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Gunboat Economics?

An Essay about some of the Relationships between Wealth and Violence

Introduction

By working on the relevance of violence in economics (from an historical perspective) I discovered something seeming rather strange at first site: although there are a lot of historical examples that the performance (and appearance) of “gunboats” (not necessarily in the literal sense) directly influenced economic relations, there is no conceptual approach about that interrelation neither in economics nor in history. And while the term “gunboat diplomacy” is cited extensively in political and historical (and sometimes even in economical) contexts und even more, is commonly understood, there is no such thing as “gunboat economics” at all.

To be correct, this is not completely true. In 1985 Jeffrey Garten published an article in *Foreign Affairs* even entitled “Gunboat Economics”. In the text however, he did not mention the term again and confuses it throughout the article, which is mainly a critique of Reaganomics and the unilateral (and economically protectionist) foreign policy of the administration Reagan I (1981-84), with gunboat diplomacy. Interestingly enough, during

the last twenty years U.S. problem-solving did not change very much and both Bushes as well as Clinton continued and even intensified a foreign policy resting on means that can be summarized as “gunboats” (as I said, not necessarily in the literal sense, because the “gunboats” of our times are not battleships, but long-distance missiles, intervention forces and diplomatic pressure).

But this particular case study, U.S. foreign policy during the last decades, is not the topic of this paper. Its scope is broader. It is attempting to shed more light on the relationship between economic performance and violence, particularly on the wealth created by the use of “gunboats” and their influence in shaping international economic relations and promoting globalization throughout the last centuries. This is attempted by comparing various gunboats: Portuguese ones changing the trading world of the Indian Ocean in the 16th century, British ones opening up 19th-century China (this event gave birth to the concept of “gunboat diplomacy”), U.S. ones doing the same for Japan and (later) taming the Latin American quest for total independence, and others – for example – securing oil in the Persian Gulf for the West. By this, the analysis is finally linked to contemporary conflicts as well. All this is done to establish gunboats (prominently) as an explaining variable in international economic relations and to make the first steps towards “gunboat economics”, which I understand as a model containing the influence of power and violence on international economic relations. This model would be closer to reality and would enable us to understand these relations better than by the usual “value-free” neo-classical analysis, often oblivious of violence at all or only including it in a completely alienating way and thus – at least – incomplete.

Gunboat Diplomacy, Gunboat Economics and Gunboats in Economics

While the term “gunboat diplomacy” leads to more than 100,000 hits in Google, “gunboat economics” only leads to around 100, many of them closely connected to Garten’s article. This is rather strange at first sight, because the use of “gunboats” (historically often in the literal sense, but recently also in other forms) was dedicated not only to achieve political, but even more to achieve economic benefits.

The term “gunboat diplomacy” usually refers to something like the “pursuit of foreign policy objectives with the aid of conspicuous displays of military power – implying or constituting a direct threat of warfare, should terms not be agreeable to the superior force” (Wikipedia). The basic idea behind gunboat diplomacy developed already during the 19th century, when gunboats developed as regular means of political strategy (and economic, but the borders were floating). Generally, “gunboats” symbolize military technology superior in fire power (not necessarily guns) as well as speed (not necessarily naval forces). It is quite clear that the history of gunboats is longer than the 160 years from the Opium War, and it is as well clear that also recent events can be characterized by the same concept of using advanced technology for posing military threats to achieve political or economic benefits. This does not necessarily mean that the player using gunboats is overall more powerful, but it means that the threat is substantial. While the British

imperial navy was somehow responsible for coining the term, during the 20th century related concepts were mainly used by the U.S., like “big stick diplomacy” (when intervention forces were rather important) or “dollar diplomacy” (when money replaced military force).

Clearly, the use of “gunboats” (even in the literal sense) was restricted nor to the Western world neither to the last two centuries. And some strange events in the history of “gunboating” even became part of the film history, like the German warship “Louisa”. In the famous movie “*African Queen*” (1951, Humphrey Bogart and Katharine Hepburn starring) it patrolled the Lake Victoria to control its shores against the British enemy during World War I, which points to the fact that particularly Germans always were very present in the arena of power politics.

In political science there is another related term, power projection. This concept is applicable much more general. It points to: “The ability of a nation to apply all or some of its elements of national power – political, economic, informational, or military – to rapidly and effectively deploy and sustain forces in and from multiple dispersed locations to respond to crises, to contribute to deterrence, and to enhance regional stability.” (J1-02: Department of Defense Dictionary of Military and Associated Terms) Power projection is one important ingredient of dominance in history. The connection to gunboat diplomacy is clear: it is only possible if power can be projected.

In economics, gunboats usually do not enter the debate at all, but if they do, they do it in a rather strange way pointing to the very specific kind of creativity that economists have at their disposal. Metaphorically comparable to the assumption of “iceberg” transportation costs there is also an assumption of “gunboat technology”, mainly with reference to debtor-creditor relationships. The term, not very commonly used, means that the lender can confiscate the entire output of the borrower upon default (Bandopadhyaya 1995).¹ Hence, for some economists “gunboats” are synonymous for an asymmetric power relationship enabling one player to dominate another player. In this meaning “gunboats” may even appear in the form of international treaties. In the end, this assumption is one explanation why states pay their debts in the end.

As has been said in the introduction, the only instance that the term “gunboat economics” is used at all in something one may call “economics” is the twenty years old article of Jeffrey Garten in *Foreign Affairs*. He understood the term as “gunboat economic diplomacy”. In Garten’s words: “The American economy would serve as an example to the rest of the world. U.S. strength also would be used to force other nations to liberalize their economies and to get tougher with the U.S.S.R. If, as a consequence, foreign policy became strained, or if America had to skirt the edges of a trade war, so be it.” (Garten 1985, p. 541) His critique of this unilateral path (enforcing free trade throughout the free world) mainly point to the problem that the peculiar form of international

¹ Reference for the concept, although not always directly stated, is usually paid to works by Froot, Rogoff and Krugman at the end of the 1980s and beginning of the 1990s.

interdependence during the Cold War poses a danger to the U.S. herself, particularly because of the growing flexibility of capital at the beginning of the 1980s (today referred to as “financial globalisation”) and the connected weakness of the Dollar. Finally, Garten concludes that “a foreign economic strategy that is so overwhelmingly nationalistic will soon be emulated by other major trading nations. [...] And our neglect of international economic institutions will weaken them just when they are vital to the recovery of debt-ridden nations or the development of a sensible framework for trade.” (Garten 1985, p. 558) This conclusion, as much of Garten’s article, is valid also in the 21st century. A lot of it sounds very contemporary and very familiar.

That so much emphasis has to be put on an article twenty years old and published in a policy journal, points to the fact that the list of papers about gunboats in economics is rather short. Four recent examples provide the necessary exceptions from this rule. The earliest of these is a very interesting investigation of the determinants of world tariffs from 1789 to 1938 by Jeffrey Williamson (2003). The result of this paper is that two usual explanations for tariff rates, the Stolper-Samuelson-theorem and the infant-industry-argument, are less important (particularly the latter) than other factors, among those gunboats. This is summarized in the abstract of the paper: “Throughout the 150 years, tariff policy was driven consistently (and often more importantly) by revenue needs and strategic tariff behavior. Geography, home market size, world economic environment, trading partner behavior, gunboats and tariff autonomy all mattered. So did Stolper-Samuelson.” (Williamson 2003, Abstract) This is proven by econometric analysis that carries one important deficit: the influence of gunboats is not included directly, only the influence of de-facto-colonization, with is – at best – a proxy. Historically, gunboats – literally – were important in opening the Asian markets by unequal treaties, particularly in China, Japan and Siam, all low-tariff-economies in the late 19th century. Nevertheless the coefficient of Williamson’s colony-dummy is constantly negative (as expected, hence colonial status means lower tariffs), although statistically not highly significant. Not surprisingly, asymmetry in power historically has an influence on the degree of openness of a country. To summarize: “Until the race towards autarky in the 1930s, the free traders were members of the industrial core, their colonies, or those who their gunboats had intimidated to open up. The rest had erected high tariff walls.” (Williamson 2003, p. 8; also documented in Baldwin/Martin 1999)

In another attempt to link economic developments to the appearance of gunboats was carried out by Kris Mitchener und Mark Weidenmier, who analysed the influence of the Roosevelt Corollary (to the Monroe Doctrine) on Caribbean and Latin American countries. The credible threat of gunboats (as demonstrated by several U.S. interventions throughout the region in the 1900s and 1910s) assisted considerably to the payback of defaulted debts. Hence the threat of limiting sovereignty directly limited sovereignty of all countries in the region (Mitchener/Weidenmeier 2004). In another paper Mark Weidemier also discussed the settling of the sovereign debt of the Confederate States of America during the Civil War, which was subject to “gunboating” by the United States. He starts his analysis at the “gunboat model”, which “predicts that foreign creditors must be able to impose formal or informal sanctions such as a trade embargo or restrictions on

trade credit to induce repayment” (Weidenmeier 2004, p. 1). This is the general idea behind the gunboat technology assumption, and the United States enacted it by a relatively successful blockade of Southern harbours throughout the war. This case study becomes particularly interesting because the Confederacy had a rather poor debt settlement record and thus was not very credible a debtor, which is comparable to a lot of developing countries today. However, the result raises doubts about the usefulness of trade and trade credit sanctions (i.e. “gunboats”) to force debt repayment.

Finally, another paper by Kris Mitchener and Mark Weidenmier discussed again the case of Latin America by analysing the influence of “supersanctions”, i.e. gunboat diplomacy and interference in the fiscal sovereignty of the defaulting country (described by them as “house arrest” for these countries by imposing an external administrator), strong and often long-lasting threats, which were used in more than a quarter of all cases. Their results are rather interesting. Not surprisingly trade was very much influenced by the presence of foreign gunboats in harbours and dropped by a third (which – contrary to today – has not been the case for weaker kinds of sanctions).² But these supersanctions also had their good: yield spreads of long-term bonds could drop by 80 per cent after the sanctions, and the ex ante default probability fell by 60 per cent, hence the “victims” at least considerably gained credibility on the international credit market. To summarize: “Overall, our results suggest that gunboat diplomacy promoted repayment of existing defaulted debt while external financial control over a long period of time promoted debt repayment and allowed countries to regain access to international capital markets.” (Mitchener/Weidenmeier 2005, p. 24)

Because particularly these instruments prove to be useful in securing debt repayment and restoring access to capital markets, the authors finally suggest heavy interference in domestic institutions (by a third party) as a possible solution of recent debt crisis. While this conclusion could be contested by the weak evidence of the success of – for example – IMF interference in the last three decades (which did not come with gunboats but with the heavy armament of “good” policy; see for an assessment Hutchinson 2001), the overall result that gunboats strongly influence economics is not easily to be contested.

The Economic Influence of “Gunboats” in History

Let us start the historical and descriptive essay-part of this paper with some anecdotal evidence from events before the “change of worlds” in 1500, in which “gunboats” in a broader sense have been involved (in the following, the term is used for any kind of naval or military force posing a credible threat, no matter if gunpowder or boats were involved or not). Definitely not the first, but a very considerable appearance of gunboats dates back to the early days of the Roman Empire, particularly during the Pompeian anti-pirate wars

² Their empirical results are extremely clear: all dummy variables associated with supersanctions are (with one exception) statistically highly significant to explain a decrease in trade (Mitchener/Weidenmeier 2005, p. 38).

of the 1st century BC. But this only points to earlier events proving the regularity of the use of force in international relations. Among partners of unequal size gunboat diplomacy was common in the ancient world, most eloquently documented possibly by Thukydides in the Melian Dialogue (in which Athens tried to force the island of Melos into surrender by showing its fleet in the harbour of Melos at the beginning of negotiations). In the end, gunboat diplomacy is the essence of any tributary system, which consequently is a special form of gunboat economics.

A society completely built on “gunboat economics” emerged in the 1st millennium AD in Northern Europe, when the Vikings set sail to “terrorize” (one may as well say “discover”) Europe. The example is not perfectly fitting, because it was everything but easy to come to terms with the Vikings. Particularly at the beginning of their activities, the main (economic) interest was plundering, not to enter into any – no matter how unequal – agreement. This changed slightly later, but nevertheless the Vikings did not develop a large-scale tributary system. However, in history the boundaries between plundering, taxation and tribute collection have always been diffuse, and all three are closely related to gunboat economics.

The same holds for the concept of “naval hegemony” or “naval predominance”. This was historically – for example – carried out by the Venetians in the Eastern Mediterranean. In this case the priority of the Venetians clearly was profits from trade. From the 11th century until the 15th (later the naval dominance of Venice was constantly contested by Ottoman fleets), Venice was able, although not continuously, to more or less control the seas in that region (and already earlier in the Adriatic). While at first Venice “sold” her military service for trade privileges to the Byzantine Empire and later to the Crusader Kingdoms (an example of some kind of “positive” gunboat economics), she later exerts pressure on several trading “partners” (what one may call “negative” gunboat economics). This crystallized in a network of monopolistic trade relations running together in the Lagoon city, particularly from the adjacent regions in Northern Italy, but also from near and far abroad. It should not be forgotten that all these cities and countries subject to Venetian pressure were “overseas” from the Venetian point of view. Hence the means of exerting this pressure was by naval forces. This did not change until the 15th century, when Venice started to acquire a “*terra ferma*” (mainland territory), but even then it was gunboat economics (and diplomacy) and a lot of cities surrendered in the face of mighty Venetian ground troops.

Venice is a very good example for the excessive use of gunboat economics, because her whole “state firm” was built on a close relationship between economics, politics, and the military. The appearance of Venetian ships close to foreign harbours (at the sea as well as at rivers or even at inland lakes) improved the bargaining position of her traders considerably and a lot of cities were forced into concessions (mainly in the Levant), unequal treaties (mainly in the lower Adriatic and the Aegean), or even surrender (mainly in the upper Adriatic). In 1204 Venice even was able not only to equip a whole Crusade, but also to redirect it to Constantinople, which led to the seizure and conquest of the city (the by far biggest in Europe these days) and a large part of the Byzantine Empire. Hence,

Venice is also a good example for power projection superior to its competitors, at least for a certain period.

But Venice was not unique. Other cities, particularly Genoa, but also Milan or Florence used the same means to derive economic profits from asymmetric relationships. A last example from a completely different region of the world is as well interesting, because it is usually neglected: the Ming navy of the early 15th century. From 1405 to 1433 the Chinese equipped seven large “treasure fleets” to sail the seven seas. Even the term points to the close relationship between the military and material wealth. These fleets proved very successful to enforce tributary relations to countries as far away as India and East Africa, and intense ones to South East Asian countries. They also proved their military capabilities by intervening into the “internal” affairs of the Malayan peninsula, Sumatra, Java, and the surrounding seas. But in most instances it was not even necessary for the Chinese to actually apply force. The appearance of the ships, completely outstanding in size and fire power throughout the Indian Ocean (comparable European fleets did not even exist before the 19th century), was enough to propitiate local rulers and show them their irrelevance. To summarize: “Throughout Southeast Asia and the Indian Ocean they ‘showed the flag’ and clearly demonstrated the Ming empire’s political and military supremacy. The opportunity for lucrative trade under the tributary system drew foreign envoys bearing tribute from every quarter of an unprecedented scale.” (Chan 1988, p. 236)

Portugal

The Portuguese finally inherited the Chinese on Asian waters, who stopped their naval ambitions in the middle of the 15th century completely. It is often said that the Portuguese simply filled a power gap in the Indian Ocean, which in the decades around 1500 did harbour a lot of trading ships, but lacked any considerable navy. But different to the Chinese, which did not waste a thought on concessions, they always followed a double strategy – carrot as well as stick. Wherever the Portuguese were strong and interested enough, they enacted crude force as soon as necessary (i.e. if local rulers did not agree immediately to their terms), wherever they were not, they propagated partnership. The Congo Kingdom shows this clearly: although it would have been possible to overthrow it by force (mainly to acquire slaves), relations from the beginning on were friendly (not to say close), but within two decades after the establishment of the Cape route Portuguese interests faded. Hence, gunboats were not needed. In the Indian Ocean the situation was completely different. From the beginning on the Portuguese promoted (and by that assimilated) cities meeting them in a friendly way, and they used crude force against all actual (and sometimes also potential) enemies. These two patterns can be observed even in adjacent cities in India and East Africa: while Cochin and Malindi were treated rather friendly, Calicut and Kilwa (for example) were more or less destroyed (in the case of Calicut six times in ten years). The main point is that the example fulfilled its purpose: other cities knew their “choice” and many surrendered rather easily because the peculiar reputation of the Portuguese (one of extreme cruelty for a long time unknown in the region) hurried ahead of them.

For some decades in the 16th century the Portuguese even directly utilized their gunboats economically in the form of the so called *cartazes* system: in possession of a navy far superior to any other force in the region, the Portuguese sold protection from their own attacks. Any ship not in possession of a passport (a *cartaza*) was to be plundered. It is even said that the Portuguese exported the concept of piracy from the Mediterranean to the Indian Ocean where it was hardly known for centuries, at least in its Western part. This enabled the Portuguese state to pay very low compensations, while the greater part of the income of all colonial officers (many of them from the Nobility) originated in plunder, smuggling and corruption (Subrahmanyam 1991, pp. 61f). Anyway, the Portuguese strategy was – because of the increased uncertainty – economically unfavourable for Portugal's competitors. Nevertheless, due to a lack of resources Portugal was unable to sustain this system for long with some hundred ships scattered across the region. Already in the 16th century Asian powers challenged the Portuguese even before the Dutch overthrew and inherited the *Estado da India*.

British and U.S. influence on 19th-century Asia

The historically possibly most important appearances of gunboats (at least in economic history) happened again in Asia, but in the 19th century. Before Matthew Perry “opened” Japan in 1853 by gunboating, the British did the same in 1842 in China. The result of the Opium War (1840-42) was the acquisition of Hong Kong and unequal treaties that secured the access to five treaty ports (instead of only one, Canton, with only limited access). The main purpose of the war – from the British point of view – was profit: a redistribution of the gains from trade between (mainly) India and China and trade creation, not the least in the opium trade. For the reason Britain also gained most-favoured-nation-status in China in 1843, a year later France and the U.S. followed in their imperial footsteps. In 1856 the British finally destroyed the Chinese royal navy, and in 1858 and 1860 unequal treaties and the opening of harbours and of the Yangtze River completed the newly established European dominance in Chinese waters. The result was a slow trickle-down of the world market into China in the second half of the 19th century to the economic benefit of (mainly) Britain. Japan also concluded unequal treaties in the 1850s, at first mainly with the U.S., but Britain, France, Russia and the Netherlands followed immediately. Contrary to impoverished China, however, Japan was able to direct sufficient resources into the modernisation of the society. In 1895 Japan itself entered the gunboat-club and acquired Korea from China, and less than a decade later a European power (Russia) was terribly defeated in Asian waters by domestic forces for the first time in centuries. The consequences of this policy are again part of the film history: although “*The Sand Pebbles*” (1966, Steve McQueen, Richard Attenborough and others starring) is about one particular episode in the history of gunboats in the 1920s, foreign vessels of diverse nationalities were very common until the 1940s on the most Chinese river of all.

Imperialism and early interventionism in the 20th century

The Napoleonic Wars and the American Civil War as well as both World Wars were accompanied by sea blockades, which also followed economic purposes. But the main

reason of these blockades was not to actually gain economic profits but to weaken and punish the enemy and all actors politically or economically associated with it. This points to the important fact that gunboat economics is working by means of threat, no matter if the result is overall positive or negative.

Very asymmetric relationships, often directly connected to gunboats, evolved in the era of imperialism. While Britain enforced her "*Pax Britannica*" by the largest navy in history (at the heyday Britain possessed almost half of all existing ships on the planet), the U.S. also entered the scene. Their first attempts to employ a global naval presence dated back to the late 18th century, and the bombardment of Tripolis by U.S. ships in 1805 is often said to be one of the incidents because of which the term "gunboat diplomacy" was coined. But it took until the end of the century to ensure relevant U.S. presence on the seven seas and to enforce the Monroe Doctrine (already announced in 1823), formally by the already mentioned Roosevelt Corollary of 1904, which followed U.S. interventions in the Caribbean and the Pacific (mainly in former Spanish possessions), and the blockade of Venezuela by European powers (Britain and Germany) in 1902/03. While the former incident ensured the U.S. of their capability to wage war far from their shores and to perform gunboat diplomacy at least in the neighbourhood, the latter pointed to the necessity to define an exclusive sphere of influence. To quote from the presidential address by Theodore Roosevelt: "If a nation shows to act with decency with regard to industrial and political matters, if it keeps order and pays its obligations, then it need fear no interference from the United States. Brutal wrong-doing, or an impotence which results in a general loosening of the ties of civilized society, may finally require intervention by some civilized nation, and in the Western hemisphere the United States cannot ignore the duty. (Mitchener/Weidenmier 2005, pp. 15f; originally published in the *New York Times* of Dec 7 1904, p. 4)

Europeans (particularly the British) did not completely halt interventions in America afterwards, but the number of U.S. interventions is clearly outstanding (see for an overview Beede 1994). Some kind of gunboating, often even accompanied by significant ground troops established in "host" countries to control their policy and economy, took place in more than a dozen cases until the Cuban Revolution in 1959, particularly in Cuba (there even legally guaranteed until 1934 by the Platt Amendment to the Cuban Constitution), Haiti, Santo Domingo and the small Central American republics (most drastically in Guatemala 1954). But it continued as well afterwards, particularly in Nicaragua in the 1980s, not to mention Grenada 1983 or Haiti more recently. This policy of (more or less) "good neighbourhood" also had considerable economic gains: not only was the payback of debts ensured by it, but also the open access to these markets (particularly in the fruit and sugar industry) for U.S. corporations, the preferential treatment of U.S. citizens and of economic relations to the U.S., and generally good relationships between these countries (and others more south) and the U.S., all this prevailed the actual interventions for long. Hence this policy really paid a lot, not only politically.

Contemporary “Gunboats”

Today gunboats take various forms: aircraft, missile power, hacking capacity, or more general mobility (power projection) and technical superiority, or most general, multidimensional strategical superiority (the *best* technology is not necessarily the *most advanced* one). Examples are manifold, particularly if one takes the permanent threat of low-intensity trade wars in the WTO framework into account, regularly posed by the economically powerful actors against small economies. But while the often cited NATO-attacks of the Kosovo in 1999 are a good example of gunboat diplomacy, it is not a good example of gunboat economics, because one has to assume a very broad and long-lasting concept of economical infiltration to see economics as predominant in this conflict. Hence two very different examples will be taken to exemplify the relevance of the question today: Iraq and North Korea.

A case study: Iraq

A standard case study of gunboat economics is the case of Iraq, which is part of a long tradition of “gunboating” connected to natural resources. The 20th century is full of interventions by mighty powers (mainly, but not exclusively the U.K. and the U.S.) particularly in oil-producing regions, and foreign gunboats are as well present in the Gulf as airbases at its shores.

The interventions in Iraq (1990/91 by a rather broad “coalition of the willing”, 2003 to today by a force almost exclusively made of U.S. troops) as well as the period between these interventions is to be characterized by the constant threat of “gunboating”, which was obviously credible after the collapse of the Soviet Union. Two wars, constant interference into the “domestic affairs” of the country, the establishment of protection areas (zones in which Iraqi air operations were forbidden), controlled external relations, particularly economic ones (“oil against food”), and finally the overthrow of the government were part of this form of gunboat economics. The obvious reason why this is gunboat economics at all, is officially strongly contested, although widely accepted: it is the oil. While the “black gold” clearly is not the only reason for these interventions, it definitely is an important one, and – as has been said – continuing a long tradition of oil-induced interventions. The primary goal of these actions is not easily to be derived from the empirical evidence. While profits for private enterprises must have played a role, easy access to the oil in Iraq was not necessarily an important consideration, because the U.S. is itself in possession of oil and the primary sources of its imports are much closer to the homeland than the “Middle” East. And while the intervention obviously did not prevent the oil price from increasing, control of the access of others than the U.S. to the oil sources in Iraq (Russia, China, and India) was secured, which was definitely much more important than is widely seen.

If the “investment” by the U.S. in the Second Iraqi War will finally pay back is not sure. If the estimates by Joseph Stiglitz and others are correct, it would be a considerable task to earn more than a trillion dollars from the intervention. And while private investors from

the U.S. clearly make profits in Iraq (not the least those with close personal connections to the Bush administration), the bulk of losses is “socialised” and the bill for the U.S. government (as an institution) will most certainly remain negative. One major reason for that may be that the intervention also followed strategical considerations without immediate economic relevance. A goal clearly was to threaten other so called “rough” states and to “civilize” their external policy (which may pay economically as well, because it weakens the position of coalitions of developing countries in trade negotiations), most prominently Iran. That this strategy did not work well needs not to be said.

A different case study: North Korea

A very different case is North Korea, although it shares one of the main points with the former study: nuclear weaponry. But one of the major differences is directly connected with that: while Iraq was only said to produce these weapons, North Korea already possesses them and hence in this case it is the seemingly weak country performing gunboat economics, as Iraq was for some period in time.

The significance of gunboat economics in recent history is exemplified exactly by this kind of weaponry, usually in close connection with missile technology, because in this case this is the first choice means of power projection. The main arguments in the case of North Korea are that the possession of nuclear weapons enables the country to control its own population, to sustain the autocratic regime and to improve its bargaining position with the outside world. Kim Jong-il, the North Korean leader, and his father have been able to stabilize their reign after the collapse of communism very effectively by producing weaponry to threaten neighbouring countries. Even the conventional armament of North Korea is sufficient to destroy considerable parts of South Korea before any intervention is possible, and now its missiles (even nuclear ones) would be able to reach Japan. This also prevents any intervention into the “domestic affairs” of the country, and without such an assistance opposition against the regime from within the country has no chance at all, despite of millions of deaths during the North Korean hunger crisis after 1995. Nuclear weaponry now leads to direct gains for the country in the form of strategic rents: North Korea enters international negotiations without the necessity to surrender any of its interests, and it takes part constantly in such negotiations, despite adverse rhetoric, mainly by their U.S. “partners”.

The argument is not restricted to this particular case. It also holds for other countries already in possession of nuclear weaponry (or other weapons of mass destruction), like Israel, Pakistan, India, or Iran, but – and this should not be forgotten – also the five traditional members of the nukes club, not only China and Russia. In the future, the threat may even increase, because the technological level necessary so far to perform gunboat economics may decrease dramatically. If mass terrorism becomes more organized in the future, it may become as well a new method to perform gunboat economics. So far, profits on the micro level can be derived from it, mainly in form of revenues from kidnapping activities. But up to now terrorism is nothing to gain on the long-run on the macro level, although for example Iran instrumentalizes the threat of mass terrorism to

prevent interventions (and the threat is rather reasonable). To enable terrorist states or terrorist organisations to benefit from their activities clearly is one of their goals, but clearly as well, the performers of gunboat economics using “ordinary” (modern?) means do their best to hinder the success of these “new” (post-modern?) means.

Conclusions

In my view, three conclusions are to be drawn from these case studies:

First, gunboats played a decisive role in the process of globalization throughout history, particularly in enabling European powers to build up colonial empires after 1500 and to open up foreign markets during the 19th century. As Immanuel Wallerstein always pointed out, a small difference (like guns on ocean going vessels) proved historically as strategic advantage and hence lead (not exclusively, but it contributed considerably) to extreme diverse outcomes. As argued by Maddison (2002), the Asian powers more or less stagnated economically between the 16th and 19th century and hence constantly lost ground against the (slow, but steadily) expanding economies of Europe. This continued into the 20th century, when the Asian periphery de-industrialized relative to the emerging industrial core of the world economy in Europe and North America, and this mainly because these countries had – due to the influence of gunboating – low trade barriers and hence were even more open to global trade than they are today (Baldwin/Martin 1999).

Secondly, the use of gunboats (in a broad sense) did not only pay militarily and politically by enhancing military capabilities and expanding empires and spheres of influence, but they also pay economically. This is true directly as well as indirectly, because “gunboats” (or more general, military superiority) helped to plunder other countries and hence led to immediate gains, but they also shaped an unequal trading system to the benefit of the more powerful (and sometimes even to the loss of the less powerful; hence obviously the ordinary assumption that trade gains cannot be negative is historically – at least – questionable). For that reason the developments of gunboats made even more sense, particularly in following the examples of others (the same politico-economical logic that helps to explain the rise of Japan, is today applicable in the nuclear dispute between Iran and the West).

Finally, the use of gunboats may be economically rational for every individual actor in the global or in every regional system, but it clearly is a suboptimal means to improve “global” (with respect to the reference system) welfare. Theoretically, a system without proper regulations and a certain automatisisation of the balance of power will always lead to a very unequal distribution of wealth surpassing the point of a zero-share for some of the actors. In reality, an unregulated system, which is never to be restricted to economics, tends in equilibrium to some form of prisoner dilemma.

As always, further research has to be done, particularly in this rather dry field of analysis. It is not only necessary to evaluate the effects of gunboats on trade, growth, and development quantitatively to learn about their significance in the process of development. This has been done by Williamson (2003) for the effect of quasi-colonial relationships on tariffs, an analysis, which revealed a strong, but clearly not exclusive relationship between the two. But it is also necessary to link these analysis and the results derived from the analysis of sovereign debt resettlement, with the obvious influence of asymmetries particularly in military power and technology on the quality of the embeddedness of a country into the world economy (or on its economic relations).

Historically, the prevalence of power systems in shaping international relations is astonishing. Hence the question of limiting the use of power, particularly the use of military capability, is very important. The only way to control the powerful seems to be an international balance of power, a regime automatically controlling for power asymmetries. This lesson has been learnt during World War II with considerable costs. Afterwards the newly emerged institutional regime (built around the United Nations) as well as the policy of threat during the Cold War helped to stabilize the global power system. After the collapse of the Soviet Union the balance was disturbed and the system is still in fluctuation. The return to equilibrium (which is possible, but clearly not mandatory, and which does not necessarily describe an improvement of the situation) finally requires two ingredients: a considerable number of global players able to – as a group – neutralize the attempts to perform gunboat economics globally as well as regionally by other players; and enforceable international law as a framework to settle conflicts without using “gunboats”. To achieve this is to a certain extent a question of survival, at least for some people on the globe: while the means by which “gunboat economics” is carried out today may take the form of nuclear weaponry and hence endanger mankind, one has also to recognise the prevalence of “gunmen economics” in large parts of the globe, particularly in Africa (most drastically to be observed maybe in the Congo region). But this, strongly related to the problem of failing states and of terrorism, is a different story.

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