War and Social Change in Modern Europe

The Great Transformation Revisited

This book revisits the historical terrain of Karl Polanyi's *The Great Transformation* (1944). Recent years have seen a remarkable resurgence of interest in Polanyi's powerful account of the rise and demise of Europe's nineteenth-century market system. However, this book argues that Polanyi's analysis is, in important ways, inaccurate and misleading. Sandra Halperin traces the persistence of traditional class structures during the development of industrial capitalism in Europe and the way in which these structures shaped states and state behavior and generated conflict. She documents European conflicts between 1789 and 1914, including small- and medium-scale conflicts often ignored by researchers, and links these conflicts to structures characteristic of industrial capitalist development in Europe before 1945. Ultimately, the book shows how and why these conflicts both culminated in the world wars and brought about a "great transformation" in Europe. Its account of this period challenges not only Polanyi's analysis but a variety of influential perspectives on nationalism, development, conflict, international systems change, and globalization.

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for D.O.W.

War and Social Change in Modern Europe

The Great Transformation Revisited

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Preface

In recent years, the perception of large-scale change has fueled a resurgence of interest in history and a renewed appreciation of its importance for analyzing processes of change. This interest is founded, in large part, on hope that a better understanding of the past can offer insights into current trends of change.[1] History is, indeed, a source of insight; but because it is also the arena within which we debate questions about the future, the writing and reading of it is a partisan affair. Finding insights in the past depends, therefore, on our ability to evaluate critically the historical accounts on which we rely: how they emerged and why they gained the status of authority; how they were shaped by and how, in turn, they helped to shape the central conflicts of our time and of the recent past.

COLD WAR SOCIAL SCIENCE

Social theory and historiography, both in Europe and in the United States, was importantly influenced by the "social question" – by concerns with counteracting disorder and revolution and maintaining social order and stability.[2] By the end of the nineteenth century, however, the elements that

[1] The notion that earlier periods can offer insights into current trends of change received a powerful stimulus from the evidence and arguments presented by Paul Hirst and Grahame Thompson in their book, *Globalisation in Question* (1996), as well as by hundreds of articles that use aspects of Karl Polanyi's (1944) analysis of Europe's nineteenth-century market system to understand changes in Eastern Europe and throughout the global political economy. Polanyi's work is discussed below.

[2] Eric Wolf explains the "social question" as follows:

> With the accelerating of capitalist enterprise in the eighteenth century, [the] structure of state and classes came under increasing pressure from new and "rising" social groups and categories that clamored for the enactment of their rights against those groups defended and represented by the state. Intellectually, this challenge took the form of asserting the validity of new social, economic, political, and ideological ties,

were central to this investigation in Europe had become increasingly peripheral to American social science. The "social question" continued to be the focus of social theory in the United States, but increasingly it was investigated in ways that severed it from issues relating to historical agency and social change, class and power, and the character of fundamental social relations.

Political developments in the twentieth century – revolutionary currents between the wars and the spread of socialism and of socialist reforms throughout Europe in the 1940s – appeared to further encourage this tendency. Probably the most important factor in shaping the direction of American social theory, however, was America's post–World War II "development project." This project had a decisive impact, not only on American social science but, through its influence, on post–World War II social theory generally.

The central concern of America's "development project" was to shape the future of the "developing world" in ways that would ensure that it would not be drawn into the Soviet communist bloc.[3] The United States and other capitalist countries had contained the spread of socialism between 1917 and 1939; but following the interruption of World War II and within a period of a few years, socialism had made huge gains: social democratic reforms were institutionalized in varying degrees throughout Europe, and the Communist pattern of organization had spread to much of Eastern Europe and to China. To prevent it from spreading still further and wider – to the colonial areas in Africa and Asia that had become independent from European powers – the United States enlisted its social scientists to study and devise ways of promoting capitalist economic development and political stability.

By the early 1950s, this "development project" was well under way and it continued, through generous funding and institutional inducements, to attract a steady and ever-expanding flow of research and writing from across the social sciences.[4] Within a couple of decades, contributions from political

> now conceptualized as "society," against the state. The rising tide of discontent pitting "society" against the political and ideological order erupted in disorder, rebellion, and revolution. The specter of disorder and revolution raised the question of how social order could be restored and maintained, indeed, how social order was possible at all. (Wolf 1982: 8)

On the emergence of the social question, see Fischer 1966; a good discussion of the impact of the "social question" on the development of contemporary social science is in Wolf 1982: 7–19, and Katznelson 1997.

[3] On the "development project," see, e.g., McMichael 1996a: 13–76; McMichael 1996b; and So 1990: chap. 1. See also the essays in Chomsky et al. 1997 and Simpson 1999.

[4] Government funding was made available for the establishment of centers for "area studies" linked to American strategic interests, for training in "defense" languages, and to support overseas research. See, e.g., Simpson 1994; Diamond 1992; Nader 1997; and Wallerstein 1997. In addition, nongovernmental organizations, such as the Social Science Research Council, which was especially instrumental in the establishment of "area studies" and which funded workshops and conferences, fellowships and grants, summer training institutes,

scientists, economists, sociologists, psychologists, anthropologists, and demographers had markedly converged around a common set of analytic conventions and general themes. Eventually, these produced a common grounding for research and writing in all areas of social scientific inquiry. The "development project" may have amplified already existing trends, but it ultimately succeeded in thoroughly recasting social science in line with its own political aims. A key factor in this achievement was the production and widespread use of analytic and conceptual innovations that fused the aims of social science with those of the development project.

The decisive impact of the "development project" can be seen not only in social science research but in the writing of history. In fact, in what has surely been one of its greatest accomplishments, the "development project" helped to produce and gain wide acceptance of what this book argues was a radically revisionist account of European industrial capitalist development. Previously, research and writing on European industrial development had focused on what, throughout the nineteenth century, had been seen as its most characteristic aspects: domination, exploitation, uneven development, inequality, political instability, and authoritarianism. These had been the principal foci of the narratives and analyses of countless social scientists and reformers; the speeches, official documents and reports, and other writings of European statesmen; and the work of the century's greatest literary figures.

But in the accounts of modern European history produced in America after World War II, all these aspects of industrial capitalist development, all the elements that for nineteenth-century social scientists had revealed its intrinsic costs and engendered pessimism and doubt about it,[5] recede into the background. Instead, the emergence of industrial capitalism and democracy in Europe is depicted as resulting from a gradual, evolutionary change. Slowly but steadily wealth diffuses; gradually, but inevitably, equality and liberty spread into increasingly wider domains. It is a reassuring and inspiring tale of progress, a story devoid of bloody conflict, power, and privilege, of suffering, division, and struggle. Thus, while the ideological fervor and politics of the Cold War were suppressing not only communism but socialist and other reformist and progressive elements in the "developing world," it was

scholarly exchanges, and publications, forged links between government and universities, and among researchers, practitioners, and policy makers. For collaboration between universities, nongovernmental organizations, and intelligence services, see, e.g., Cumings 2002.

[5] Pessimism and doubt about whether the ever-expanding productive capacity of society leads to human happiness was expressed by the classical theoreticians of liberalism as, for instance, David Ricardo, in this reflection:

> Happiness is the object to be desired, and we cannot be quite sure that, provided he is equally well-fed, a man may not be happier in the enjoyment of the luxury of idleness than in the enjoyment of a neat cottage and good clothes. And after all we do not know if these would fall to his share. His labour might only increase the enjoyment of his employer. (1887: 138)

working, also, through the "development project" to suppress, in history, the role of these elements in achieving welfare states and the democratization of national politics in Europe.

A number of features of contemporary social scientific and historical research and writing in the United States are the focus of particular concern in this book. The first is the absence of class and class analysis.[6] For ideological reasons and, specifically because of its association with Marxism, class analysis was rejected in the United States as doctrinaire (and thus irrelevant to the purposes and aims of social scientific research and good historical practice). Marxism is an exploration of the role of class processes (processes of the production, appropriation, and distribution of surplus value) and class struggles in human history. Thus, the rejection of classical Marxism by liberal (and also "post-Marxist"[7]) historiography entailed, first and foremost, a rejection of the notion of class and of class conflict.

The rejection of class is the basis of a number of other analytic orientations characteristic of American social science and historiography. Among these are two conceptualizations that together have worked effectively to foreclose investigation into how societal processes and relationships shape state action and the state system. The first of these is the conception of the state as wholly, "relatively," or "potentially" autonomous from social forces. Despite the variety of conceptual refinements that, in recent years, have been produced by scholars in a variety of disciplines, most social science research and writing is based, either explicitly or implicitly, on a notion of the state as autonomous from dominant class interests.[8] The second conceptualization

[6] Notable exceptions abound: the work of Maurice Zeitlin, Perry Anderson, Gospa Esping-Anderson, Ira Katznelson, and Aristide Zolberg immediately comes to mind.

[7] A variety of political and intellectual stances on the left dissociate the socialist project from class and class struggle and reject the primacy of class politics in favor of "democratic struggles" and "new social movements." On this, see Ellen Meiksins Wood (1998b).

[8] In most of the dominant approaches to theorizing about the state, the state is conceived of as autonomous from dominant classes and as an independent institution acting in its own right. In Weberian/institutional and liberal modernization approaches, the differentiation of an autonomous governing subsystem is seen as resulting from or connected to a process of rationalization compelled by the imperatives of modernization (e.g., Huntington 1968; Weber 1978: 1006–69); of the division of labor, either within society (see, e.g., and following Durkheim 1975, Parsons 1951, 1966; Eisenstadt 1966; Bendix 1977) or within the world capitalist system (e.g., Wallerstein 1974); or of advances in military technology (e.g., Hintze 1962, 1975; Finer 1975; Tilly 1990). The autonomous state is also a feature of neoclassical economic and rational choice approaches (e.g., North and Thomas 1973; North 1981, 1990), newer statist or state-centric approaches (e.g., Krasner 1977; Skocpol 1979; Evans, Rueschemeyer, and Skocpol 1985), and neo-Marxist theories of the state. During the 1970s, Marxist-oriented analysts were concerned with exploring and explaining "the relative autonomy of the state" from direct control by the dominant class. In this conception of the state, the state is thought of as above class struggle by reason of its monopoly of force, and therefore autonomous relative to social dynamics. It rules and controls society by virtue of capabilities that differentiate it from social groups. Its most threatening enemies are other states,

is of the interstate environment as a sociologically neutral "anarchy." Mainstream theories contend that because states operate in an "anarchical" and, therefore, militarily dangerous and threatening environment, they can have or pursue no interest or purpose in their relations with other states other than that of maximizing their own security.[9] These two assumptions are, however, quite problematic. In addition to providing a distorted view of the history of state formation and interstate relations, they have confounded attempts to theorize the interrelations among global, state, and local social structures, and to develop theoretically coherent analyses of change. Moreover, by providing a rationale for defining a distinction between international and domestic processes and structures, they have helped to obfuscate relations of connection, interaction, and interdependence that are causally related to many of the outcomes that social science is concerned with explaining. Conflict and war research provides a particularly unfortunate example. The analytical distinction commonly drawn between international and domestic conflict obscures critical linkages and continuities not only among different conflicts and among different sorts of conflicts but among the structures and processes that help to produce and resolve them, as well. In particular, it forecloses investigation into patterns of conflict throughout transnational social formations and how these conflicts and formations are related to large-scale change.

KARL POLANYI'S *THE GREAT TRANSFORMATION*

The resurgence of interest in history has produced in recent years a remarkable revival of interest in Karl Polanyi's *The Great Transformation*. Written in 1944, this powerful account of the rise and demise of Europe's nineteenth-century market system remains one of the most influential analyses of institutional transformation and the emergence of new structures. It has figured prominently in debates about transitions under way in Eastern Europe and the post-Soviet area, as well as in debates about "globalization" and the rise of a global market. One of the great charismatic books of the twentieth century, it continues to be a source of inspiration for political economists, international relations theorists, sociologists, and historians endeavoring to understand the multiple challenges and transformations facing national, regional, and global structures in the twenty-first century. It may be, as has been

and successful protection against these enemies serves to justify and legitimate state control over social groups or classes. This is the liberal state, a neutral mechanism for aggregating preferences or integrating society – except that relations of domination prevail between the state and civil society, rather than consensually based authority, as in liberal theories. For a discussion of neo-Marxist theories of the state, see Poulantzas and Miliband 1973; Holloway and Picciotto 1978; Jessop 1982, 1990; and Carnoy 1984.

[9] See, e.g., Masters 1964; the articles in Art and Jervis 1973; Waltz 1979, 1990; Grieco 1988; Milner 1991; Shimko 1992; Mearsheimer 1994–95; and Powell 1994.

said, that "no work of economic history except *Capital* and *The Protestant Ethic and the Spirit of Capitalism* has had more influence."[10]

Interest in Polanyi's *The Great Transformation* has focused on features of its analysis that appear to depart from and significantly improve upon more conventional studies of change produced after World War II.[11] However, its analysis as a whole is based on many of the same exclusions and biases found both in other studies of change and in American social science generally. Because of these, Polanyi misses key dimensions of the historical transformations he discusses, and he develops conceptualizations and conclusions that, in important ways, are inaccurate and misleading.

Consider, for instance, Polanyi's conception of agency. According to Polanyi, the basic dynamic shaping both the development of industrial capitalism in Europe and its transformation in the course of the world wars is the antagonism that emerged in the nineteenth century between "society as a whole" and the "soulless institutions" of the self-regulating market system (Polanyi 1944: 219). Despite the record of industrial and political struggles that recurred throughout the nineteenth century, and the language of class that emerged to express and shape them, this history largely fades from view. Polanyi assigns no role to class in shaping the rise and spread of the market system; and in the demise of the system, its role, according to Polanyi, does not begin until the 1920s.[12]

By ignoring the class structures that were emerging from the introduction of capitalist forms of ownership and production, Polanyi misses the political dynamics of what is perhaps the most crucial chapter in modern history for understanding current trends of change: the dismantling of Europe's eighteenth-century national welfare systems (see Chapter 2) and regulated markets, and the social conflicts that emerged as a result. He misconceives the character of Europe's industrial expansion and the translocal institutional complex that underpinned it. He also overlooks the key role of social conflicts and imperialist wars both in Europe's industrial expansion and in bringing about and shaping the outcome of the great transformation that occurred in the course of the world wars. Polanyi conceives of society as organic and sociologically undifferentiated, and of state and global structures as sociologically neutral. Thus, like many other influential studies of large-scale change (e.g., Skocpol 1979; Gilpin 1981), Polanyi is unsuccessful

[10] Hejeebu and McCloskey 1999: 286. A review of online citation indices several years ago yielded 1,688 references to Polanyi in articles published during the 1990s. While this does not definitively support claims about his popularity, it might serve as an indication of what a more thorough and careful search might produce.

[11] See Chapter 1 for a discussion of other influential accounts of large-scale change.

[12] For Polanyi's most extended discussion of classes, see Polanyi 1944: chap. 13. According to Polanyi, it was only after World War I and with the "final phase of the fall of market economy" that "the conflict of class forces entered decisively" (1944: 219).

in his attempt to theorize the interrelationship of global structures, states, and social forces, and how it produces change.

The arguments in this book are presented in relation to Polanyi's *The Great Transformation* for a number of reasons. The spirit and central concerns so vividly expressed in Polanyi's book inspired the research and writing of this one, and this one focuses on the same terrain, and for the same purpose: to clarify the mechanisms and possibilities of progressive change. In a sense, then, this book is ultimately less a critique of Polanyi's masterpiece than it is a testament to its enduring power. Polanyi's analysis provides a compelling and provocative example of the analytic orientations that this book is challenging, and his analysis of large-scale change not only is one of the most influential ever produced, it is also being used extensively to analyze current trends of change (i.e., "globalization"). Thus, Polanyi's analysis is not itself the target of the critique so much as an eminent representative of the sort of analyses and interpretations that, as this book hopes to show, cloud important issues; consequently, there will not be a sustained textual engagement with it.

Since this book focuses on class divisions and struggle, it might be assumed that it castigates Polanyi in order to elevate Marx. If that were its purpose, the book would be structured very differently. It would set out Marx's analysis of Europe's industrial capitalist development, endeavor to show the unerring accuracy and completeness of it, and then on that basis argue that accounts like Polanyi's that deviate from it in any way must be in that way inferior to it. But that is not what this book does. More often than not, and even where Marxist categories are used, the account of European industrial development developed in this book challenges Marx's analysis as well as Polanyi's.[13]

The errors in Polanyi's analysis that are the concern of this book are linked in further discussions of them (Chapter 1) to his failure to consider the role of social structures and conflict in shaping the overall pattern of European economic and social development after the Industrial Revolution. This might be seen as a reflection of the time and place in which it was produced. The writing of *The Great Transformation* took place in the United States in 1944, and was supported by a two-year fellowship from the Rockefeller Foundation.[14] Polanyi's occasionally awkward attempts to avoid agreement

[13] Thus, for instance, while subsequent chapters distinguish between the methods of absolute and relative surplus value production, they use the distinction to show that the general pattern of industrial expansion in Europe differed from that described by most Marxist, as well as non-Marxist, scholars.

[14] His later writings, when he was at Columbia University, were supported by funds from the Ford Foundation (on this, see Hejeebu and McCloskey 1999). He later went to Canada when his wife was forced because of her Communist background to leave the United States. It is impossible to say whether or how his circumstances influenced the work he produced in the United States at that time, but the analytic orientation of *The Great Transformation* is, nonetheless, fully compatible with Cold War ideological positions.

with Marx might be seen in this light, as well as his view of the state and other nineteenth-century European institutions as "liberal." He had a tendency to treat as historical fact what remained but a hope of early nineteenth-century liberals: that politics and economics could be separated so that no one class would monopolize political power for its own purposes.

Thus, while he recognizes the transformative force of the Industrial Revolution, inconsistent with this, and perhaps for the purpose of distancing himself from Marx, he rejects the notion that the development of productive forces is the major element in historical change. Polanyi rightly points out that "the road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism" (1944: 140), but, consistent with liberal conceptions of the state, he then goes on to treat the state as largely autonomous from social forces. Though he wants to "de-naturalize" the *rise* of the unregulated market, he then treats its operation and, in many respects, its demise, as analogous to a force of nature. Thus, while he is unsparing in his depiction of the horrors of industrialization, he is careful to avoid the exploitation, monopoly, and political repression that created and sustained them for more than a century. Instead, these horrors appear in his account as the outcome of a sociologically neutral plague-like visitation on "society as a whole"; for Polanyi's market system is not only "unregulated" – once in operation, it appears to be largely self-sustaining. States, embodying the contradictory impulses that governed the time, put in place "pro-market" laws but also helped to undermine the market through the introduction of protectionist legislation. As we would expect in a society afflicted by plague, the overall character and purpose of government action and social activity was focused on securing protection (through, e.g., tariffs and social legislation). Moreover, as with plague, the actions of states and groups to secure protection, for whomever and by whatever means, contributed to the protection, and was therefore in the interest, of "society as a whole."

Absent from Polanyi's analysis is a detailed exploration of the "first transformation" that, at the end of the eighteenth century, brought about the rise of the unregulated market system. A consideration of the class structure and the class-specific interests that shaped the rise of the unregulated market might have focused his attention on the varying capacities of different groups to gain protection, and the recurring social conflicts and imperialist wars throughout the period.

RETHINKING THE GREAT TRANSFORMATION

In contrast to Polanyi, I argue that the dismantling of market regulations and systems of national welfare prevailing at that time in Britain, France, and elsewhere in Europe represented the victory not of new liberal commercial interests but of rural, pre-industrial, and autocratic structures of power and

authority. The assumption that a "new" industrial capitalist class rose to power in the first transformation causes him to characterize as "liberal" key structures and features of nineteenth-century Europe, including the state, the Concert of Europe, and Europe's "peace." States were not liberal, but exclusionary and nobilitarian (Chapter 2). The central dynamic of Europe's industrial expansion was not a double movement of protection by and for "society as a whole" against the expanding market system, but a dualism *within* society itself (Chapter 3).

Polanyi and those who follow him are gravely mistaken about the reality of the so-called long peace of the nineteenth century. Far from being a period of peace gradually overtaken by the contradictions of the unregulated market, this period was born in violence and remained violent throughout (Chapter 4). European states fought *in Europe* fourteen interstate wars and twelve wars against the populations of other states; outside Europe, they fought some fifty-eight wars. The appendix records 540 conflicts between the first and second transformations, and these must be treated as not a complete record but as a sample only.

The differences of conceptualization and analytic perspective between Polanyi's analysis and the one presented in this book have important implications. Consider, for instance, how the terrain of Polanyi's analysis would appear if it focused not on the relative absence of multilateral great power conflict in Europe but on the recurring social conflicts and the continual imperialist wars both within and outside Europe that, in Polanyi's account, are absent. What if the change in the form of the state that occurred as part of the "first transformation" represented not the rise to power of a "new" and liberal industrial capitalist class but the means by which landed wealth consolidated its power over the state and, as a result, over the economy? What if it were shown that key groups within society sought protection not from the market but from pressures for redistribution and reform that threatened their monopoly and privilege? What if it were shown that, at least in nineteenth-century Europe, there was no such thing as an "unregulated market" – that markets were always and everywhere regulated by states in order to effect the outcome of their transactions? This book endeavors to show all of this, and to draw the implications for contemporary trends of change.

Polanyi begins his analysis with the international system because, in his view, the system was crucial to the emergence and consolidation of liberal states and the unregulated market. He therefore offers what might be termed a "top down" analysis: he starts with the nature of the overarching international system and then shows how that system shaped the emergence and development of local social institutions. But the terrain appears very different if it is traversed, as is done in this book, in reverse – that is, from a "bottom up" exploration of social relations, conflicts, and interests, and how these shaped the emergence and development of state and international structures. This book focuses not on the international system but on the

system of social relations and how they are reproduced both in sites of production and throughout social formations, not on the balance of state power in Europe but on the balance of social power.

What if Polanyi had lived to see the beginning of the rise, once again, of the "unregulated" market? Polanyi believed that the great transformation from free unregulated markets to welfare states represented a permanent change. If the "unregulated" market was assumed to be not an unprecedented phenomenon but a recurring one, how might his analysis of it have changed? The assumption that something is unprecedented and that its emergence simultaneously triggers a mechanism that leads inevitably to its demise (e.g., Polanyi's "double movement") might encourage an overly general and benign view of it. The Czech writer Milan Kundera aptly renders this idea:

> If the French Revolution were to recur eternally, French historians would be less proud of Robespierre. But because they deal with something that will not return, the bloody years of the Revolution have turned into mere words, theories and discussions, have become lighter than feathers, frightening no one. There is an infinite difference between a Robespierre who occurs only once in history and a Robespierre who eternally returns, chopping off French heads.[15]

The purpose of revisiting the history of Europe's nineteenth-century market system is to explore the relevance of the relationships it reveals for current trends of change, but since current events revise our views of past ones, the aim is also to consider how current trends of change help to illuminate the past.

CLASS AND CLASS AGENCY

The present study revisits the terrain of Karl Polanyi's "Great Transformation," focusing on the class nature of the institutional complex underlying Europe's nineteenth-century market economy and the class interests that shaped and were served by the expansion of industrial capitalism. Its overall argument focuses on the importance of the balance of class power for understanding change (as do, among others, Rueschemeyer et al. 1992).

Its analysis of class differs from those used in various Marxist approaches in two ways. First, it focuses on the class relation as it extends beyond the production process to the sphere of circulation and consumption[16] and politics. Second, it focuses on the class nature of both the state and the interstate system. States are rooted in a common social structure[17] that predated their

[15] *The Unbearable Lightness of Being*, trans. Michael Henry Heim (New York: Harper and Row, 1984), p. 2.

[16] In Marx, these spheres are not really separable. See, e.g., the Introduction to Marx's *Grundrisse*.

[17] Social structure is conceived in terms of a collection of institutions, rules of behavior, norms, and roles "that are relatively invariant in the face of turnover of individuals and relatively

formation and that overlapped and intersected with local class structures (see Chapter 2). Elites continued to operate within this system of social institutions, relationships, and norms, and within institutional arrangements that linked local interests and institutions to international mechanisms of control.

Recognizing this, the book argues that the development of prosperous, stable democratic societies was achieved much later than is commonly thought, and not gradually or smoothly, as is often assumed, but as a result of a shift in the balance of class power in Europe in the course of two world wars. The relative peace and stability that characterized much of Europe after 1945 was a consequence of this shift and of the redistribution of political power, wealth, and income that it helped to bring about (Chapter 8).

The nearly simultaneous Industrial and French Revolutions have, for generations of students of Western history, represented the critical turning point in the development of industrial capitalism and democracy in Europe. However, these events represented not a revolutionary break with the past, but only the beginning of a process that was slow, bloody, had many setbacks, and finally culminated in two world wars. A vast frontier lay between the Industrial Revolution and the achievement of industrial capitalism in Europe. Nearly a century and a half after the French Revolution, lower classes and ethnic minorities in Europe were still effectively excluded from political life and from opportunities for economic advancement. Various forms of economic protection and monopoly, as well as restrictions on labor organization and on political participation, enabled a small elite of landowners and wealthy industrialists to monopolize land as well as the entire field of industry and trade. This produced a dual pattern of development that, in all aspects, resembles the dual economies described by theories of contemporary third world development and erroneously restricted in their application to that world.[18]

Dualistic industrial expansion in Europe was characterized by the use of methods that deskilled labor and kept it fragmented and impoverished, together with the development of exogenous demand and consumption through the export of capital and goods. A generally low level of industrialization and the production of high-cost goods for export avoided

resilient to the idiosyncratic preferences and expectations of individuals" (March and Olsen 1984: 740). This structure reproduces a given balance of class forces. They vary along a number of dimensions: social mobility, relations of power, distribution of resources, and the balance of power among different classes.

[18] The evidence that this book presents suggests that models of development devised to explain the dynamics of contemporary third world development apply equally as well to Europe's industrial expansion. This extends arguments developed in a previous book, *In the Mirror of the Third World: Industrial Capitalist Development in Modern Europe* (1997). There, as here, I argue that the features that collectively comprise "dependent development" were as characteristic of European development up until the world wars as they are of the contemporary third world.

(1) redistribution of the national income – the need to provide workers with the purchasing power to consume the goods that they produced – and (2) the creation of a significant factory proletariat. This ensured that the benefits of expanding production would be retained solely by the property-owning classes.

The struggle between labor and capital, while carried on in different societies and in different ways, brought about broadly similar outcomes. Dualistic structures emerged not through the common or concerted action of Europe's ruling class but as a result of the structural relations of connection that constituted Europe's transnational elite, and the similarities and interdependencies that it created among states. The ruling classes of European states were not separate-but-similar classes. They were part of a single transregional elite whose broadly similar characteristics, interests, capabilities, and policies were constituted and reproduced through relations of interaction, connection, and interdependence (Chapter 1). These relations of connection had for centuries created similarities and interdependencies among states (Chapter 2). As the various economies of Europe began to expand in the nineteenth century, their advanced sectors were tied more closely to those within the economies of other European countries than to the more backward sectors within their own (Chapter 3). As a result, and as time went on, economic development in Europe took place within, and was crucially shaped by, an increasingly interdependent industrial system. This system, and the structural relations of connection and interaction that produced it, ensured that problems relating to the establishment of capitalist labor markets and new labor processes were resolved in broadly similar ways.

On the eve of World War I, the dominant social, economic, and political systems of Europe paralleled those that existed at the time in other regions and that exist still in many areas in the contemporary third world. Its most effective elites were traditional and aristocratic and not bourgeois; landowning and rent receiving, not capitalist or entrepreneurial; religious, not secular; oligarchic, not democratic. Industry was penetrated by feudal forms of organization and characterized by monopolism, protectionism, cartellization, and corporatism; forming small islands within impoverished, backward agrarian economies. Political institutions had not significantly affected the character of popular representation; the great majority of adults were excluded from political participation. In Europe, as in areas of the third world today, elites were interested not in development but in power. Economic expansion was external, rather than internal, and based on the enlargement of foreign markets rather than of domestic ones. States sought to increase their distributive share, rather than to increase the total social output. This pattern of economic expansion produced recurring social conflicts in Europe as well as imperialist rivalries and tensions, both within and outside the region.

EUROPEAN CONFLICTS

Karl Polanyi begins his analysis in *The Great Transformation* with the assertion that Europe experienced a hundred years of relative peace between 1815 and 1914. But throughout the nineteenth century, European states were continually at war with populations and states both within Europe and elsewhere in the world. Attempts to maintain or eradicate restrictions on political rights and economic opportunities generated minority and class conflicts at home. Attempts to secure protected external markets in lieu of developing internal markets generated imperialist conflicts.

This book records *all* conflicts waged by, within, and among European states between 1815 and 1914, both within Europe and without, including small- and medium-scale domestic conflicts usually not considered, together with large-scale interstate ones. It may appear peculiar to "lump together" conflicts of vastly different magnitude, motive, and apparent importance. However, small- and medium-scale events are connected to big ones, and familiar types of international conflict are interwoven and causally connected with internal class conflict.[19] Recording the whole range of conflict activity over time reveals the essentially transnational and regional dynamics underlying conflict. It shows that the same actors repeatedly became engaged in the same sort of conflicts over a long period of time, that no conflict was purely an internal affair, and that conflicts of various types and sizes and in a variety of settings were, in significant ways, interconnected.

The importance of investigating the entire range of conflict activity throughout an interconnected area over time was made clear to me by the Iranian Revolution in 1979. The revolution came as a complete surprise to political observers, Western and Israeli intelligence services, Middle East scholars, war researchers, and journalists. Recall U.S. President Jimmy Carter's famous toast at a dinner for the Shah of Iran. In a manner reminiscent of Chamberlain's declaration of "peace in our time" following the Munich Pact, Carter raised his wine glass and toasted Iran as "a pillar of stability in the region." Years later, when I began to study the pattern of conflict throughout the region, I discovered that there had been almost continual outbreaks of violent conflict in Iran starting in 1963: demonstrations and riots – sometimes a million strong – were almost routine in the years leading up to the revolution. But war researchers, analysts, and scholars had simply failed to perceive, in terms of both its nature and its magnitude, the significance of this pattern of violent activity. In studying the causes, conditions,

[19] A number of influential studies have explored the international ramifications of domestic class conflict and the ways in which international conflict is interwoven with and caused by internal class conflict. The historian Eckart Kehr (1975, 1977) is only the most notable example. Kehr's arguments about the domestic roots of German foreign policy in 1914 were rediscovered and elaborated in the 1970s by, e.g., Berghahn 1971 and Wehler 1985. For a discussion of the Kehrite view, see Berghahn 1994: ix–xvii, and Mommsen 1973: 3–16.

and consequences of European conflict, I resolved, therefore, to undertake a detailed and systematic investigation of all violent conflict throughout the region.

THE ORGANIZATION OF THE STUDY

This book, like Polanyi's, is about two transformations: first, the eradication of communal control over economic life, and second, its reinstatement. Its overall argument is that "great transformations" such as occurred in the course of the world wars are made possible by shifts in the balance of social power. Chapter 1 elaborates this argument, while the subsequent chapters are structured to examine various chronological aspects of the overall argument. In Part I, the class-analytic perspective developed in Chapter 1 is used to reread the history of the Industrial Revolution (Chapter 2), the dynamic of expansion abroad and restriction at home that defines ruling class responses to it (Chapter 3), the social and imperialist conflicts that it engenders (Chapter 4), and how these conflicts produced the first Great War of the twentieth century (World War I) and its social revolutionary aftermath (Chapter 5). Part II describes "the interregnum": the polarization of European society between the wars (Chapter 6) and, associated with this, the politics of appeasement and World War II (Chapter 7). Then, Part III explores the causes and conditions of the class compromise that brought about a return to systems of nationally regulated capitalism after World War II (Chapter 8); it then extends the argument forward in time to a consideration of globalization (Chapter 9).

THE PLAN OF THE BOOK

The study is designed, in part, to challenge ideological orientations within contemporary social scientific inquiry and, specifically, those that foreclose an investigation into class divisions and the interests and politics that arise from them. After examining some influential examples of these analyses, Chapter 1 shows how Polanyi's analysis is undermined by analytic elements common to them and in similar ways. A class analytic perspective is then used to highlight the theoretical weaknesses and empirical flaws of Polanyi's analysis and to sketch the contours of an alternative interpretation of Europe's industrial development and of how and why European society was transformed during the world wars.[20]

[20] This is a work of synthesis that presents a mix of historical insights, comparative contrasts, and statistical data (though not statistical testing). It is based not on new research but on a reading of the available works of modern historians and on scholarly evidence that is widely accessible and in other contexts widely used to reinterpret the past. It draws together and fleshes out themes that emerge repeatedly in the works of modern scholars, but are

At the center of the argument is the contention that European industrial expansion was characterized not by the double movement of expansion and protection that Polanyi described but by a dualism grounded in internal repression and external expansion. Societies industrialized on the basis of the expansion and integration not of internal markets, as standard accounts assume, but of external ones. This enabled European economies to expand with the least amount of disruption and leveling of the social structure.

The onset of the Industrial Revolution brought to an end an unprecedented period of social peace in Europe and began a century of social conflict. Deregulation of markets, dismantling of national welfare systems (in Britain, France, and elsewhere), and the imposition of capitalist forms of ownership and factory production set in motion recurring social conflicts that, during the nineteenth century, spread throughout Europe (Chapter 2).

Dominant classes expanded industrial production in ways that enabled them to consolidate their position within the class struggles that emerged at the end of the eighteenth century, to monopolize gains from the new forms of production, and to leave intact to the greatest extent possible the traditional bases of their social and political power (Chapter 3). Throughout the century, externally oriented expansion generated social conflicts at home and imperialist conflicts abroad (Chapter 4).

By the beginning of the twentieth century, external expansion as an engine of growth had begun to approach its limit and, as it did, imperialist rivalries came to focus once again on Europe itself. The mobilization of Europe's masses in 1914 to fight in Europe the first of a two-phased culminating war of European imperialism set in motion what a century of externally oriented expansion had succeeded in preventing: social revolution and a vastly accelerated process of social change (Chapter 5). As a result, during the interwar years the domestic and international relations of European states became increasingly polarized under the impact of a more or less continuous round of violent strikes, riots, demonstrations and street fighting, rebellions, coups, and revolutions (Chapter 6). As Europe's ruling classes became increasingly preoccupied with the threats of socialism at home and Bolshevism abroad, the concern with stopping the spread of Communism became inextricably bound up with the preservation and defense of the traditional structures of European society. British and French appeasement policies were a reflection of this preoccupation and led to World War II (Chapter 7).

The Second World War completed what the first had begun: a shift in the balance of class power throughout Europe. This made possible the many

given insufficient emphasis there. It draws on available statistical data, but reads them with a different set of lenses. Thus, it shows how these same data may be suggestive of new conclusions. At times the sources cited in the text do not reflect the most recent research and writing on the subjects at hand, but are older sources that have been overlooked or given insufficient attention.

important other changes generally attributed to the war and its impact. By bringing about a redistribution of political power, wealth, and income, the war enabled states in Europe to put their economies on an entirely new footing. This was the "great transformation" that occurred in Europe as a result of the world wars and that marked the beginning of an era of unprecedented growth and of relative peace and political stability in Europe (Chapter 8). After 1945, development was internally oriented and relatively more balanced, making possible, for a time, greater prosperity and political stability. However, by the 1970s, a reappearance of flux, uncertainty, and more intense conflict in political life had become apparent in Europe, in both the East and the West. In both parts of Europe, it was possible to discern the formation of new class structures, with features reminiscent of nineteenth-century European society and, as a result, a resurgence of nationalism and class conflict. At the same time, and in both East and West, increasing deregulation of industry and markets, privatization of state assets, and the curtailment of state welfare functions suggest parallels to aspects of the pre–world war international political economy. The implications of the historical analysis of previous chapters are drawn for these trends that, collectively, many refer to as "globalization" (Chapter 9). In light of the analysis of previous chapters, "globalization" appears as the continuation of social and political conflicts that began with Europe's industrial expansion two centuries ago. The lesson for social scientists and historians that might be drawn from that is one that sociologist Barrington Moore endeavored to communicate in an essay written in 1958. In "Strategy in Social Science," Moore argued that the major issue confronting contemporary social theorists is the same as that which confronted Tocqueville, Mosca, Marx, Weber, and Durkheim: the feasibility of creating rational societies under the conditions of industrialism.

Inasmuch as "globalization" is a continuation of struggles that began with the Industrial Revolution and, in particular, with the deregulation and changes in production that gave rise to unregulated markets in the nineteenth century, the dilemmas, dangers, and opportunities that "globalization" presents are ones that social thinkers have grappled with since the dawn of the industrial age. Our ability to address them effectively depends on our willingness to take up the themes and aspects of industrial capitalism that were the primary focus of their work.

This book began as a Ph.D. dissertation at the University of California, Los Angeles, where I was inspired by a supremely talented group of scholars. In the intervening years, and as I worked on other, related projects, colleagues at the University of Pittsburgh and at the University of Sussex provided me with encouragement and intellectual sustenance: at Pittsburgh, Charles Gochman and Jonathan Harris; at Sussex, Ronen Palan, Kees van der Pijl, and Julian Saurin. Comments by David Gibbs and Henk Overbeek on earlier drafts

of the book manuscript and, especially, Mark Blythe's detailed and incisive comments on the penultimate and final drafts helped make this a better book than it would otherwise have been. None of them, of course, is to be held responsible for its shortcomings.

David Wilkinson has been a beacon illuminating my way down many roads I may never have explored but for him. This book would not exist but for his support and example. It is with gratitude for his wisdom and generosity of spirit that I dedicate this book to him.