

PROLOGUE

In their book *Power and Plenty*, Ronald Findlay and Kevin O'Rourke identify three "great world-historical events" that touched off dramatic changes in the demographic, economic, and socio-political structure of societies throughout the world. The first of these was the response to the Black Death of the fourteenth century; the second was the discovery and incorporation of the New World into the Old World at the end of the fifteenth century; and the third was the industrial revolution at the beginning of the nineteenth century.¹ Each of these eras introduced new and profound changes in the institutional arrangements throughout the world. My experience teaching and researching world history has persuaded me that the Great War of 1914–18 and its aftermath should be added to Findlay and O'Rourke's list of major historical events that changed the world.² The puzzle of war and economics has attracted a large body of research in both the humanities and the social sciences. One of the things that makes the puzzle so difficult to piece together is the apparent "irrationality" behind decisions to wage war or engage in risky speculations that produce economic crises. Economists and political scientists are particularly wedded to the notion that human behavior involves some sort of rationality.

As someone who is a "cliometrician" with a research background in both economics and history, the idea that the course of history can be profoundly changed by significant events such as wars and panics appeals to me.³ One of the more successful efforts to offer such an interpretation from a historian's perspective is Donald Kagan's book *The Origins of War*.⁴ Kagan sought a methodology that could

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explain wars that took place in three very different places and eras of history: the Peloponnesian Wars of Ancient Greece, the First World War, and the Cuban Missile Crisis of the twentieth century. He starts by citing the Greek poet Archilochus, who argued that “The fox knows many tricks, the hedgehog only one; one big one.” Social scientists, Kagan argues, “are the hedgehogs; they seek to explain a vast range of particular phenomena by the simplest possible generalization.” Historians, he says, “should in the first instance, be foxes, using as many tricks as they can to explain as many particular things as accurately and convincingly as possible.” Neither group, Kagan cautions, should “expect to find the one big trick that will explain everything,” but they should be able to “draw upon the lesser generalizations and other understandings of the evidence that has been examined.”

Kagan calls his approach a “narrative history,” a term that appeals to me because it stresses the need to keep the timeline of events at the center of the analysis. For the economist, time and place are an essential part of the analysis. Theories – or to use the economists’ term, economic models – involve assumptions that must be set in a particular time and place. Kagan is a narrative “fox” who turns to the “hedgehogs” for assistance as needed in his discussion of three very different wars. My approach, which I will call a *cliometric narrative*, is to be a “hedgehog” who turns to the historian “fox” for help identifying the major tipping points in our story that need to be examined in greater detail using the quantitative and theoretical tools of a cliometrician. This book offers a narrative that examines the First World War as a series of situations where political leaders and generals consistently decided to gamble that starting or continuing a war was preferable to looking for options that might produce a more peaceful solution. Our narrative begins with the formation of the German Empire in 1871 and follows the course of events through the First World War and efforts to construct a peace settlement in 1919 that would shape the world in the aftermath of that war.

Chapter 1 presents some historical background on the evolution of war since 1500 and develops some analytical concepts showing how the notion of what the British economist John Maynard Keynes termed “animal spirits” and more recent work in behavioral economics help to explain wars and their aftermath. Chapter 2 examines how Otto von Bismarck’s successful use of war to create the German Empire in 1871 changed the balance of power in Europe and encouraged others

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to choose war over diplomacy in 1914. Chapter 3 discusses the war plans of the various powers in the years leading up to 1914, with particular attention to the plan devised by General Alfred von Schlieffen for Germany to attack France in the event of a two-front war with Russia and France. Chapter 4 examines how the failure of Schlieffen's plan produced a strategy of bloody attrition that led to a stalemate that lasted for three years. Battles such as Ypres, Verdun, the Somme, and Passchendaele produced horrendous casualties and brought about little or no change in the chances of victory for either side.

Chapter 5 argues that this was an economic war, one which would be decided not only on the battlefield, but by the ability of economies to meet the needs of mobilization for war. Mobilization produced dramatic changes in the allocation of resources in every country, and the imposition of economic blockades by both sides produced shortages of supplies. At the end of 1916 both sides were near exhaustion, yet neither side was willing to settle for a negotiated settlement to end the fighting. Chapter 6 carries the narrative through 1917, when the United States entered the war as a partner of the Entente Powers and the Russians found themselves in the midst of a revolution that would eventually overthrow the Tsar and take Russia out of the war.

Chapter 7 deals with the final efforts by both sides to break the stalemate and win the war with a final grand blow. At the beginning of 1918, the commander of the German High Command, Erich Ludendorff, launched one last offensive against the Allied forces on the Western Front. When that gamble failed, the Allies countered with a series of offensives that led to an armistice on November 11, 1918 that finally ended the fighting on the Western Front. Since Austria-Hungary, the Ottoman Empire, and Bulgaria had all reached ceasefire agreements earlier in the month, the ceasefire with the Germans completed the collapse of the Central Powers.

Chapter 8 deals with the chaos of victory and the efforts to restore the world to some form of "normalcy." Five years of fighting had not only resulted in 30 million military casualties; it also displaced millions of civilians and destroyed the institutional framework that had governed the global economic and political systems for more than a century. The leaders at the Paris Peace Conference in 1919 did their best to rebuild their shattered world, but their efforts could not cope with the enormity of social, political, and economic instabilities throughout the postwar world.

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Unfortunately, the series of postwar catastrophes did not end in 1919. The First World War was touched off by decisions taken by leaders of all the major powers of Europe to gamble on war rather than seeking a peaceful solution for a crisis in the Balkans. Neither side was willing to end the fighting so long as they believed they still had a chance to win the war. Whether or not the decisions to go to war in 1914 were the consequence of “rational” decisions, the price the world paid for the gambles on war seems extraordinarily high for what was gained. The First World War turned out to be a conflict that nobody wanted, nobody understood, and even today nobody can forget.

This book presents a narrative tour that examines why the leaders of nations at war thought that gambling on the risky strategies that started and continued the war was a “rational” policy, and why the people in those countries were willing to put up with the enormous costs of a war that would eventually produce a solution whereby no one had “won” the war.

To maintain the flow of narrative, details of various events and points of interest, together with citations to additional materials of interest have been consigned to endnotes at the back of the book.