This chapter presents five short case studies of great-power military spending from 1870 to 1939. These historical sketches serve two purposes, one descriptive and the other explanatory. In terms of description, the historical discussion depicts the major trends in the military expenditures of France, Germany, Japan, Russia, and the United States during their periods of economic takeoff. The case studies illustrate the changes in each state’s strategic environment in this era.

To explain these trends, we attempt to isolate the driving forces behind each great power’s security policy. Each hypothesis presents a different motive for rising military expenditures. Using the three hypotheses from the previous chapter, we try to determine whether military spending varied with growing international ambitions (the ambition hypothesis), security threats from other states (the fear hypothesis), or efforts to divert attention from domestic turmoil (the legitimacy hypothesis). We view the historical case studies offered in this chapter as a preliminary test of the three hypotheses. The goal of the analysis is not to provide the final word on the determinants of great-power military spending but rather to test the plausibility of these three accounts. From the historical case studies we determine whether these hypotheses merit use in a future study.

1In most cases we use the data sources referenced in Chapter Three, converted to 1982 U.S. dollars where appropriate, for our calculations. However, in cases where currency conversion or U.S. dollar deflation may be misleading, we use sources cited in the text.
We organize the discussion by dividing each case study into three different periods based on significant events: the era after the Franco-Prussian War ending with the departure of German Chancellor Otto von Bismarck (1870–1890); the era before World War I (1891–1913); and the era before World War II (1919–1939). For every era, we outline the pattern in military spending and offer a possible explanation for these expenditures.

Throughout most of the full sample period, the French case appears to validate the fear hypothesis. In this instance, security threats and not economic growth best explain increases in military expenditures. A glance at the empirical record in Germany, Japan, Russia, and the United States offers mixed support for all three hypothesis. In these four cases, rapid economic growth rates correlate positively with higher rates of military spending, evidence in favor of the ambition hypothesis. However, external security concerns and threats to the legitimacy of some of these states’ regimes (Germany and Japan) also contributed to military investments. The inability to determine the relative explanatory power of each hypothesis implies the need to revise these three propositions and to collect additional data. Table 5.1 summarizes the results of the historical case studies.

<table>
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<th>Table 5.1</th>
<th>Which Hypotheses Explain Great-Power Military Spending?</th>
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**FRANCE: COPING WITH GERMANY**

For the 69 years following the Franco-Prussian War, French policymakers focused on first reestablishing their nation’s place among the great powers and later confronting the potential security threat from
Germany. French actions from 1870 to 1890 provide mild support for the ambition hypothesis. Growth in the French economy heightened its desire for retribution against Germany, while prompting a generation of politicians to enlarge France’s colonial holdings. While the French may have craved an opportunity to repay German aggression, they simply lacked the economic and military capabilities to exact revenge in the twenty years following the Franco-Prussian war. Adding to its colonial empire proved a better bet. In subsequent years (1891–1939), fear of German power became the primary motivation behind French foreign policy and the decision to raise military spending.

**Military spending: 1870–1890.** From 1870 to 1890, French military expenditures followed two patterns. In the first eleven years after the war with Prussia, real French investments in the military grew from $1.3 to $2.3 billion.² For the remaining nine years of this era, policymakers in Paris kept military spending constant at around $2.5 billion. Growth in military expenditures correlates with France’s pursuit of additional colonies.

**Possible explanations.** The ambition hypothesis appears to offer the best account of French military spending after the Franco-Prussian War. Growth in French foreign ambitions appears to mirror the growth in the French economy. From 1872 to 1890, real French GDP rose from $54 billion to $75 billion.³ At the same time, French politicians seemed to see the enlargement of France’s colonial empire as a more important goal than overturning the territorial settlement established with the Treaty of Frankfurt in 1871. France joined the scramble for Africa and momentarily put aside aspirations for regaining its lost provinces of Alsace-Lorraine (Taylor, 1954). Policymakers devoted most of France’s economic and military resources not to a security competition with Germany but to secure holdings in Algeria and Tunisia. France, which until 1875 had led the continental powers in industrialization,⁴ mimicked British efforts to find new markets and raw materials in Africa. France’s pursuit of colonies was a search for profit as well as prestige. After the acquisition of Tunis in

²Military expenditures measured in 1982 U.S. dollars.
1881, the French Prime Minister Léon Gambetta felt bold enough to proclaim that “France is becoming a great power again.”

**Military spending: 1891–1913.** In the 23 years before World War I, French military expenditures mostly varied with the growing German security threat. From 1890 to 1901, French decisionmakers increased military spending slightly from $2.4 billion to $2.9 billion. A two-year lull in French economic growth pushed military expenditures from $2.9 billion in 1901 to less than $2.5 billion in 1904. In the following years, a more hostile German foreign policy persuaded France to invest more in its military. The most extreme increase in military expenditures occurred during the period from 1910 to 1913. During those years, French policymakers raised military spending from $2.8 billion to $3.6 billion.

**Possible explanations.** In the two decades before the Great War, Germany’s enhanced material capabilities and belligerent foreign policy increased both French security anxieties and military expenditures. For French policymakers, security concerns replaced colonial ambitions. As Premier Georges Clemenceau put it, “under all circumstances, the vital questions will be settled for us on the frontier of the Vosges; the rest is nothing but accessory.” The leaders of the Third Republic began to focus their attention on the continent as German economic might prompted a more assertive diplomacy from Berlin. Accordingly, French behavior provides evidence for the fear hypothesis.

France’s perception of a German threat rested on three factors. First, Germany possessed greater economic and military capabilities than France. The disparity between French and German economic power grew larger from 1891 to 1913. For example, by 1910 Germany produced steel at a rate six times faster than France and consumed three times more energy than its neighbor to the west (Kennedy, 1987, pp. 200–201). In 1913, French gross national product only amounted to 55 percent of German GDP (Bairoch, 1982, p. 291). Demographics also put the French at a disadvantage. While the German population increased by 18 million from 1890 to 1914, France saw its population

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5Quoted in Brunschwig (1964, p. 80).
6Quoted in Kupchan (1994, p. 208).
grow by only one million in the same period (Spengler, 1951, pp. 403–416; Kennedy, 1987, p. 223). To maintain an army of equal size, policymakers adopted a policy of universal conscription that required three years of service. In peacetime, France always maintained a larger army than Germany. However, France could only draw upon a manpower pool of five million during a conflict, while Germany could count on 10 million eligible men to fill the ranks of its armed forces. Moreover, the German army possessed significant material and organizational advantages over the French military.7

Second, Berlin’s hostile foreign policy added to the perception of threat in Paris. Under the guidance of Chancellor Bernhard von Bülow, Germany pursued Weltpolitik, or world policy, and began to encroach on France’s colonial interests. A sizable increase in the German navy implied that Berlin sought to turn back some of France’s gains in Africa and challenge the British for maritime supremacy. Twice, in 1905 and 1911, Germany challenged French policy in Morocco (Bridge and Bullen, 1980, pp. 143–162). Later, Weltpolitik emphasized German ambitions for territory in Central Europe. Germany’s support for Austria in the Balkans brought it into several diplomatic crises with Russia, France’s principal ally. Eventually, a dispute in the Balkans would spark World War I.

Third, France worried about the reliability of its allies. While France and its partners in the Triple Entente could threaten Germany with a war on multiple fronts, Paris feared abandonment from its friends in London and St. Petersburg. Before the turn of the century, French policymakers realized they could not face Germany alone and decided to tie French security to Russia. French and Russian diplomats believed the prospect of a two-front war would deter Germany from aggression. Unfortunately for the new anti-German alliance, defeat at the hands of the Japanese in 1905 and a revolution in the same year all but knocked Russia from the European balance of power. Uncertain about Russia and still fearful of Germany, French diplomats turned their attention to repairing relations with their former colonial rival Britain. But as London and Paris discussed how to deal with the German threat, French politicians nevertheless felt uneasy...

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7On the disadvantages faced by the French Army, see Porch (1981).
Military Expenditures and Economic Growth

about the prospects of the British army coming to their aid in the event of war.8

Military spending: 1919–1939. In the 1920s and early 1930s, French military expenditures fluctuated considerably, from under $2 billion to as high as $7.5 billion during the 20-year period. The volatility of French military investments reflected three factors: changing economic conditions, the construction of the Maginot Line, and France’s occupation of the Ruhr in 1923. However, the rise in military spending from 1933 to 1939, the years of German rearmament, signifies a striking trend. In those six years, French decisionmakers almost doubled their expenditures on the military from $4.3 billion to $7.5 billion.

Possible explanations. During the interwar years, France again found itself preoccupied with the security threat posed by Germany. At the Versailles peace conference, Marshal Ferdinand Foch predicted, “This is not peace. It is an armistice for 20 years.”9 Fear of German economic and military capabilities, coupled with Adolf Hitler’s calls to expand his country’s borders to incorporate some of Germany’s ethnic brethren, motivated France to invest more in its armed forces. As in the years preceding World War I, France suffered from a scarcity of reliable allies to help defend it against a neighbor growing more powerful every year. Moreover, the French leadership realized that Germany harbored deep resentments over its treatment by the Allies, and particularly France, under the Treaty of Versailles.

Despite French efforts to keep its former adversary down, Germany remained the most economically powerful country in Europe. Along several dimensions, the German economy overshadowed its French counterpart. German GDP in 1926 exceeded French GDP by almost $50 billion, a margin of superiority that Germany would enlarge over the next 11 years. French GDP fell to half the size of German GDP by 1935.10 Even after World War I, Germany consumed twice as much energy as France. Following the downturn of the early 1930s, France

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8 For a description of alliance dynamics before World War I, see Joll (1984, pp. 42–68).
9 Quoted in Bell (1986, p. 16).
10 These comparisons are heavily influenced by exchange rate movements and choice of deflator.
produced only one-fifth the amount of steel as Germany. Further, the French economy did not recover from the worldwide depression quickly. Perhaps the most disturbing indicator of French economic vulnerabilities came in 1938. In that year, France’s national income was 18 percent less than it had been in 1929 (Kennedy, 1987, p. 311).

German military power also represented a formidable threat to French security. In the years following the Versailles settlement, France possessed the second-largest army in Europe. Hitler’s rise to power in Germany culminated in the beginning of a rearmament campaign. While French military spending grew from $4.3 billion in 1933 to $6.8 billion in 1938, it could not keep pace with the German buildup. In contrast, German military expenditures would rise from $3.7 billion to $55 billion in the same period. Except for the Soviet Union, Germany spent at least seven times more than any other great power of the era (Kennedy, 1987, p. 296).

To counter the threat from Germany prior to World War I, France crafted alliances first with Russia and later with Britain. Two factors prevented a similar arrangement before World War II. While an alliance remained possible with Britain, ideology and territorial disagreements separated France from Russia. The Soviet leadership in Moscow had more in common with Berlin than with Paris: Germany and Russia could agree that the settlement after World War I had deprived both countries of valuable territory. Therefore, in an effort to contain German power, France entered into a series of bilateral agreements with the newly created states of Eastern Europe from 1924 to 1927, known as the Little Entente. The Allies created these countries out of territory from the former German and Russian Empires. Not only did France and the Soviet Union differ over the territorial settlements of the Versailles agreement, but they also remained ideologically hostile to one another. French policymakers preferred to ally with a semi-democratic Poland in efforts to counter Nazi

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11 Figures for energy production and steel production come from Singer and Small (1993).
12 Again, exchange rate movements are important here. In 1982 dollars, the large decline in French national income came between 1934 and 1938.
Germany and Communist Russia. Similarly, Stalin viewed France suspiciously since it represented a member of the allied coalition that had intervened militarily during the Russian civil war.

Finally, Hitler’s aggressive foreign policy frightened France. Beginning with the decision to no longer comply with the Versailles limitations on German armaments, Hitler’s diplomacy toward Britain and France became more aggressive in its pursuit of additional territory. Although it had conducted clandestine military training missions with the Soviet Union in defiance of the postwar settlement, the Weimar government typically chose to maintain the territorial status quo. But a series of events would solidify Hitler’s aggressive image in the mind of French policymakers. By the winter of 1939, Hitler led Germany to revitalize its military, to remilitarize the Rhineland, to incorporate Austria, and to annex the remainder of Czechoslovakia.

GERMANY: TWO FAILED BIDS FOR EUROPEAN HEGEMONY

Two different trends in foreign policy drove German military expenditures from 1870 to 1939. First, in the 20 years following its stunning victory in the Franco-Prussian War, Germany sought to maintain the territorial status quo against a possibly irredentist France. Bismarck’s creation of a series of alliances to counter the possibility of a two-front war against France and Russia are consistent with the fear hypothesis. The second trend in German foreign policy occurred before both World Wars. In these years, German military expenditures reflected both a desire for continental expansion and an attempt to bolster its security against the encircling alliances Bismarck worked hard to prevent.

Military expenditures: 1870–1890. After its war with France, German policymakers increased military spending at a steady rate. Between 1872 and 1886, German investment in its armed forces doubled from $765 million to $1.4 billion. In this period, Germany’s

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14 On the differences between the foreign policies of the Weimar Republic and Nazi Germany, see Weinberg (1970).
15 For a good summary of French diplomacy before World War II, see Adamthwaite (1977).
incremental growth in military expenditures mirrored the spending of the other European great powers. A sharp rise in German expenditures from 1886 to 1887 grew out of a brief episode of colonization in Southwest Africa. For the last three years of Bismarck’s reign as German chancellor, however, military spending declined to the benign levels of the previous years.

**Possible explanations.** Except for a brief two-year sprint to establish a colony in Southwest Africa, the fear hypothesis offers the best explanation for the pattern in German military spending from 1870 to 1890. Although Germany experienced considerable economic growth in this 20-year period, Bismarck worked hard to contain the ambitions of other German military leaders and politicians for expansion (von Eyck, 1958). German GDP increased from $55 billion to $83 billion from 1870 to 1890. However, Germany did not demonstrate the same drive for expansion that it would before World War I. For Bismarck, preserving the territorial settlement embedded in the Treaty of Frankfurt served Germany’s interests.

To maintain the German gains won in the Franco-Prussian War, Bismarck pursued two primary goals (Bridge and Bullen, 1980, pp. 112–124). First, he sought to bolster Germany’s image as a secure and, more important, satisfied state. The German victory over France had created a new and powerful nation in the center of Europe. Britain as well as France worried that unification would permit Germany to further adjust the European balance of power against it. These concerns were justified. First, Germany possessed great potential economic power. In 1870, Germany already possessed 13 percent of the world’s industrial production (Kennedy, 1987, p. 192). Moreover, with its victories at Sadowa and Sedan, Germany and its Prussian-led General Staff had already demonstrated that it possessed a military that was not only well armed but skilled. Superior economic and military capabilities could keep Germany secure as long as its leaders took precautions to avoid acting in ways that might provoke a coalition of the great powers to form against it. To create the perception of a benign Germany, Bismarck set out to serve as Europe’s “honest broker” (Taylor, 1954, pp. 180–225). After the Franco-Prussian War, the center of gravity in European politics had shifted from Paris to Berlin and Bismarck used that to his advantage. During his tenure as chancellor, Berlin hosted a series of meetings to resolve disputes arising out of the scramble for Africa.
Bismarck’s second aim was to bolster Germany’s security by forging a network of European alliances (Taylor, 1967, pp. 158–193). The German chancellor rightly feared that France and Russia might find in one another perfect allies to counter German power. Bismarck’s strategy contained two tenuous elements: allying Germany with the Austro-Hungarian Empire, while maintaining good relations with the Russian Empire. The decision to tie German security to Austria rested in large part on economic ties and a mutual interest in preventing Russian expansion into the Balkans (Calleo, 1978, p. 18). As tricky as it seemed, Bismarck endeavored to prevent conflict between Austria and Russia. The German chancellor already knew he would have to side with his southern neighbor in such a situation, and Germany’s choice would likely drive Russia into the arms of France. To reduce the possibility of that unhappy occurrence, Bismarck created the Three Emperors League, an alliance based on the common conservative political ideologies of Hohenzollern, Habsburg, and Romanov dynasties. Shared notions of domestic politics, however, could not keep Austria and Russia from clashing over the Balkans. As a result, Bismarck moved Germany closer to Austria through the formation of the Dual Alliance of 1878. This decision would complicate the strategic considerations of future German policymakers (Kaiser, 1983).

Military spending: 1891–1913. Military spending in Germany averaged $2.4 billion from 1891 to 1898, a lower level of spending than undertaken by the French government at the time. From 1898 to 1913, German decisionmakers allocated more funding to the military. A large portion of this increase stemmed from the decision to create a navy capable of threatening Britain’s primacy of the seas. Germany’s concerted naval build up pushed its military expenditures past France in 1902. By 1913, Germany invested $4.8 billion in its armed forces, surpassing all of the great powers in military spending.

Possible explanations. All three hypotheses provide explanations for the rapid increase in German military expenditures. First, evidence exists to support the ambition hypothesis. German industrial capacity almost doubled from 1891 to 1913. A sharp rise in GDP in 1903 marked a significant increase in Germany’s relative economic power. In that year, Germany passed all of the great powers, except for the United States, on most measures of industrial capability (Kennedy, 1987, pp. 209–210). Germany’s ambitions began to match its new
economic prominence. Under the leadership of Kaiser Wilhelm II and his new chancellor, Bernhard von Bülow, Germany adopted its Weltpolitik. The goal of this new foreign policy rested on the pursuit of colonies in Africa and Asia. Continued economic growth, so the argument went, required greater access to raw materials (Kaiser, 1983). Germany planned to follow Britain on the path to further economic growth by expanding its markets abroad. At the same time, German planners hoped its added naval presence would deter Britain from interfering with its global ambitions (Rohl, 1967, pp. 156–175). A final element of Weltpolitik was an aggressive diplomacy based on the belief that threats to use force would accomplish more than cooperation (Geiss, 1976).

Second, in accordance with the fear hypothesis, Germany reacted to legitimate security threats. Italy and the sickly Austro-Hungarian Empire remained Germany’s only allies in this period, while it found itself faced with the possibility of a two-front war (Joll, 1984, pp. 42–69). Initially, Germany had only to worry about the anti-German coalition formed by France and Russia in 1893. But Britain’s decision to enter the Franco-Russian entente in 1907 raised the level of anxiety in Berlin (Keylor, 1984, p. 48). The economic and military capabilities of these three countries exceeded the capabilities of Germany and its lackluster allies (Kennedy, 1987, pp. 256–260). Moreover, Berlin’s insecurities also centered on the conviction that the other great powers might corner existing markets for overseas trade. Finally, the German political leadership feared that their country’s relative military power would begin to decline in the face of the French and Russian decisions to increase their standing armies (Fischer, 1974, 1975).

Third, the kaiser’s government also used foreign policy as a tool to deflect attention from its domestic failures (Mayer, 1967, p. 297; Jarausch, 1973; Snyder, 1991).¹⁶ The legitimacy hypothesis predicts the German regime would exaggerate international security threats and adopt an aggressive style of diplomacy to garner political support. Economic modernization in Germany had created ever-widening social chasms between a large middle class calling for

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¹⁶For a discussion of the role of interest groups in German foreign policy, see Hull (1982).
greater political liberalization and the conservative interest groups that already dominated the government (Rich, 1992). While the elected members of the Reichstag controlled the government’s finances, the kaiser appointed the prime minister and his cabinet members without interference from his parliament. Similarly, the military largely evaded control by civilians in government (Mommsen, 1973).

The German leadership answered the calls by social democrats for greater political liberalization in two ways. Beginning with Bismarck, the conservative German government transformed the social democrats into a movement better characterized as the “loyal opposition” than a real threat to the regime. Policies guaranteeing health insurance and worker’s rights took significant pressure off the kaiser and his government. Second, German politicians like von Bülow and Theobald Bethmann-Hollweg recognized that diplomatic successes abroad could bolster their power at home. Part of this strategy involved inculcating the German populace with nationalist rhetoric and notions of Social Darwinism (Ritter, 1969–1973, vol. 2). "Survival of the fittest" as a theme for international politics found adherents in Germany as well as in many other European states. Although historians seem to disagree how successful German policymakers and their allies among different interest groups were in their ability to convince the German public that an arms race was necessary, domestic political considerations alone probably did not fuel military spending. More likely, it seems that domestic struggles prompted government officials to exaggerate both German ambitions and insecurities.

**Military spending: 1919–1939.** The end of World War I prompted a huge decrease in German military spending. From 1919 to 1933, Germany would comply with the provisions of the Versailles Treaty and maintain an army of no more than 100,000 men. An exception to this trend occurred in 1923. In that year, Britain and France permitted Germany to procure a large police force to combat domestic threats against the Weimar Republic. The most notable shift in military expenditures transpired after Adolf Hitler’s rise to power in 1933. Five years later, German military expenditures increased by a factor of 18, from $3.7 billion to almost $55 billion.
Possible explanations. Consistent with the ambition hypothesis, German ambitions appeared to grow along with its economy. While Germany possessed one of the most powerful economies of the 1920s, war reparations and a worldwide economic downturn dampened its industrial growth. By the mid-1930s, however, Germany began to experience a rapid economic recovery. Under the guidance of the National Socialist government, German GDP doubled from 1932 to 1937. Concurrently, Germany began to abrogate portions of the Versailles Treaty. After three years in power, Hitler announced the return of military conscription in Germany, a clear violation of the Versailles settlement (Taylor, 1963). To return Germany to its status as a great power, Hitler planned to revamp his country’s military forces (Bell, 1986, pp. 77–97). Commenting on the reaction to Germany’s rearmament Hitler noted, “A balance of power had been established without Germany’s participation. This balance is being disturbed by Germany claiming her vital rights and her reappearance in the circle of the great powers.”

The fear hypothesis offers an alternative account of Hitler’s rearmament campaign. Hitler’s Germany faced many of the same security threats it faced in the previous period. To the west, Britain and France represented guardians of the Versailles settlement. Together, these allies possessed greater military capabilities than Germany, and by 1936, they had responded to Hitler’s rearmament drive with increases in their own military expenditures (Ross, 1983, pp. 90–108). To the east, Germany faced a corridor of states that had been created out of its former territory and remnants of the Habsburg and Romanov Empires. Four of these states, Czechoslovakia, Hungary, Poland, and Yugoslavia, had aligned with France, Germany’s principal adversary (Keylor, 1984, pp. 57–59). Further east, German planners had to consider the security threat from a Soviet Union with an enormous population, possessing an inimical political ideology, that had experienced rapid rates of industrialization in the 1930s.

Not only did Hitler and his strategists have to contend with the encirclement of hostile states, but they also had to consider how Ger-

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17 It is impossible to say definitively, however, whether Germany's economic growth during this period drove increases in military expenditures or vice versa.

many would secure raw material for its growing economy and population (Kaiser, 1980). This was a recurring theme in German foreign policy. At the turn of the century, German policymakers worried about how they would gain access to international markets and find the necessary resources to fuel their industrial economy. The situation in the 1930s differed in one important aspect: Germany could no longer rely on the valuable iron-ore-rich provinces of Alsace-Lorraine. Hitler devised his policy of Lebenstraumpolitik to solve Germany’s resource difficulties. Unlike Kaiser Wilhelm II, Hitler wanted Germany to pursue territory in Europe in lieu of colonies in Africa. Early in his political career he argued, “For Germany . . . the only possibility of carrying out a sound territorial policy was to be found in the acquisition of new soil in Europe proper.”19 In the short term, Hitler planned to rebuild the Germany military and seize by force the resources necessary for long-term economic growth.

JAPAN: MILITARY GOVERNMENTS AND THE SEARCH FOR AUTARKY

The pattern of Japanese military expenditures reflects territorial expansion motivated by rapid rates of economic growth, insecurity bred from the looming presence of the European great powers, and the domestic political struggles between civilian and military leaders. In this way, Japanese history echoes many of the same themes found in German history. As such, we find support for all three hypotheses at different periods of Japanese history. Initially, fear of succumbing to the colonial feeding frenzy that had victimized China prompted Japanese leaders to embark on significant internal political and economic reforms. Eventually, economic modernization as well as the need for natural resources to sustain a growing industrial capacity would engender Japanese colonial ambitions. Before World War II, Japan’s military leaders would take advantage of adverse economic conditions to seize control of the government and adopt a foreign policy designed to resolve their country’s resource deficiencies through conquest.

Military spending: 1870–1890. For centuries a decentralized oligarchy of territorial landlords (daimyo) and an aristocratic caste of warriors (samurai) ruled the island nation of Japan. This changed in 1868 when a group of dynamic political elites restored power to the emperor and created a powerful central government in an event known as the Meiji Restoration. An imperial army replaced the samurai and the emperor’s bureaucracy reduced the political influence of the daimyo. The desire to transform Japan into a modern great power motivated these ambitious reformers. Government leaders modeled their economy after the United States, embraced the tenets of the British political system, and imitated the highly efficient Prussian military (Keylor, 1984, p. 14). The steady growth in Japanese military expenditures from 1870 to 1890 reflects the success of the Meiji reformers. Investments in the Japanese military quickly rose to $100 million and remained at that level for fifteen years. As the government embarked on a new modernization program from 1885 to 1890, investments in the military nearly doubled.

Possible explanations. In part, Japanese military spending after the Meiji Restoration stemmed from its economic takeoff. Driven by domestic reforms, Japan’s industrial capacity more than doubled from 1875 to 1890. Its annual GDP rose from $6 billion to slightly more than $14 billion. However, while the trend in military expenditures mirrored the growth in the Japanese economy, this pattern does not provide conclusive support for the ambition hypothesis. In particular, growth in the Japanese economy did not spark an expansionist foreign policy. Insecurity appears to have been the primary motivation for the Meiji Restoration, and these fears provided the incentive for the subsequent modernization of the Japanese military.

The Meiji leadership faced at least two security problems. These concerns, and not unbridled ambitions, drove policymakers to increase military spending. First, policymakers worried that Japan would fall victim to the colonial ambitions of the great powers (Beasley, 1972, p. 11). To the west, the European powers had already begun extracting concessions from China. In 1853, the United States sent Commodore Matthew Perry to forcefully persuade the Japanese to allow foreign trade. The desire to avoid China’s fate prompted the Meiji elites to implement the necessary economic and political changes that would make Japan into a modern industrial power. “Rich country; strong army,” became the slogan of Japan’s reform-
Because Japan lacked allies to form an alliance against the European colonizers, the Japanese government believed internal reform provided the best defense against European imperial designs.

Second, Japanese policymakers began to worry that Japan, as an island nation lacking arable land, could not sustain long-term industrialization. Not only did Japan suffer from a shortage of land to produce agricultural products, but the country faced a shortage of raw materials needed to fuel its economic expansion (Kobayashi, 1922). During the 1880s, a sharp rise in its population compounded Japan’s resource problems. Already afraid of foreign invasion, the Japanese leadership began to search for colonies of its own (Keylor, 1984, pp. 15–16). To fend off the encroachments of the European powers, Japan needed to continue its economic modernization. Government officials considered a formidable military necessary for defense and for the eventual seizure of raw materials outside of Japan (Beasley, 1987, Chaps. 4–7).

Military spending: 1891–1913. Efforts at territorial expansion drove Japanese military spending in this period. A war with China (1894–1895) precipitated a sharp fourfold increase in Japanese military expenditures from $242 million in 1891 to $862 million in 1897. The Japanese government kept its investments in the military at this level until the years preceding conflict with Russia. A confrontation with the Russian Empire over Korea pushed military spending to $4.2 billion. After inflicting a severe defeat on the Russian army and securing its hold over the Korean peninsula, Japan lowered its spending on the armed forces to near $1.2 billion annually. Japanese policymakers sustained this level of military spending through World War I.

Possible explanations. This period of Japanese history supports the ambition hypothesis. Greater economic growth spurred greater levels of military spending as well as a more ambitious foreign policy. From 1891 to 1913, Japan experienced rapid rates of economic expansion. Japanese GDP almost doubled from $14 billion in 1891 to $25 billion by the eve of World War I. Concurrently, the government increased military spending from $259 million to $1 billion, almost a fourfold rise in funding. While the Japanese economy grew at a brisk

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20Quoted in Barnhart (1987).
pace, the country’s foreign policy became more energetic (Jensen, 1984). The war with China secured Japanese colonies in Taiwan and eventually Korea. To preserve their gains in Korea, Japanese officials decided in 1904 to dislodge Russia from Manchuria. The Japanese military victories over Russia signaled the arrival of Japan as a great power. While Japan lost the peace to Russia at the Portsmouth Conference, it did manage to solidify its position in Korea and increase its influence in Manchuria (Duus, 1976, pp. 52–78).

The fear hypothesis can also explain Japanese foreign policy. Although Japan’s economic performance appeared to have motivated territorial expansion, security concerns also played a role in its aggressive designs and the growth in its military expenditures. The resource concerns of the earlier period continued to plague Japanese policymakers. To sustain their country’s economic expansion, Japan’s leaders needed additional sources of raw materials to reduce its dependence on imports. Manchuria’s rich deposits of iron ore proved an inviting target for bolstering Japanese steel production. A growing population also created pressures on already strained food production. Policymakers calculated that the acquisition of colonies would provide an outlet for emigration as well as the opportunity to increase the amount of arable land for producing food that Japan desperately needed.21

In addition to shortages of raw materials, Japanese decisionmakers also worried about the security threats from their powerful American and Russian rivals.22 To the west, Russian expansion into Asia had resulted in the construction of the Trans-Siberian railway. The Japanese leadership correctly concluded that Russia aspired to seize control of Manchuria and its supply of raw materials. To the east, the United States had begun to increase the size of its naval forces and had started construction of the Panama Canal. Relations between Tokyo and Washington took a turn for the worse when American policymakers decided to restrict Japanese immigration to the United States (Keylor, 1994, pp. 19–23). For the Japanese leadership, these limitations smacked of racism and would serve as cornerstone for a worsening of relations in the decades to come.

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21 On Japan’s shortage of resources, see Kennedy (1987, pp. 300–301).
22 Japanese fears of Russia during this period are described in Crowley (1966).
Military spending: 1919–1939. Japanese military spending remained close to $1.8 billion annually from 1919 to 1935. The emergence of a more democratic regime in Japan explains part of this trend. Political reforms implemented by the oligarchs of the Meiji Restoration had liberalized Japan’s political system and produced the era of the Taisho democrats, named after the emperor (Yoshihito) who ruled at the time. These parliamentarians actively curbed the military’s tendency to exaggerate international security threats for the purpose of territorial expansion. While still acknowledging the need for new external sources of natural resources, the Taisho leadership managed to maintain low levels of military spending and improve relations with the other great powers. A decline in worldwide economic conditions as well as Japan’s own agricultural problems put an end to the Taisho regime. Military leaders slowly seized control of the Japanese government and embarked on an ambitious campaign of expansion that began with the annexation of Manchuria in 1931. In a dramatic effort to finally achieve autarky, Japan again invaded China in 1937, sparking a sixfold increase in military spending.

Possible explanations. Prior to World War II, the fear and legitimacy hypotheses provide the best explanations for the patterns in Japanese military spending. In this period, Japan’s foreign policy is constrained by two factors: a growing belief that autarky is necessary for the country’s survival would dovetail with the rise of militarism. Decisionmakers not only confronted the prospect of greater and greater Soviet military capabilities, but they also faced immediate difficulties in the form of shortages of arable land, petroleum, and rubber products. At the same time, a military-dominated government in Tokyo would exploit these anxieties to pursue territorial expansion in East Asia. From the military’s perspective, creating a Japanese empire would solve the country’s resource problems as well as bolster their political position at home. While Japanese behavior in the era seems to fit the fear and legitimacy hypotheses best, we also find mild support for the ambition hypothesis. As limited evidence for this line of argument, we note the correlation between the considerable growth in Japanese economic output from 1934 to 1939 and an aggressive foreign policy culminating in Japan’s efforts to create a regional co-prosperity sphere.
As in previous years, Japanese decisionmakers believed three factors contributed to Japan’s international insecurity. First, the growth in Russian economic and military capabilities that resulted from Stalin’s industrialization policies engendered anxiety in Tokyo (Barnhart, 1981). Japan had sought to protect its holdings in Manchuria and northeast China by occupying Siberia in 1918. However, in 1921, the Japanese leadership decided to remove its troops from this area to lower military spending as well as to improve relations with Britain and the United States. Military strategists in Japan worried at the time this move would make Manchuria vulnerable. By 1931, the Soviet Union appeared to have rebounded from its domestic strife. The Japanese military became convinced it needed to prepare for an eventual conflict with the Soviet Union over territory in China. Not only did Japan believe it lacked the industrial resources to fight a prolonged war with the Soviet Union, it also concluded that its military was not up to the cause. The losses suffered by the Kwantung Army during border skirmishes with the Soviet forces in 1938 and 1939 reinforced Japanese perception of inferiority (Barnhart, 1987, pp. 70–92).

Second, the United States also represented a potential security threat to Japan. The U.S. naval presence appeared to Japanese strategists as a potential crimp in their designs for expansion into Southeast Asia. The United States had already established a naval base in the Philippines and maintained the capacity to project power into the Pacific from Hawaii. In addition to the already sizable economic and military power that the United States possessed, Japanese leaders also believed that American policy was intended to check their country’s expansion in Asia. The Washington Naval Treaty constrained the expansion of Japanese maritime capabilities while preserving the American advantage in these forces. As a further indicator of the deteriorating relations between the two countries, the Japanese government argued that the United States continued to practice a racist policy of limiting immigration from Japan (Keylor, 1984, pp. 18–19).

Finally, while Japanese strategists perceived security threats from the Soviet Union and the United States, they still faced the problem of resource scarcity. The experience of Germany during World War I taught the Japanese military an important lesson: without its own source of natural resources, Japan would likely lose a protracted
conflict against modern industrial powers, such as the Soviet Union and the United States (Keylor, 1984). To the north in China, Japan could procure needed resources like iron ore (Duus, 1976, pp. 23–35). To the south, Japan could secure much needed rubber and petroleum. As in previous years, growth in the Japanese population created a demand for more food and more arable land (Sagan, 1988, pp. 323–352).

While threats to Japan’s security existed, the military’s control of the government also explains the country’s expansionist foreign policy as well as the rapid rise of military expenditures. The Taisho democrats lost their hold of the government when the Japanese economy soured as a result of agricultural failures and the Great Depression (Patrick, 1971). Military leaders blamed Japan’s economic problems on a liberal trade policy. Military leaders also used foreign threats to undermine the Taisho government. In 1931, officers of the Japanese Kwantung Army destroyed a segment of the Manchurian railway in Mukden and blamed the incident on China. This event provided the Japanese military with a pretext for the annexation of Manchuria. These actions in China also boosted the popularity of the Japanese military at the expense of more liberal politicians (Barnhart, 1981, pp. 70–92).

Eventually by the mid-1930s, members of the Japanese Army held many of the major positions in government. Japan’s military leadership allied itself with the remaining daimyo landlords as well as the small coterie of industrialists known as the zaibatsu. All three of these groups would profit from an expansionist foreign policy and they actively cultivated a sense of insecurity in Japan to justify such a policy (Snyder, 1991, pp. 112–152). Moreover, the perception of external security threats allowed the military government to retain its legitimacy. In the years preceding its second war with China in 1937, the Japanese leadership garnered support for expansion in two ways. As one part of their strategy, policymakers used nationalist rhetoric to defend their pursuit of economic self-sufficiency through conquest. The other facet of this strategy involved convincing the population that this was a necessary course of action and only the military could complete the task. In the words of one scholar, “[T]he military and bureaucratic elites were able to persuade many of their counterparts in other elites and much of the populace that Japan had entered a period of national crisis in her foreign and domestic affairs,
which required an application of military and bureaucratic expertise other parties could not provide.\textsuperscript{23}

Although the fear and legitimacy hypotheses offer the most convincing accounts of Japanese foreign policy during this era, there is reason to believe that the ambition hypothesis can also shed light on this period. From 1934 to 1938, Japan experienced a sizeable increase in its industrial output. Japanese GDP during this time grew from $30 billion to $55 billion, almost doubling in eight years. Japan’s growth spurt also appeared to spur the country’s ambitions. As the nation’s economic capacity began to increase, so did its desire for additional territory. Not only did Japan consolidate its hold over Manchuria in these years, it also undertook what would ultimately become an ill-fated campaign to seize the rest of China.

**RUSSIA: INTERNATIONAL TROUBLES AND DOMESTIC STRUGGLES**

From 1870 to 1939, Russian military expenditures were driven by expansion at the expense of weak neighbors and fear of a powerful Germany. Under the leadership of Tsar Alexander II, Russia enlarged its borders through a war with Turkey and increased its territories in the Far East. While the ambition hypothesis explains the first two decades of Russian behavior, security concerns fostered military spending in subsequent periods. Russia’s desire for territorial aggrandizement died with its defeat at the hands of Japan in 1905 and the growing German threat in central Europe. Before World War I, Russian policymakers raised military spending to deter German aggression and to bolster the credibility of their commitments in the Balkans. The strain of war unleashed a revolution and civil war that toppled Russia’s tsarist regime. Vladimir Lenin and his Bolshevik revolutionaries seized control of the Russian Empire and established the Soviet Union. In later years, ideological differences isolated Russia from its traditional anti-German allies and prompted Stalin to raise military spending as a matter of self-help.

**Military spending: 1870–1890.** Improvements in the Russian economy prompted a doubling of military expenditures from 1870 to

\textsuperscript{23}Gordon Berger, as quoted in Snyder (1991, p. 146).
The reforms undertaken by Tsar Alexander II to push his empire into the industrial era spurred growth in the stagnant Russian economy. Repressive political institutions as well as the earlier Crimean War had stunted industrialization efforts in Russia (de Grunwald, 1954). As the economy began to show signs of life, St. Petersburg allocated more funds for its armed forces. Except for a sharp increase during the Russo-Turkish War (1877–1878), military spending steadily climbed to $2 billion by 1890.

### Possible explanations

The ambition hypothesis provides the most accurate insights into Russian behavior during this era. Impressive growth in Russia’s industrial capacity fed the foreign ambitions of its policymakers in St. Petersburg. In the 20-year period discussed here, the Russian Empire experienced a tenfold increase in energy consumption. Railway construction and the liberation of the serfs represented only a few of the reforms Alexander II implemented to spur this economic performance (Crankshaw, 1976, pp. 111–122, and Saunders, 1992, p. 191). Although Russia still failed to match the other great powers in industrial capabilities, this largely agrarian state still made enough economic progress in these two decades to pursue a fairly ambitious foreign policy.

Alexander II and his advisors set out to erase the setbacks Russia suffered during the Crimean War (Jelavich, 1974). Although Russia could not expand westward, it felt capable of acquiring more territory from the disintegrating Ottoman Empire. A brief war with the Ottomans from 1877 to 1878 enlarged Russia’s southern borders and increased its influence in the Balkans (Rich, 1992, pp. 307–312). A few years later, St. Petersburg’s relations with London soured over the Far East. British officials grew alarmed by the steady Russian advance into central Asia. Fear arose in the British Empire that Russia would threaten India. Britain believed an agreement signed in 1873 to maintain current borders in the region would halt Russia’s drive toward Afghanistan and Persia. Most Russian policymakers discounted this treaty, and they eventually pushed their country’s frontiers toward the Afghan city of Penjedh by 1885. Britain responded to this last move by threatening Russia with war. Even

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24 For a useful discussion of the Russian economy, see Gerschenkron (1962).
25 We use the energy production data provided by Singer and Small (1993).
though Britain could not muster enough allies to mount another Crimean campaign against Russia, the tsar calculated that pursuing his Far East policy was not worth risking another costly European conflict.26

**Military spending: 1891–1913.** In the fifteen years prior to World War I, Russian military expenditures climbed from $3 billion to $4.6 billion annually. A disastrous war with Japan (1904–1905) accounts for a large part of the increase in economic resources devoted to the military, propelling Russia to a new high of almost $11 billion in 1905. However, Russia’s first revolution, in 1905, crippled the economy and contributed to a reduction in military expenditures. As political stability returned, Russia’s industrial growth rebounded. The adroit leadership of the prime minister, Piotr Stolypin, provided a stable political environment under Tsar Nicholas II for Russia to continue its march to the industrial era (Kemp, 1969, pp. 114–148). While still far behind most of its peer competitors, the Russian Empire of 1913 seemed destined to join the ranks of Europe’s economic great powers (Kennedy, 1987, pp. 232–241).

**Possible explanations.** We find support for both the ambition and fear hypotheses in this era of Russian foreign policy. The ambition hypothesis offers the best insights into Russian territorial ambitions in the Far East. Grateful for St. Petersburg’s security commitment to France, Paris contributed loans for Russia’s strong economic expansion (Taylor, 1954, pp. 286–294). Russian energy consumption tripled in the fifteen years before the Russo-Japanese War. Foreign investment permitted Tsar Alexander III to begin the construction of the Trans-Siberian Railway, thereby strengthening the connection between the eastern and western halves of the empire when it was completed in 1904. Russia had already established a military presence in Manchuria and hoped to extract its large reserve of iron ore. Unfortunately for Russia, Japanese policymakers began to feel that Russia’s enlarged presence in the Far East threatened Japan’s hold on the Korean peninsula. Japan’s attack on Port Arthur (now Lushun, China) in 1904 marked the beginning of a war with Russia. One year later, in spite of the losses suffered by its military at the

hands of the Japanese, Russia’s diplomats managed to secure a territorial stalemate at the Portsmouth conference. The military loss to Japan and subsequent revolution in 1905 forced Tsar Nicholas II to place Russia’s Asian ambitions aside.

While the ambition hypothesis explains St. Petersburg’s behavior before the Russo-Japanese War, Russian foreign policy in the remaining years of the Romanov dynasty provides evidence for the fear hypothesis. Germany’s economic and military capabilities forced Russian policymakers to turn their attention from Asia to central Europe. Two factors contributed to Russian insecurities. First, Germany surpassed Russia on most indicators of aggregate economic capability (Joll, 1984, pp. 146–170). By the early part of the twentieth century, the German Empire had vaulted ahead of the British as the greatest industrial power of Europe (Kennedy, 1987, p. 231). To counter German economic strength, Russia could draw on a vast population to field a significantly larger army. However, logistical difficulties, a shortage of equipment, and its poor performance against the Japanese army raised doubts about the quality of Russia’s armed forces (Stone, 1975).

Second, Germany’s alliance with Austria-Hungary threatened Russia’s interests in the Balkans. Although Kaiser Wilhelm II tried on several occasions, most notably in 1905, to lure his cousin into a nonaggression pact, the tsar remained committed to the Franco-Russian entente. Turned down by Russia, Germany drew closer to the declining Austro-Hungarian Empire. Citing ethnic bonds, Russia considered itself the guardian of the fledgling Slavic states that sprang from the ailing Ottoman Empire. This commitment ran counter to Austria’s desire to enlarge its borders at the expense of these Balkan states (Bridge and Bullen, 1980, pp. 157–167). Twice, Germany successfully used threats of war to deter Russia from opposing Austrian expansion in the region. Russia would ultimately call Germany’s bluff in July 1914 (Joll, 1984, pp. 10–38).

Military spending: 1919–1939. War with Germany helped topple Russia’s tsarist regime in 1917. A year later, Lenin’s Bolsheviks took power in war-weary Russia. A hastily arranged peace settlement with Germany, the Treaty of Brest-Litovsk, allowed Lenin’s revolutionary government to consolidate power and transform the Russian Empire into the Soviet Union (Carr, 1953). After surviving a bitter civil war,
the new Soviet leadership initiated a series of economic reforms. Stalin’s five-year plans helped bring the country’s primarily agrarian economy into the industrial age. In conjunction with this improved industrial capacity, Soviet military expenditures swelled from $19 billion in 1932 to $44 billion in 1939.

**Possible explanations.** This trend in military spending illustrates a common theme in Russian foreign policy: the potential security threat from Germany. The fear hypothesis provides the most persuasive account of Soviet investments in its armed forces during this period. In the 16 years prior to the outbreak of World War II, the Russian economy experienced more than a ninefold increase in energy consumption. Coal consumption grew from 22,000 coal-ton equivalents in 1923 to 179,000 coal-ton equivalents in 1939. While this level of industrialization should have acted as a catalyst for territorial ambitions, the Soviet leadership focused on internal reforms and did not embark on expansion until the first few years of World War II (Ulam, 1974).

For Soviet planners, the German security threat rested on two pillars. Superior German economic and military capabilities represented the most important feature of this potential danger. War reparations and the economic downturn of the early 1930s failed to extinguish Germany’s industrial potential. On his ascension to power, Hitler initiated a rearmament campaign that pushed his country out of its economic listlessness. German policymakers translated their economic gains into greater military power (Kennedy, 1987, p. 288), far exceeding the Soviet Union in military spending. From 1933 to 1939, Germany invested twice as much in its armed forces as their Soviet competitors. In addition, because Stalin’s purges had depleted the ranks of its officer corps, the Soviet army lacked the capable leadership it needed to counter the traditionally skillful German military (Erickson, 1962).

Moreover, the Soviet Union could not find allies to balance against the German threat. As a resurgent Germany maneuvered to overturn the Versailles settlement, ideological differences separated Russia from its traditional anti-German allies. This time, Communist Russia

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could not rely on a partnership with democratic France to stop German aggression. Rightly or wrongly, France believed that the Soviet Union sought to infect Europe with the virus of revolution.\footnote{On these difficulties, see Haslam (1984) and Hochmann (1984).} As a barrier to this possibility and as a means to contain Germany, France chose to ally itself with the new states of Eastern Europe. French policymakers preferred to form a coalition with Czechoslovakia, Hungary, Poland, and Yugoslavia, rather than make overtures to Stalinist Russia. Britain held similar reservations about an alliance with the Soviet Union (Bell, 1986, pp. 131, 136).

From the Soviet perspective, Britain and France seemed more like potential enemies than friends. The victorious allies of World War I had demonstrated their hostile intentions by actively supporting tsarist forces during the Russian civil war. This support included military intervention by Britain, Japan, and the United States.\footnote{For a summary of this intervention, see Walt (1995, pp. 129–168).} Moreover, the Soviet Union viewed the states of the Little Entente as territory carved out of the old Russian Empire by the Versailles agreement (Keylor, 1984, pp. 107–127). Still further, France’s decision to ally with Poland, which had used Russia’s civil war as a pretext for seizing a significant chunk of the Ukraine, further distanced Paris from Moscow. In short, the growth in German military power and a shortage of allies forced Stalin to invest more of his country’s economic resources in the armed forces.

THE UNITED STATES: EXPANSION ON THE CHEAP

The American case is an anomaly because rapid economic growth did not translate into correspondingly higher rates of military expenditures. Certainly, the United States acquired greater international ambitions as a consequence of its expanding industrial capabilities. What separates American behavior from that of the other great powers, however, is not restraint from expansion but the relatively modest amounts of military spending needed to increase U.S. influence in the world. Although the growth in its industrial capacity outpaced all other countries, the United States did not emerge as an important player in international politics until Ger-
many appeared on the verge of winning World War I. We find that in the first two periods outlined here, American foreign policy provides evidence for the ambition hypothesis. The United States prospered and consolidated its position as a regional power. Before World War II, the fear hypothesis presents the best predictions of American behavior as the United States increased military spending in response to German and Japanese aggression.

**Military spending: 1870–1890.** In the two decades after the Civil War, the United States showed signs of its potential economic and military power but failed to realize it. The bitter domestic conflict had delayed the emergence of the United States as a great power (Rich, 1992, pp. 347–348). By most measures, the American military was relatively weaker than its counterparts across the Atlantic. By 1870, however, the United States began to challenge Britain’s industrial primacy. American GDP already exceeded the other great powers, and it would eventually surpass Britain as well as Germany in all indicators of industrial capacity. However, even though the United States could marshal impressive economic resources, its military spending from 1870 to 1890 remained much lower when compared to states of a similar industrial ranking. With few exceptions, American policymakers kept military expenditures between $600 million and $700 million from 1870 to 1884. A naval buildup in 1885 marked the beginning of a steady climb in government investments in the armed forces.

**Possible explanations.** The trend in American military spending provides mild support for the ambition hypothesis. In this 20-year period, the GDP of the United States more than doubled from $76 billion to $183 billion. This economic boom, however, did not translate into higher rates of military expenditures until 1885, when President Grover Cleveland embarked on a campaign to modernize American naval forces (Sprout and Sprout, 1939). Only efforts to contain revolts by American Indians in the unsettled West prompted increased funding for the country’s armed forces. Two domestic factors curtailed the expansionist ambitions of American policymakers and kept military expenditures down. First, the United States still

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30For a description of the American economic takeoff, see Vatter (1975) and the discussion in Kennedy (1987, pp. 242–249).
faced high levels of debt stemming from the Civil War. Second, these American debts created a banking crisis in 1873 that would later become the catalyst for a sharp economic downturn (Zakaria, 1998, pp. 67–81).

In 1885, President Cleveland signaled a change in foreign policy as he initiated a reform of the U.S. Navy. This naval modernization program, which took place over four years, included the construction of 30 different classes of ships (Zakaria, 1998). American officials, such as Secretary of State Thomas Bayard, sought a more offensive naval posture that permitted the United States to project its military power throughout the hemisphere. Improved maritime capabilities would enable the United States to keep pace with the naval forces of the other great powers (Seager, 1953). While American foreign policy remained fairly unambitious from 1870 to 1890, the pursuit of a larger navy offers some evidence for the ambition hypothesis.

**Military spending: 1891–1917.** Most historians point to the late 1890s as the time when the United States emerged as a great power (Lafeber, 1986). From 1891 to 1913, concurrent with its emergence as one of the most powerful states in international relations, the United States consolidated its primacy in the Western Hemisphere. Isolationist tendencies of previous periods gave way to an ambitious foreign policy based on greater American naval capabilities. These allowed the United States to project its military power into the Caribbean and Central America. Not only did American policymakers finally live up to the declarations of the Monroe Doctrine, they also extended U.S. territorial holdings as far as the Philippines. Nevertheless, while American military expenditures increased during this period of expansion, they remained lower than those of the European great powers. Before the Spanish-American War, spending on American armed forces hovered above $1 billion. After topping $4 billion in 1899, annual American military expenditures averaged $3.3 billion until the onset of World War I, when they rose to over $40 billion in 1918 and almost $71 billion in 1919.

**Possible explanations.** In contrast to the previous period, American foreign policy from 1891 to 1913 provides stronger evidence for the ambition hypothesis. As part of the continued economic expansion, GDP in the United States grew from $192 billion to $424 billion, a more than twofold increase. American industrial capabilities also
improved. By 1897, the United States surpassed all countries in energy consumption as well as iron and steel production, two leading indicators of industrial performance. Military spending mirrored the growth in the U.S. economy. Exempting the war with Spain, American policymakers tripled their investments in their armed forces, an increase from roughly one billion to more than $3 billion. The naval modernization program stretched into 1893 and was responsible for the initial growth in military spending.

As the American economy grew, so did American ambitions. On its way to becoming the dominant power in the region, the United States first sought to displace British influence in Latin America. In 1895, American officials intervened in Britain’s border dispute between Venezuela and British Guiana to signal its primacy in the hemisphere (Blake, 1942). With veiled threats of military force, the United States strenuously urged the British to submit the dispute to arbitration. Secretary of State Richard Olney’s note to British government summarized the American position: “Today the United States is practically sovereign in this continent, and its fiat is law upon the subjects to which it confines its interposition . . . [its] infinite resources combined with its isolated position render it master of the situation and practically invulnerable as against any or all other powers.”31 Shrewdly, Britain, distracted with the Boer War, decided not to intrude on American interests and allowed the United States to arbitrate the border dispute.

Three years later in 1898, the United States trained its sights on Spain and its remaining American colonies (Lafeber, 1986). Citing the Spanish government’s inability to control events in Cuba, the United States sent a sizable naval force to the Caribbean island. The subsequent explosion of the American battleship *USS Maine* served as a pretext for the American declaration of war against Spain. With superior naval forces, the United States inflicted a quick defeat on a very weak Spain. In addition to securing Cuba as a naval base and Puerto Rico as an occupied territory, the United States also captured Spain’s Pacific colony of the Philippines.

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After the Spanish-American War, the United States became involved in a number of military interventions designed to influence the domestic politics of various Latin American countries (Perkins, 1937). For example, under the guidance of Theodore Roosevelt, the United States precipitated a revolt by Panamanian separatists against Colombia. The creation of the independent state of Panama opened the way for the construction of a U.S.-built canal connecting the Pacific Ocean with the Caribbean Sea (Beale, 1962). Two years later in 1905, Roosevelt sent armed forces into the Dominican Republic to restore order and to preserve American business interests. A series of American military interventions in Nicaragua began in 1912 and lasted until 1924. In 50 years, the United States had established itself as the preeminent economic and military power in the Western Hemisphere.32

The patterns of American foreign policy outlined above seem to fit the predictions of the ambition hypothesis: economic growth motivated an expansionist foreign policy. However, the fear hypothesis also sheds some light on American behavior. Separated by two oceans from its nearest peer competitors, the United States could afford to remain outside many of the disputes that afflicted the European great powers. Without significant regional military challengers, the United States was able to establish supremacy in the Western Hemisphere with relative ease. Therefore, from 1870 to 1917, the United States faced little in the way of security threats.

This strategic situation changed in 1917 with the possibility that Germany might become the dominant power in Europe.33 A revolution in Russia as well as revolts within the French Army appeared to raise the likelihood that Germany would score a decisive military victory (Ross, 1983, pp. 32–36). It seems plausible to argue that the United States decided to enter the war in order to prevent Germany from becoming a European hegemon (Smith, 1965, and Lippmann, 1964). One could argue, therefore, that the increase in American military spending from $3.2 billion in 1916 to $71 billion in 1919, the

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32 A good discussion of U.S.-Latin American relations during this era is Bemis (1943).
33 Preventing the domination of Eurasia by one power has been a common theme in U.S. foreign policy. See, for example, Art (1991). Spykman (1942) outlines the threats to the United States from a Eurasian hegemon.
last year of the war, provides some evidence for the fear hypothesis as well as the ambition hypothesis.

**Military spending: 1919–1939.** Throughout the 1920s, U.S. military spending hovered around $5 billion, slightly above the prewar level of about $4 billion. Spending actually increased during the deepest years of the Great Depression. Increased tensions in Asia and in Europe in the five years before the outbreak of World War II sparked a more noticeable increase in the level of U.S. military expenditures, from $6.6 billion to $10 billion.

**Possible explanations.** Unlike the previous two periods of U.S. foreign policy, we find little support for the ambition hypothesis for the period 1919–1939. Instead, we argue that the fear hypothesis provides the best explanation of American military spending.

U.S. GDP managed to increase from roughly $504 billion in 1919 to over $650 billion in 1929. However, the global depression of the early 1930s erased these economic gains, with GDP not regaining its 1929 level until 1939. American military spending remained buoyant during these years of economic turmoil, but while economic contraction did not further sink U.S. military spending below its postwar lows, it did correlate with an American foreign policy that possessed fewer international ambitions (Drummond, 1968). The United States discarded its aggressive foreign policy of the previous period and focused most of its attention on domestic concerns. Wilsonian idealism gave way to a new trend toward isolationism. American diplomacy sought few international entanglements. When the United States did show an interest in international politics, it emphasized disarmament. U.S. peacemaking is demonstrated by American efforts at the Washington naval conferences of 1921–1922 and U.S. influence in crafting the Kellogg-Briand Pact of 1928 (Keylor, 1984).

For most of the 1930s, the United States remained preoccupied with finding ways to alleviate the domestic economic distress caused by the Great Depression. Although geography rendered the United States fairly secure, the resurgent aims of Germany and Japan did catch the attention of U.S. policymakers (Dalleck, 1979). Hitler’s rearmament campaign as well as Japanese aggression against China encouraged higher levels of American military spending. One year after Hitler took Germany out of the League of Nations (in 1934), U.S.
military expenditures rose from $5.3 billion to $6.6 billion. By 1939, the United States was devoting $10 billion to its armed forces.\textsuperscript{34}

CONCLUSION

The case studies offer mixed support for all three hypotheses. Military expenditures driven by security concerns, or the fear hypothesis, is the most prevalent explanation. That insecurity encouraged great-power military spending makes sense since many of these states experienced rapid rates of economic growth and shared common borders. A neighbor with expanding industrial and military capabilities is likely to appear threatening. However, these five great powers also invested in their armed forces in a manner consistent with the ambition hypothesis. In at least one period, economic modernization engendered ambitious foreign policies. Finally, these cases provide little evidence for the legitimacy hypothesis. While domestic politics always played a role in a government’s foreign policy and procurement decisions, we find only two episodes (Germany, 1891–1913; and Japan, 1919–1939) where the dynamics of the legitimacy hypothesis seem to have occurred.

\textsuperscript{34}For an excellent treatment of the American decision to become involved in World War II, see Heinrichs (1988).