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Edited by Alice Teichova and Herbert Matis

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Introduction

Alice Teichova and Herbert Matis

I

This book goes to press at a time of persistent national strife on a world-wide scale. The events in New York on 11 September 2001 have only underlined the relevance of gaining deeper insight into the subject of nation-states in historical context. At that time, the manuscript of this volume was ready to be edited for publication.

During the four years of preparation of its content the editors and authors could draw on the experience gained from the fruitful collaboration with colleagues on the collection of essays contained in *Economic Change and the National Question in Twentieth-Century Europe*.¹ The opportunity to expand the scale and scope of this theme occurred to the editors in connection with organising the Session of the International Economic History Association for the Nineteenth International Congress of Historical Sciences in Oslo (6–13 August 2000) on ‘Economic Change and the Building of the Nation-State in History’. We had indeed been aware that the exploration of the economic element in the building of nation-states should not be confined to Europe and, therefore, cases cover all continents.

The notion of the ‘nation-state’ – as a distinctive framework of modern polity – has its roots in the late Enlightenment and early Romanticism. It connects with the materialisation of novel ‘public sphere’ in Europe against the background of the disintegration of the feudal system, including the repudiation of (Western) Christendom’s claim to universality, and the rise of civil (*bürgerlich*) society.

In this process a major agency was the absolutist state. Thus the English and French absolutist courts, as discussed by Patrick O’Brien and François Crouzet, acted as a centralising force and the unification of administration promoted a sense of political unity among the royal subjects. At the same time, local and regional identities began to dissolve. What was originally an ethnically and linguistically heterogeneous population in a territory

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created through numerous contingencies (marriage, conquest, inheritance, etc.) gradually grew into a 'nation' by acquiring a common set of values, symbols, myths, rites, heroes, and legacies of memories. The standardisation of mental norms, as it were, aided by the standardisation of language out of vernacular forms, helped to engender a consciousness of belonging to a 'nation'. Furthermore, as pointed out by Gerd Hardach, by centralising and unifying administrative processes, introducing compulsory mass education and military service, and forging a common economic area, absolutism was able to assert the idea of state sovereignty over particularistic forces arising out of regionalism and the persistence of traditional social orders. But, as Clara Eugenia Núñez and Gabriel Tortella show, the Spanish state – with the Catalans and Basques battling to retain their identity – has had difficulties in amalgamating the political and economic realms throughout its history.

Looking into the case of Germany, Hardach begins where Crouzet ends, i.e. with the Napoleonic Wars of the early 1800s. Significantly, these authors come to different conclusions regarding the relative importance of economic factors in the building of the national state. Whereas Hardach (as well as Göran Nilsson examining the case of Norway between 1815 and 1880 and Francis Sejersted that of Sweden in the nineteenth and twentieth centuries) regards the economic factor, i.e. the formation of a 'national market', as central, Crouzet is guarded. The French nation-state came into being before the constitution of a national market.

II

Central and Eastern Europe is a highly fertile turf for probing divergent and convergent aspects of the theme of the volume. This is addressed in five contributions. In the first David Good offers an overview of the state of affairs in Central Europe by commenting on the multinational pre-1918 Habsburg monarchy and the post-1918 successor states on its former territory. Contrary to widely held views, Good propounds that state building did not precede the modernisation of the economic and social spheres in Central and Eastern Europe. Perhaps an even more challenging feature of his conclusion is that 'over the past century, there seems to be no systematic relationship between the nature of political regimes in the region and their economic performance'. Austria – the highly industrialised successor state – is the subject of the second joint-contribution by Ernst Bruckmüller and Roman Sandgruber. Specifically they consider the interaction between integrative and disintegrative forces in the Habsburg

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monarchy, the former spurred by economic interests and the latter actuated by national antagonisms. When it comes to post-First World War and Second World War developments, what emerges from the chapter is that a truly Austrian nation-state came into being when 'the economic development of the Second Republic went along with the confirmation and stabilisation of a distinct Austrian national consciousness'.

The contribution by Václav Průcha concerns Czechoslovakia, rivalling Austria as the most industrialised successor state. Průcha stresses that pre-conceived conclusions about the relationships between economics and politics and the state are unhelpful without meticulous historical research. He analyses the interplay of state, national conflict and the economy. His argument is based on differing economic levels which influenced the social structure in general, and that of nationalities in particular. In Czechoslovakia's case the fateful experiences from 1918 to 1992 are a virtual historical laboratory for variations in these relationships. Indeed, at the point in 1992 when the complete division of Czechoslovakia into the Slovak state and the Czech state occurred, the Czechoslovak economy had never before been so fully integrated. This Průcha shows in a telling table of the equalisation the economy had reached between the Czech Lands and Slovakia in the 1990s.

Michael Palairret's contribution guides the reader through the highly sensitive, complex and continuously changing scene of Yugoslavia. By discussing Serbia he presents provocative ideas and interpretations. Basically, Palairret defines Serbia as a nation-state by comparing nineteenth-century Serbia to post-1991 Serbia. In his analysis he concentrates on agriculture. By a nation-state – within the South-East European context – Palairret understands a state 'built upon the assent of a numerically predominant people sharing a common language and religion where interests of minorities are subordinated to those of the dominant nation'. From this definition he deduces that economic measures in multinational states (the Habsburg and Ottoman empires and Yugoslavia) are used to buy cohesion, and economic measures in national states are used to enhance state power. Thus economic development is subordinated to political stability. Ending the inquiry, Palairret peers into the future apprehensively: 'However, it remains to be seen if the corrupt and unstable structures of the European Union will be better able to integrate the nations of south-eastern Europe than were the corrupt and unstable multinational states of their recent past.'

The last contribution in this section, by Peter Gatrell and Boris Anan'ich, is also concerned with a long-term comparison. That is, they analyse the state–nation relationship extending over two centuries of economic development in multinational imperial Russia and the Soviet Union respectively.

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The authors conclude: ‘Under tsarism, economic change contributed to the creation of national sentiment and allegiance. In the Soviet case, the state sought to mobilise the population towards the goal of socialism, but ultimately many citizens became convinced that nationalism, rather than the pursuit of Soviet-style socialism, offered them better prospects of economic improvement.’

III

We turn to contributions that focus on the theme of the book outside Europe. In effect, aside from in Japan (Hidemasa Morikawa), it cannot be meaningfully explored without taking account of the ubiquitous impact and legacy of colonialism. The latter’s objectives were primarily economic. ‘Ever since colonial times, and even before that,’ writes Catherine Coquery-Vidrovitch in her overview of Africa south of the Sahara, ‘the economy had been oriented outward, ruled by an international market, located out of reach of African control.’ In this respect, she finds, the situation was not essentially transformed when post-colonial formally independent states came into existence after the Second World War. Effectively, the dependence on foreign capital was not questioned. This contributed to failures in reaching the envisaged economic prosperity and nation building under the influence of the supremely nebulous concept of ‘African Socialism’. On this, as well as other issues (corruption) emanating from the foundation of the colonial economy (groundnuts), Ibrahima Thioub has much to say in detail about Senegal, which became an independent state in 1960.

Amalgamation of economic and political matters constitutes the dominating feature of Jacob Metzer’s guide to Jewish nation and state building (Metzer employs also the term: Jewish-Israeli nation). Its cornerstone has remained the principle of national landownership to which the Zionists as well as the government of Israel adhered throughout the Mandatory, pre- and post-1967 periods. As Metzer concludes: ‘In executing... policies of colonising penetration into the occupied territories in an attempt to establish a Jewish-Israeli national existence there, and thereby a claim for future sovereignty, Israel has turned, essentially, full circle back to the “old” Zionist pre-state means of nation building.’

Can it be an accident that the English word ‘loot’ derives from the Hindi *lūt*? It reflects the manner in which ill-gotten material gains reached the shores of Britain after the East India Company established its rule over Bengal in 1757. India became the most important British colony – the jewel in the crown of the British empire. How the British government tried to retain it, after the First World War and during the Second World War,

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until the subcontinent's partition in 1947 into two separate states, India and Pakistan, is the subject of B.R. Tomlinson's scrutiny. Generally, he finds the current research still very diffuse and deprecates the neglect of the economic context in which decolonisation, partition and state formation came about. His starting point is the 1919 Government Act of India. Its object, Tomlinson points out, was threefold: to secure a market for British goods in India, to make use of an Indian army as an imperial strike-force and to have access to Indian revenues in the form of various charges. 'As the threat to imperial control of India's resources increased during the first half of the twentieth century', writes Tomlinson, 'so British efforts to maintain their rule by dividing their subjects intensified.' India's social, religious, linguistic and national variegation offered most favourable ground to operate the tried and tested *divide et impera* principle. Though in the end of no avail, it profoundly affected decolonisation and partition of India. A forceful reminder of its consequences is two wars and the threat of nuclear war between India and Pakistan over Kashmir.

The ancience of the Indian and Chinese civilisations has been well recognised and a subject of comparison. They differ in the fact that China remarkably has continued to exist as a political entity through centuries, despite weaknesses at the centre, internal political and social strife, and external military and commercial conflicts, such as the Anglo-Chinese war of 1840–2. This has gone down in history as the Opium War because it was precipitated by the Chinese government's opposition to importation of opium grown in India – a most profitable commercial operation for the British. In the face of bombardment of the south-east China coast by British warships the Chinese were forced to sign what is known as the Nanking Treaty (1842), by which Hong Kong was ceded to Britain and other areas, such as Canton and Shanghai, were opened to trade. In addition, China had to pay reparations. The view that, as a result, China was turned into a semi-colony Deng holds to be misconceived. He finds support for this contention in the notable value of state revenue derived from customs duties, mostly paid by foreign traders. This evidence awaits further evaluation. It is Deng's thesis that China, between 1840 and 1910, embarked on a series of reforms from the top which, alas, failed because 'the "social costs" for the majority exceeded the "social benefits"'.

Aptly, colonialism is the point of departure for the authors of the remaining four contributions dealing with Latin America, the USA and Australia. Not unlike Central and Eastern Europe, Latin America offers apposite comparative openings for the study of the theme of the volume. This is precisely what Carlos Marichal and Steven Topik undertake in their examination of the role of the state in economic activities in Brazil and Mexico in the period

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1870–1910. In both countries, they find, the role was increasing externally as well as internally which, on the face of it, ran counter to the widely accepted principles of economic liberalism. Not so, conclude the authors:

Links to the international economy paradoxically forced some interventionist policies such as participation in commodity markets, tariff protection and nationalization of the railroads. Officials were not driven simply by ideology, and their actions changed over time. National sovereignty and political peace were as compelling as the balance of payments and per capita GNP. Markets did not run on their own; they required states' guidance.

This opinion finds an echo in Domingos Giroletti's chapter which approaches the history of the Brazilian state from a longer historical perspective from below.

When it comes to Gavin Wright's chapter on the USA, there is no doubt what its message is. The Declaration of Independence, adopted by the Continental Congress on 4 July 1776, was a political act signalling that American nationhood was coming into its own. It found reflection in measures, enacted during the 1780s and rounded off after the turn of the century, which Wright affirms laid the foundations for the striking US economic developments in the nineteenth and twentieth centuries. They included, crucially, the freeing of the land and labour to become capitalist market commodities. The latter applied to the northern but not to the southern territories. In the south the slave-based economy, Wright concludes, 'did not generate the same symbiosis between profit seeking and nation building that formed the core of the American experience for the rest of the country'.

Like some previous contributors, but even more so, Christopher Lloyd approaches the matter at hand comparatively. Also from this perspective, it is fitting that the chapter on Australia is the last in the volume. The comparative approach leads Lloyd to provide dialectically, as it were, a wide-ranging discussion of particular aspects of the economy–politics interplay in Australia from 1788 to the present. Lloyd's starting point is that 'Australia was born as a *modern* component or offshoot of the British state and developed in such a way that no pre-capitalist or anti-modern forces were permitted to influence significantly the infant society.' He continues by addressing topics such as colonial settler capitalism, including violent dispossession and partial eradication of the Aborigines; state–capital–labour compromise; and protectionism as an enduring framework of national (white Australian) policy from the end of the nineteenth century to the mid-1980s. Since then, Lloyd argues,

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the structure of Australia's political economy has changed enormously. From being a protected, mixed economy with a high degree of state ownership and regulation, toleration of monopolies and oligopolies, with an egalitarian income distribution by world standards, the economy and society have been opened to global competition and resulting inequality. Multiculturalism displaced 'White Australia', Aboriginal land rights and reconciliation moved to centre stage as national issues. Indeed, the beginnings of a new cultural formation, focusing on the special characteristics and influence of the natural environment, fusing Aboriginal, European and Asian cultural elements with environmentalism, can be discerned.

In effect, Lloyd raises the question of the forging of a new Australian national identity under the impact of globalisation.

IV

Although the authors' treatments of the subject vary in approaches, emphases, definitions, and geographical and chronological reach, certain comparative insights and perceptions emerge.

The existence of the nation-state is not questioned. By and large, it is accepted that its advent may be ascribed to interaction of economic, political and ideological forces in which national issues played a salient role. Here Václav Průcha's caveat that there is no simple answer regarding their relative importance is valuable. The nation-state is a historical phenomenon, and as such liable to 'expiry' fostered by the globalisation process, by the emanation of 'cyber-society' escaping the control of the state. The continuous integration of the European Union (on matters of law, border control, etc.), deepened through the introduction of the euro, heralds the undermining of the traditional concept of sovereignty. Developments such as these fuel debates about the future of the nation-state against the background of its reduced status and increasing dominance of corporate power world-wide. But recent developments in South-eastern Europe, the former USSR, parts of Africa and the Far East also demonstrate that nation-state building has not run its course. Rooted in chronic ethnic discords, these developments owe much to exclusionary strategies imbued with the dichotomy of the 'Self' and the 'Other'.

NOTE

1. Alice Teichova, Herbert Matis and Jaroslav Pátek (eds.), *Economic Change and the National Question in Twentieth-Century Europe* (Cambridge, 2000).

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PART I

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CHAPTER I

*Political structures and grand strategies for
the growth of the British economy, 1688–1815**Patrick K. O'Brien*

The interest of the King of England is to keep France from being too great on the continent and the French interest is to keep us from being masters of the sea.

Sir William Coventry, 1673

STATE AND ECONOMY, 1688–1815

After the Glorious Revolution of 1688, a stable political regime gradually emerged. Within the 'kingdoms' of England, Wales, Scotland and Ireland, as well as the empire, over which the state exercised jurisdiction, *private* investors remained responsible for capital formation. Private businessmen (not civil servants) organized production, distribution and exchange. Businessmen and investors looked to central government for the provision of security. They expected to be protected from risks emanating from warfare on British soil or in home waters around the isles. From the time of the Interregnum onwards, an influential minority of traders, shippers, brokers, bankers, insurers, planters and investors engaged with the international economy expected the state to become proactive in defence of their ships, merchandise and wealth located beyond the borders of the kingdom. After William III took the throne they pressured their rulers to use diplomacy and armed force to extend opportunities for British enterprise overseas.

Somehow a succession of aristocratic governments (uninvolved in any direct way with trade and industry) managed to sustain political and legal conditions that turned out *on balance* to be conducive to the rise of the most efficient industrial market economy in Europe. Yet their foreign and domestic policies usually had other objectives in view and cannot be interpreted as a 'strategy' for the long-term development of the British economy. Ministers and Parliament allocated an overwhelming share of the taxes raised from 1688 to 1815 for military purposes, but that

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does not imply that Britain's foreign and imperial policies can be represented as a 'mercantilist vision' for empire and for the domination of world commerce.

This chapter will bypass the motivations and perceptions of the kingdom's political elite and focus upon *the long run*. I elaborate on how the *outcome* of major policies initiated and implemented by the state may have affected the actions of those engaged in the management and development of British industry, agriculture and commerce. No doubt kings, their ministers and Parliaments unwittingly promoted the Industrial Revolution. They may even be depicted as the closest approximation to a 'businessman's government' among the *anciens régimes* of Europe. But how exactly did the state assist in carrying the British economy forward to its status as the first industrial nation? How did industrialisation promote and configure the formation of the British state? One obvious way to start is to look at the allocation of taxes and loans at the disposal of ministers. Budgetary data do not encapsulate the economic role of the state precisely. Some important functions were performed at very little cost but tabulations of public income and expenditure do quantify changes in the scale and scope of its 'fiscal impact' on the macro-economy.

Deflated by indices of wholesale prices, the statistics do 'track' the ever-increasing role played by central government. In real terms its 'normal' or peacetime expenditures on goods and services climbed by a multiplier of 3.7 per cent from around £1.9 million in the 1680s to £7.1 million a century later. Wartime expenditures jumped even more – from around £5.7 million per annum in the 1690s to £22.5 million in the 1790s and by a factor of six if we compare average annual expenditures in King William's war against Louis XIV (1689–97) with those in the war against Napoleon (1803–15). Estimated as a share of gross national income the activities of the state accounted for a tiny proportion of gross national expenditure in 1688 and that proportion rose to reach nearly a quarter in the closing years of the Napoleonic War.

Thus this period cannot be presented as one of transition to the domination of private enterprise. On the contrary, the government's revenues and expenditures assumed a place of increasing importance for the growth and fluctuations of the British economy. Even in interludes of peace the share of the nation's resources absorbed overwhelmingly for military purposes by the state exceeded the share devoted to gross investment, while wartime allocations for the army and navy amounted to multiples of national expenditures on private capital formation. Over the entire period from 1688 to 1815 the British taxpayers and investors allocated more resources to military