the leader's great power tenure. Any subsequent reversals in the foreign commercial policy of the rising states can again alter the domestic balance of power, the distributional gains and losses, and ultimately the hegemon's grand strategy. Thus, the domestic consequence of the contenders' foreign commercial policy adds to our existing understanding of the factors that guide the formation and the reformulation of grand strategy.

#### THE PUZZLE OF EXPLAINING GRAND STRATEGY

This book argues that the grand strategies of declining hegemons have exhibited an identifiable pattern. The specific puzzle is how a declining hegemon selects which states to punish, where to cooperate, and how to allocate its national resources between its productive capacity and military security. Addressed in the conclusion of this book is the policy question of why some states are more successful in managing their decline than others. The bulk of the literature on grand strategy ignores the influence of domestic politics on international relations, treating the state as a unitary and rational actor. Other scholars have tried to bring domestic politics back in to explain international relations. Neglected in this literature is the effect that international affairs has on domestic actors and interest groups.

Grand strategy incorporates several components.<sup>5</sup> First, grand strategy is not only military, but also fiscal and political in nature. Second, grand strategy does not cease at the end of a war or start at the beginning of a war but is about balancing ends and means in both peacetime and wartime (Kennedy 1991, 4). Finally, grand strategy involves long-term planning, over decades and perhaps centuries. The dilemma for a declining state is how to balance its capabilities and global commitments without eroding its economic staying power through prolonged resource extraction or endangering its national security interests by accommodating revisionist contenders.<sup>6</sup> As Walter Lippmann summarizes, "Foreign policy consists in bringing into balance, with a comfortable surplus in reserve, the nation's commitments and the nation's power" (1943, 9).

#### LONG CYCLE AND POWER TRANSITION THEORY

For long cycle and power transition theorists, a hegemon's decline (and its rise) is an undifferentiated event that occurs globally, rapidly, and simultaneously across its formal and/or informal empire.<sup>7</sup> Differential rates of

growth allow a competitor to encroach on the hegemon's primacy. This is attributed to prolonged and sustained military spending by the hegemon to defend its extensive interests in the core and periphery that diverts resources from "wealth creating" domestic investment, erodes its productive strength, and ultimately undermines its ability to finance a modern military.<sup>8</sup> For Organski (1968) and Organski and Kugler (1980), the challenger comes from the ranks of the rapidly industrializing states that are powerful yet dissatisfied with the current system. For Modelski (1987) and Modelski and Thompson (1988), the challenger is a territorial state. The hegemon's response to this challenge is to punish everywhere. According to Dale Copeland (2000), the declining hegemon will initiate a preventive war because it fears worsening power differentials in the future.<sup>9</sup> A contender also fears that the hegemon will attack and push it down the power trajectory. Woosang Kim and James Morrow (1992) maintain that a risk-averse challenger will strike prior to the power transition while a risk-acceptant challenger will wait. As a result of a hegemonic war, the hegemon will lose global leadership to the rising contender in a single instance. Domestic and individual idiosyncrasies will have no effect on the hegemon's rate of decline, allocation of national resources, or response to the challenger.

One shortcoming in the long cycle and power transition literature is the assumption that the hegemon's descent is global, rapid, and uniform. These theorists also assume that there are only two major states in the international system, the hegemon and the contender. This framework oversimplifies the declining hegemon's dilemma. A hegemon is likely to confront several competitors that rise at uneven rates and challenge its leadership in disparate parts of its empire. The more geographically encompassing the hegemon's empire (formal and informal), the more contenders it is likely to confront. Consequently, the hegemon's loss of leadership over one locale rarely translates into a global loss of leadership as long cycle and power transition theorists suppose. The import of this differentiated view of world politics is that it is possible for the hegemon to moderate its rate of decline. By discriminating among protagonists, the hegemon can tailor its responses across locales. The dilemma for such a hegemon becomes whether it can respond without eroding its fiscal health through excessive military spending or undermining its national security by accommodating a revisionist challenger.

Second, hegemonic decline is not always associated with great power

war. For long cycle and power transition theorists, a hegemon in its decline phase will punish the rising contender. Yet, a declining hegemon's war proneness can be affected by domestic politics. As discussed in the next chapter, the ruling coalition in the declining state (and the rising states too) will lobby the government for a grand strategy that will empower its members while rolling back the opposing faction's. In part, whether a conciliatory or belligerent grand strategy is advocated will depend on whether the dominant coalition consists of outward-looking free traders or inward-looking economic nationalists.

#### STRUCTURAL REALISM

For neorealists, relative power and geostrategic worth drive the hegemon's grand strategy. Because they assume that the hegemon is a unitary and rational actor, realists ignore the influence of domestic politics on international relations. Instead, operating in a frictionless environment, the hegemon will respond by increasing its rate of resource extraction for military spending or reducing its global commitments as necessary.<sup>10</sup> In the core, the hegemon will punish all contenders because the loss of a vital region could tip the global balance against the leader, at the same time strengthening an aspiring hegemon.<sup>11</sup> The hegemon will even punish an emerging ally (since today's ally might be tomorrow's enemy), by discouraging it from developing independent military capabilities (Posen and Ross 1996–97, 32–42; Mastanduno 1997). On the other hand, in the periphery the hegemon will disengage. The assumption is that even significant losses (by the hegemon) or gains (by the challenger) in the periphery will have little effect on the global balance of power. Thus, for such realists, cooperation among states, especially in vital locales, is rare.

How a hegemon manages its decline matters. The way such neorealists prioritize global commitments ignores the role of grand strategy in safeguarding a hegemon's economic strength. Grand strategy involves bringing into balance the declining state's military and economic capabilities with its overseas commitments. As many realists emphasize, insufficient military spending risks undermining the state's national security, leaving it weak and vulnerable to attack. Yet, in punishing potential allies, neorealists neglect the danger of undermining the leader's economic capacity for future military security due to prolonged and heightened levels of military spending and missed opportunities to lower the cost of hegemony without strengthening a rival (Brooks 1997).

## DETERRENCE THEORY

Deterrence theory suggests that a declining hegemon will not distinguish among contenders, but will punish all challengers, in both the core and the periphery, in order to establish a reputation for predation.<sup>12</sup> Such a reputation will discourage potential contenders from mounting a challenge. According to deterrence theorists, the danger of a grand strategy of accommodation is that it will encourage potential contenders to challenge the leader for hegemony in disparate parts of its empire. As Harold Sprout and Margaret Sprout note, "It will be interesting to ask whether a government can relinquish territories, liquidate colonial responsibilities, withdraw from alliances, reduce obligations to allies, or otherwise retrench without starting chain reactions that accelerate the decline of its international potential" (1963, 661). There is a temporal component to this strategy. In the early stages, the deterrence strategy will be costly for the hegemon. Once the hegemon establishes a reputation for predation, it should not need to repeat the demonstration of resolve often. Thus, a "predation period" will lead to a "reputation period."

## DOMESTIC POLITICS

Finally, there are two versions of arguments that emphasize the primacy of domestic influences on grand strategy (responding to neorealism's state-centric approach). While these scholars have tried to bring domestic politics back in to account for international relations, they largely ignore the influence of international forces on domestic actors and interest groups. The first version argues that domestic and individual idiosyncrasies will impair the hegemon's adjustment (from increasing extraction for defense or reducing commitments as necessary), resulting in self-defeating and nonrational foreign and domestic policies.<sup>13</sup> For instance, according to Aaron Friedberg (1988, 299–300), London prematurely surrendered its worldwide naval supremacy around the turn of the century because decision makers clung to ill-founded economic beliefs that Britain could not simultaneously increase government expenditure for defense and raise taxes without damaging the economy.<sup>14</sup> For Miles Kahler (1984), Britain was able to decolonize more easily than France because empire-oriented political parties, economic actors, and colonial and military administrators were less implanted. One implication is that there is an incentive for pressure groups with regional interests to become entrenched in the political process of a hegemon while the state is in its ascent phase in order to

influence the hegemon's foreign policy in the retrenchment phase. Domestic political constraints can contribute to a condition of underextension too (Stein 1993a). Other domestic constraints include regime type (Lake 1992; Wallander 1992), state-society relations and the political cost of extracting societal resources (Barnett and Levy 1991; Lamborn 1991; Barnett 1992; D'Lugo and Rogowski 1993), and domestic institutions and entrenched images, such as embedded "strategic culture" and "myths" of national security (Friedberg 1988; Goldstein 1993; Kupchan 1994; Brawley 1999). Unfortunately, these arguments ignore the positive role of domestic constraints in restraining a hegemon from adopting suboptimal policies such as excessive peacetime defense expenditure.

A second approach seeks to revive domestic politics explanations for international relations. These scholars maintain that competition among logrolled coalitions, interest groups, and state institutions with opposing preferences will shape a state's economic and military foreign policy (Kehr 1977; Gaddis 1982; Milner 1988, 1997; Snyder 1991; Simmons 1994; Lawson 1996; Solingen 1998). These arguments build on a model of narrow interest groups that capture the state to advance their particularistic agenda (Hobson 1938; Lenin 1939). For Jack Snyder (1991), parochial interest groups with a stake in expanding the empire will pool their resources to muster societal support for their policies, resulting in greater expansion than any group desired. For Etel Solingen (1998), internationalist and statist-nationalist-confessionalist coalitions will compete to advance their preferred domestic, regional, and international agendas. Where the former coalitions dominate, cooperative regional orders will appear, and where the latter rule, zones of militarized disputes will arise. Historians such as William Appleman Williams (1972, 237–38) account for U.S. postwar foreign policy by examining a free-trade coalition whose members included farm leaders, labor, corporate executives, and the state. The unifying concern was that the United States could not maintain full production at home without free trade overseas. Michael Hogan (1987, 3–25) contends that after World War II, logrolling in the United States among members of an international block (public and private elites) prompted the U.S. government to propose the Marshall Plan for European reconstruction.

One shortcoming in this literature is its inability to account for changes in the domestic distribution of political power. These scholars neglect the reverberations that international politics will have on domestic political struggles; the extant international setting can enable or disable actors and

interest groups, leading to shifts in foreign policy.<sup>15</sup> Thus, while domestic politics arguments open the black box of the state, they ignore the effect of the international environment on the outcome of this internal coalitional competition.

This book fills a gap that currently exists within the literature. Realism accentuates systemic pressures as determining but ignore the influence of domestic politics on a state's grand strategy. Domestic politics approaches grant domestic coalitions primacy but neglect the influence of international politics. In integrating this literature, I entangle domestic and international politics. I argue that the international environment and shifts in it will affect the constellation of political power within the declining hegemon. In going beyond a second image reversed argument, I contend that domestic winners will lobby the government to advance their preferred policy package. Thus, the declining hegemon's grand strategy is driven by the environment in which it finds itself.

#### AN ALTERNATIVE FRAMEWORK FOR UNDERSTANDING WORLD POLITICS

The framework used by long cycle, power transition theory, and hegemonic stability theory is ill-equipped to understand the dilemma that a hegemon faces in managing its decline. In this section I put forth a regionally differentiated framework of world politics.<sup>16</sup> This regional framework is based on the view that the international system is composed of multiple regions or spheres of influence.<sup>17</sup> A *hegemon* is thereby defined as a state that simultaneously dominates several regions of the globe and that as a unit comprises its informal and/or formal empire.<sup>18</sup> In this context, *hegemony* means the state creates and enforces the rules of the game over each region it dominates. Joshua Goldstein defines *hegemony* as being able "to dictate, or at least dominate, the rules and arrangements by which international relations, political and economic are conducted. . . . Economic hegemony implies the ability to center the world economy around itself. Political hegemony means being able to dominate the world militarily" (1988, 281). The import of this framework is that decline can be managed.

A regionally differentiated framework differs from the existing literature in several important aspects. First, the hegemon will confront different challengers across space due to the loss-of-strength gradient and the differentiated nature of power (discussed later). The more geographically extensive a hegemon's empire, the greater the number of potential contenders it can confront. Second, the hegemon will encounter different

contenders over time due to differential rates of industrialization, with some states rising earlier and faster than others. In combining these characteristics, the hegemon will face competitors earlier in some regions than in others and these contenders will vary across locales.

The outcome of these characteristics of the international system challenge the assumptions of long cycle, power transition, and hegemonic stability theory. Specifically, a hegemon's loss of leadership over one locale rarely translates into a loss of global leadership to the emerging challenger. Even if a hegemon encounters the same challenger across regions, it will cede (or lose) leadership region by region or in territorial pieces, rather than transfer leadership over the entire international system to the contender in a single instance.

This differentiated framework of world politics more accurately captures how leadership is relinquished. For instance, long cycle and power transition theorists maintain that Britain transferred world leadership to a rising United States only after the end of World War II. But as early as the turn of the nineteenth century, Britain devolved leadership over the Americas to the United States and ceded governance over the Pacific to Japan. By doing so, Britain marshaled these freed-up resources against the remaining challengers. During and shortly after World War II, Britain ceded leadership over regions such as the Pacific and the Middle East to the United States (Abadi 1982; Devereux 1990). Thus, not only did Britain devolve leadership over different regions to the United States and at different junctures in time, but Britain also devolved regional hegemony to other contenders. Likewise, the advent of American hegemony was not global in nature and did not begin after World War II, but instead occurred first in the Americas around the turn of the century.

Similarly, some scholars argue that Japan has encroached on U.S. leadership over the Far East. As one article notes, "Japan, rather than the United States, is now the dominant economic player in Asia. Japan is the region's technology leader, its primary supplier of capital goods, its dominant exporter, and its largest foreign direct investor and foreign aid supplier" (Borras et al. 1992, 23). However, even if the United States devolves leadership over the Pacific Rim to Japan, the United States has not transferred global leadership to Tokyo.<sup>19</sup> Once more, this does not preclude the United States from devolving hegemony to other contenders in different locales.

Two forces increase the likelihood that a declining hegemon will encounter different emerging competitors for regional hegemony and that

these states will vary across regions. These forces are the loss-of-strength gradient and the differentiated nature of power.

#### LOSS-OF-STRENGTH GRADIENT

The loss-of-strength gradient describes how the effectiveness of military power declines in a linear fashion over space, reducing the ability of a state to project its power over long distances.<sup>20</sup> According to Kenneth Boulding (1963), this erosion occurs because long distances create organizational and command problems, damage military morale, encourage domestic dissension, and debilitate soldiers and their equipment. The 1904–5 Russo-Japanese War exemplifies the problem because Russia was unable to maintain long supply lines across Siberia (stretching several thousand miles), which contributed to Japan's victory.

The loss-of-strength gradient is important for this regionally differentiated framework because it reduces the likelihood that a single state can achieve a truly global position (i.e., simultaneously dominating all regions of the international system). By reducing the ability of a state to project its power over long distances, the loss-of-strength gradient allows states to emerge in regions beyond the effective reach of the hegemon. This characteristic of power increases the likelihood that a declining hegemon will confront different competitors across regions, especially on the fringes of its empire. The more extensive the hegemon's empire, the greater the number of contenders for regional leadership it is likely to confront.

Even today, in a world of intercontinental ballistic missiles and supersonic planes, distance continues to limit the ability of a superpower to project its power. Although the time it takes to move a large number of troops and equipment over distances has been shortened, logistical problems still exist, and modern technology has created new challenges. While long-range aircraft are capable of transporting troops and supplies quickly, they also require a long landing strip. Observing the U.S. operation in Somalia, Colin Powell, then chairman of the Joint Chiefs of Staff, noted: "Logistically, it is enormously challenging. When you say to somebody, 'Take 28,000 troops and send them 7,500 miles or so away, and by the way, there's no potable water there, and there are no gas stations and there's only one or perhaps two C-141 capable airfields and the port facilities only hold one or two ships,' that is very demanding" (Healy 1992).

#### DIFFERENTIATION OF POWER

The differentiated nature of power is the second factor that increases the chance that a declining hegemon will confront several competitors for

leadership. Rarely does a single state have the necessary financial resources or the manpower to dominate all categories of military power (i.e., land, sea, and air); states tend to favor one category of defense over others. This differentiated characteristic of power reduces the probability that a single state can dominate all regions of the globe simultaneously. Instead, the differentiated nature of power limits the number of regions that the hegemon can control effectively.

The simplest differentiation in the nature of power is between continental and maritime powers. The advent of the railroad in the last thirty years of the nineteenth century reduced the historical advantage that maritime powers had over land powers. The quick Prussian defeat of France in 1871 demonstrated that railroads were a fast, cheap, and efficient means of land transportation. Until this point, the most efficient means to move goods was by ship, even if it required circuitous routes. In addition, the development of the railroad made it possible for land powers to have secure internal lines of communication and made such states less vulnerable to a naval blockade (Mackinder 1904, 434). As a land power, Russia's Czar Nicholas II wrote that "the strongest fleet in the world can't prevent us from settling our scores with England precisely at her most vulnerable point [i.e., India]" (Friedberg 1988, 217). When the assistant to Britain's First Lord of the Admiralty was asked to determine what naval means existed to attack Russia, he responded, "Russia's geographical position is such that she is very unassailable to a sea power with a small army" (Neilson 1991, 716). The differentiated nature of military power makes it difficult for a naval power to dominate the hinterlands and for a continental power to dominate overseas territories.

Viewing a hegemon's decline as global, simultaneous, and uniform oversimplifies the hegemon's dilemma. A hegemon is likely to confront different emerging contenders that ascend at differential rates and challenge the hegemon's leadership in disparate parts of its empire. The more far-reaching a hegemon's empire, the greater the number of potential challenges it will confront. The dilemma for such a hegemony is how to restore the balance between its global commitments and its economic and military resources without undermining its productive capacity or eroding its military security. Excessive peacetime defense expenditure to keep pace with the military spending of several rapidly rising contenders will divert resources from domestic investment, limit the scope of future economic growth, and eventually weaken the hegemon's productive strength to construct and then maintain a modern military force. Further, accommodating a revisionist challenger to lower the cost of preparing for war against

several contenders will empower a future rival who will endanger the leader's security.

#### THE PLAN OF THE BOOK

Chapter 2 develops the second image reversed plus a second image argument used in this book. Chapters 3, 4, and 5 examine three case studies of hegemonic decline. Chapter 3 examines Britain in the decades prior to World War I (1889–1912). By the turn of the century, Britain faced challenges from imperial Germany, Russia, and France (until 1904), and liberal United States, Japan, and France (after 1904). Within Britain, free traders pushed for a largely cooperative grand strategy, emphasizing freer trade, reduced defense spending, arms limitation agreements, and retreat from empire (devolving leadership over the Americas to the United States, the northeast Pacific to Japan, and the eastern Mediterranean to France). Cooperation reinforced the strength of the free-trade faction by lowering the economic and military cost of hegemony, while maintaining or improving commercial and financial access to the locale, which benefited finance, export-oriented industry, and fiscal conservatives (new loans to Japan, greater access to France's empire, naval retrenchment). Many free traders joined the economic nationalists in favor of punishing imperial Germany, France (until 1904), and Russia even though this response meant heightened defense spending and preferential trading, strengthening the latter coalition. Concerns about economy and the fear that punishment would empower the economic nationalists meant that free traders moderated the scale of punishment by slimming down the naval building Estimates, proposing a number of arms limitation agreements with these states, and negotiating alliances to reduce tension. Free traders used the distributional gains from cooperating with the United States, Japan, and France to further broaden and strengthen their domestic coalition by enacting a number of social and economic reform schemes.

Chapter 4 examines Britain in the interwar period (1932–39). During the 1930s, Britain confronted imperial Germany, Italy, and Japan, as well as a liberal United States. This reversal in the nature of the foreign commercial policy of the rising contenders from a mix of liberal and imperial contenders prior to World War I to mostly imperial contenders prior to World War II had the domestic effect of empowering the economic nationalist coalition while weakening the free-trade faction. Britain punished these contenders by abandoning the gold standard in 1931 and adopting imperial preferences in 1932 at the Ottawa Conference, enacting

colonial quotas, and increasing defense spending after 1935. Although greatly diminished in strength, the entrenched free traders were able to moderate the economic nationalists' agenda. The free traders feared that another war like the Great War would permanently strengthen the economic nationalists, thereby extinguishing "gentlemanly" financial capitalism in Britain (resulting in state regulation and management of the economy, curbing the influence of traditional finance and the City of London, and strengthening employers' associations). Concerned for their coalition's survival, free traders pushed for a self-reinforcing strategy of cooperation by (1) containing Britain's military rearmament and more generally imposing fiscal orthodoxy, which was dictated by the "Treasury view"; (2) granting economic concessions and reaching arms limitation agreements and territorial agreements with Germany, Japan, and Italy, and pressing for collective security and, more broadly, the League of Nations; and (3) pushing for free trade within the Sterling Area (which required fiscal discipline at home). One consequence was that Britain's military, industrial, and economic preparation for war was delayed. Combined with the challengers' renegeing or not renewing arms control agreements, this meant that Britain's military capability was insufficient to defend its global commitments. By the mid- to late 1930s, the free traders' and Treasury's influence over rearmament had collapsed, and the economic nationalists advanced their preferred grand strategy of rearmament, protectionism, state intervention, government controls, and producer cartels. Empowering economic nationalists meant a clash with a liberal United States, whose goal was to reverse Britain's system of imperial preferences and to dismantle the empire, restoring international liberalism.

Chapter 5 examines Spain during part of the reign of Philip IV (1621–40) and his count-duke, Olivares. Spain confronted imperial France, England, and the United Provinces (Netherlands), as well as the Ottoman Empire and Sweden. Economic nationalists favored restoring Spain's power by punishing these contenders through increases in the army and navy, new fortifications, exclusive trading companies, and offensive military operations on land and at sea. Many liberals, including Castile's Cortes (or parliament, which was responsible for imposing new taxes), Castile's merchants, the aristocracy, and industry, called for lowering the cost of hegemony by accommodating the United Provinces, England, and France (especially renewing the Twelve Years' Truce with the United Provinces, which expired in 1621).<sup>21</sup> Total warfare on several fronts had the intended domestic effect of weakening the primary internal

constraints on the Crown's hard-line grand strategy. Punishment everywhere undermined the opposing liberal coalition, especially the Cortes of Castile, thus granting the Crown fiscal autonomy and wresting control over public revenue. Yet, prolonged and excessive spending eroded Spain's fiscal strength and ultimately its military power, while the stress from the search for new sources of revenue contributed to revolts in Catalonia and Portugal in 1640.

Chapter 6 examines the issue of great power tenure and the policy implications of this argument for the United States in the coming decades. The hegemon's international environment can enhance or undermine its ability to extend its great power tenure. I examine whether the strategy of cooperation or punishment is more successful in decelerating a hegemon's rate of descent and prolonging its tenure as a great power. I conclude that a ruling economic nationalist bloc or a free-trade coalition that confronts only imperial contenders can select from a range of strategies that will either wear down the hegemon's economic staying power or undermine its security. In contrast, a ruling free-trade faction that confronts at least some liberal contenders can safeguard the hegemon's economic strength and its national security, ensuring the state has ample economic and military capability to protect its national interests.

My argument sheds light on a current policy debate over how the United States should classify which states are friends and foes, how to rank its global commitments, and how to allocate its national resources between its economy and military security. Some scholars and policymakers have called for the United States to maintain the current "unipolar moment" by discouraging all potential contenders. A more circumscribed version of primacy calls for a policy of selective engagement in the core and retrenchment from most of the Third World. I contend that in order to strike the proper balance between its economy and security, in regions with liberal contenders the United States should retrench and assist in their ascent. In its remaining commitments, where there are no liberal successors, the United States should stand firm and hasten the emergence of liberal powers.

#### SELECTION OF CASES

This book uses the comparative case method, specifically the structured focused comparison (George 1979). The cases show how the hegemon's commercial environment can empower supporters of the free trade or economic nationalist faction and the subsequent effect on the state's grand

strategy. I use the process-tracing method to reveal the impact of the international environment on domestic actors and interest groups, relying mostly on secondary historical literature (King, Keohane, and Verba 1994, 226–28; Van Evera 1997, 64–67). I examine the initial domestic distribution of coalitional power and then see how the environment alters this internal balance, looking for evidence of actors and interest groups defecting and accruing benefits or losses. This includes new political parties that will rise up, mobilizing activists and generating new supporters, greater public attention for their agenda and votes in elections, new lobbying and peak organizations that deploy resources (outside government, inside government, and in the empire), and additional public and private resources. Chapter 2 discusses problems of how preferences are translated into policy outcomes.

I have selected cases with similar characteristics. The class of cases consists of great powers that have extensive global commitments and encountered contenders for leadership in different parts of their formal and/or informal empire in peacetime and wartime, rather than focusing solely on the latter. For each case, the selected time frame reflects the period in which the hegemon began to confront competitors for leadership. In the three cases I have selected (Spain, 1621–40; Britain, 1889–1912; Britain, 1932–39), the beginning date marks the period in which the hegemon's leadership is challenged. For Spain, 1621 marks the end of the Twelve Years' Truce and the preparation for preventive war against the Netherlands. For Britain, 1889 signifies the enactment of the Naval Defence Act in response to challenges by France and Russia. Finally, for Britain, 1932 marks the end of the Ten Year Rule and the beginning of rearmament. These periods often occur well before the complete collapse of the hegemon's empire; the leaders sustained themselves for long periods of time after the initial challenge. The adoption of a regionally differentiated framework of world politics means each case study consists of subcases that examine the dyadic nature of the relationship and how the hegemon responded in the specific locale. The number of subcases will vary based on the extensiveness of the hegemon's empire and the number of competitors it confronts.

These cases provide variation while controlling for competing explanations. First, the international environment varies across these cases. Britain from 1889 through 1912 faced a mix of liberal and imperial contenders, from 1932 through 1939 it confronted mostly imperial contenders, and Spain confronted only imperial contenders. I examine official

trade policies to assess the commercial orientation of the rising states. While I have a dynamic explanation for the hegemon's foreign commercial policy, I have fixed strategies for the contenders'.<sup>22</sup> The rationale is that the contenders have already picked their strategy, knowing the hegemon and its strategy. I do acknowledge in the text that within a contender both a free-trade and an economic nationalist coalition will compete to advance their preferred grand strategy. As such, the free-trade coalition within the hegemon will reach out and try to strengthen domestic moderates in the imperial contenders in order to temper a protagonist's foreign (and domestic) policy. However, explanations for how contenders select their foreign economic policy and for reversals in the contenders' commercial policy are largely exogenous to this model.

Second, the hegemon's grand strategy also varies (within and across cases) from cooperation to punishment. Grand strategy includes a state's diplomatic activity, resource extraction, trade policy, and military doctrine. Cooperation entails greater access to markets, participation in collective security arrangements, arms limitation and reduction agreements, and territorial concessions. Punishment involves extraction of additional resources for defense expenditure and protectionism. While Britain (1889–1912, 1932–39) and Spain (1621–40) confronted rising challengers, hegemonic war did not occur in all instances of power transition. In contrast to long cycle, power transition, and deterrence theorists, hegemonic decline as such is not always associated with great power war. Balance of power theory is challenged by differential treatment of the same state due to rapid changes in its foreign commercial policy, not its military capability.

I have excluded cases in which the hegemon lost its empire in a single catastrophic instance. Under such conditions, the declining power was not confronted with the dilemma of balancing its resources and its obligations. For this reason, Napoleonic France was rejected because its vast empire was virtually dismantled by the end of the Napoleonic Wars. I have also excluded cases in which the hegemon's empire was protected or defended by another great power (e.g., suzerainty). Again, under this condition, the hegemon will not have to make crucial decisions about redressing imbalances. I excluded the nineteenth-century Ottoman Empire (the Sick Man of Europe) since Britain defended the Turks against dismemberment by Russia and France (known as the Eastern Question).

#### CAUSES OF HEGEMONIC DECLINE

The causes of hegemonic decline can broadly be divided into endogenous

and exogenous sources. Endogenous causes of decline are attributed to economic and political mismanagement. They include entrenched economic interest groups, decay in morals and the loss of moral virtues, poor leadership, rigid social structure, corruption, and economic mismanagement.<sup>23</sup> In these instances, mismanagement directly contributes to the hegemon's demise. For instance, the decline of the Ottoman Empire is often attributed to poor leadership (Palmer 1993). After a wave of fratricide, the sons of the sultan were kept in the palace, in separate quarters called *kages* (cage), and succession was to go automatically to the oldest living son. Yet, he remained isolated from politics for the bulk of his life until his time to rule. This system ensured no sultan from the seventeenth century forward would have any knowledge of or training in government affairs until he came to power. It is often noted that after 1566, thirteen incompetent sultans ruled in succession.

Exogenous causes of decline will require the hegemon to adjust its foreign policy to its new environment.<sup>24</sup> These environmental shifts include the advent of new technology that makes current products obsolete (mainly military, such as Britain's Dreadnought of 1906), new forms of transportation and communication (for instance, some attribute the decline of Venice and the Ottoman Empire to shifts in trade routes), and demographic growth.<sup>25</sup> Even changes in the organization of the state (e.g., the bureaucratization of France in the 1790s or the creation of the Bank of England) will contribute to uneven rates of growth, forcing other states to adjust or suffer decline.<sup>26</sup>

There exists a fundamental difference between these two sources of decline. Endogenous causes of decline, such as mismanagement, will directly contribute to the demise of the great power while exogenous causes will result in decline even in the absence of mismanagement. Domestic and external barriers can prevent or restrict a declining hegemon from adapting its policies to the shift in its environment.