

“SECOND IMAGE REVERSED” REEXAMINED

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ABSTRACT

The literature of “second image reversed,” which studies international factors causing domestic outcomes, is central to the contemporary scholarship of international politics, and it has been long associated with Peter Gourevitch’s 1978 *International Organization* article. Methodological re-examinations of this “modern classic” article reveal three critical and surprising shortcomings. First, only two (out of nine) “second image reversed” arguments posited by Gourevitch are sound in terms of causal logic and empirical verifiability. These two arguments include the “Gerschenkronian thesis” and the “Seeley-Hintze law.” Second, our careful scrutiny reveals that the Gerschenkronian thesis suffers from the problem of selection bias so that there may be a true causal variable at the domestic level. Third, we can detect the same set of serious problems with the Seeley-Hintze law. In sum, the foundational works of the “second image reversed” literature are not as methodologically sound, robust, and compelling as we have long assumed.

Keywords: second image reversed, methodology, causality

To my family.

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INTRODUCTION

In 1978, Peter Gourevitch published a highly influential article entitled “Second Image Reversed: The International Sources of Domestic Politics” in *International Organization*. Earlier, Kenneth Waltz (1959) had coined the term of “second image” referring to explanations that isolate domestic causes of international outcomes.¹ As the title of the article indicates, Gourevitch focuses on those explanations in which the international system affects the domestic system. After the publication of this article, the term of “second image reversed” became standard terminology in the fields of international politics and comparative politics. It is now quite common to see his article listed as required reading material in a typical syllabus of international relations theory.

Even if we limit our scope to the last ten years, we notice many scholarly works that employ second-image-reversed arguments.² In the field of comparative politics, for example, Jon Pevehouse builds upon a second-image-reversed argument when he analyzes the process of democratization in his 2005 book entitled *Democracy from Above: Regional Organizations and Democratization*.³ Another is *Shaped by War and Trade: International Influences on American Political Development*, edited by Ira Katznelson and Martin Shefter.⁴ In the field of international relations, furthermore, we see *Internationalization and Domestic Politics*, edited by Robert O. Keohane and Helen

¹ The “first image” isolates individual-level causal factors, while the “third image” isolates causal factors at the level of the international system.

² For earlier relevant works, see Almond (1989).

³ Cambridge University Press. See also Pevehouse (2002).

⁴ Princeton University Press, 2002.

Milner.⁵ Even constructivism—a “new comer” in the family of international relations theory, which focuses on the power of norms in international affairs—is no exception. For example, Thomas Risse, Stephen Ropp, and Kathryn Sikkink have investigated the impact of international norms on domestic politics in their *The Power of Human Rights: International Norms and Domestic Change*.⁶ The second-image-reversed line of thinking has even led to the breaking-down of the domestic-international division, as we see in *Double-Edged Diplomacy: International Bargaining and Domestic Politics*.⁷ In short, Gourevitch’s 1978 is a modern classic.

Yet, to our surprise, the causal logic identified by Gourevitch and other well-known modern classic writers of “second image reversed” has not been scrutinized systematically; rather, it has been taken for granted. The objective of this project paper is to conduct such a reexamination. The paper’s central argument is that the second-image-reversed thesis as formulated by these “founders” is much more problematic as a set of causal arguments than we have long assumed. These writers, besides Gourevitch, include such giants as Alexander Gerschenkron, Sir John Seeley, and Otto Hintze.

More specifically, the project paper will present three sets of findings. First, in his 1978 “modern classic” article, Gourevitch lists nine families of second-image-reversed theories. But only two of those are credible enough. The rest have serious shortcomings in their causal logic, whether conceptually or empirically—or both. Thus,

⁵ Cambridge University Press, 1996. Another source in this line is Keohane and Nye (2001). Regarding trade, an example of second image reversed is Rogowski (see “Why Changing Exposure to Trade Should Affect Political Cleavages” in his 1989 work), who assumes that increase in wealth, induced by exogenous factors, causes expansion of political influence. According to his 1987 work, free trade causes proportional representation.

⁶ Cambridge University Press, 1999.

⁷ Edited by Peter Evans, Harold Jacobson, and Robert Putnam (Berkeley: University of California Press, 1993).

the article is less than coherent and reliable despite its status as a seminal piece of scholarship. Now, the other two findings of mine concern these two most credible second-image-reversed arguments identified in Gourevitch's article. The first argument is called *the Gerschenkronian thesis*, named after the 1962 book published by Alexander Gerschenkron, *Economic Backwardness in Historical Perspective*. It posits that late industrialization or a less competitive position in the international economic system (when a country joins that system) leads to a centralized state. The second argument, called *the Seeley-Hintze law*, stipulates that the harsher the international environment a state faces, the more likely that an authoritarian or militaristic system will emerge in that state.

The paper's second finding is that the Gerschenkronian thesis, as originally formulated by Gerschenkron himself, suffers from the problem of selection bias, to the extent that the assumed causal effect of his independent variable may be much weaker than it is assumed—or even spurious. The thesis in question may have a wrong independent variable, in other words, and a true causal variable may be something else. We will demonstrate this point by adding a new case that Gerschenkron did not include in his original study: the Netherlands. As a potential “true causal variable,” the paper will suggest economic ideology, a domestic-level variable. In short, as a causal argument, the Gerschenkronian thesis is less robust than we have assumed.

Our third finding concerns the Seeley-Hintze law and parallels the second finding: the same problem of selection bias can be identified in the law's causal argument, if we add the case of Spain. Just like the Gerschenkronian thesis, the Seeley-Hintze law may be singling out a wrong independent variable, and we suggest an alternative domestic-

level causal variable: the political power of the landed upper classes. In short, the causal logic of both prominent “classic” second-image-reversed explanations is far less robust and more problematic than conventionally assumed.

We will first clarify our assessment framework. Then, we will elaborate each of our findings. We will conclude the paper by suggesting implications and future research directions.

THE FRAMEWORK OF ASSESSMENT

When diagnosing the validity of a particular causal relationship, we can conduct two types of tests: *a credibility test and a robustness test*. If a cause-effect relationship passes the two tests, then, its validity is established. Let us elaborate each test.

Credibility Test

A particular causal relationship is credible if it is both *conceptually sound and empirically verifiable*. One established approach used for credibility tests is "process tracing" (King, Keohane, and Verba 1994: 86). In small-N qualitative research, process tracing could be used if a lot of information is available. In process tracing, reasoning and general knowledge are used to determine the direction of the causal chain. Furthermore, the causal link between the independent and dependent variable is divided in smaller steps, and evidence is used to prove each step (link). We will use this basic approach when examining the conceptual soundness and empirical validity of many alleged second-image-reversed arguments presented by Gourevitch in his 1978 article.

In a conceptually sound causal relationship, the definitions of causes and effects, as well as causal logic, are clear and meaningful. In the context of this project paper, conceptually sound second-image-reversed explanations should articulate how the international system decisively shapes domestic situations. Here, the emphasis is placed on "decisively shapes." This is much stronger than mere constraints. The fact that the international system constrains domestic situations is nothing new. What this project

paper focuses on is a claim for a much stronger international influence, which is worth highlighting and investigating. This definitional clarification is crucial, because much of ambiguity and confusion in Gourevitch's 1978 articles stems from the loose conception of second-image-reversed explanations, as we will discuss shortly. In other words, many alleged second-mage-reversed explanations are in fact not conceptually sound.

Conceptually sound causal relationships are not always empirically verifiable. In other words, conceptual soundness and empirical verifiability are two separate issues. For example, a causal explanation employing God's will as a causal variable may pass our conceptual soundness test, but it fails an empirical verifiability test. Again, as we will see in the next section, many second-image-reversed arguments put forth by Gourevitch fail the verifiability test.

Robustness Test

As was noted above, the Gerschenkronian thesis and the Seeley-Hintze law both pass our credibility test as far as they are characterized by Gourevitch. We will then examine whether these two second-image-reversed arguments are robust as causal relationships. The recent methodological literature has pointed out some important problems such as selection bias, omitted variables, and endogeneity.⁸ To the extent that a particular causal relationship suffers from these problems, then, it is less robust since the assumed causal relationship may be spurious. This project paper especially focuses on the first two problems: selection bias as the primary focus, and omitted variables as a secondary focus.

⁸ See, for example, Collier (1995), Eells (1991), Hage and Meeker (1988), Ragin, Schlosser, and Meur (1998), as well as King, Keohane, and Verba (1994).

The problem of selection bias usually emerges because of nonrandom case selection (Collier 1995: 461). A selection bias problem happens, in other words, if the sample is not representative because it is based on the values of the dependent variable. In such a case, the selected cases support a desired conclusion. There are two types of selection bias. On the one hand, extreme selection bias allows for no variation of the dependent variable. On the other hand, a truncated variation is a milder form of selection bias, where the estimates are close to an average value and the real causal effect is underestimated. Thus to avoid those problems the selection of cases should allow for variation on the dependent variable (King, Keohane, and Verba 1994: 129). According to King, Keohane, and Verba (1994), a diagnostic technique to find out if we have the problem of selection bias is to increase the number of cases under study so that we can have more values of the dependent variable. If the original causal relationship still holds with the new cases, then it is robust. But if it does not, there is a possibility that it is actually spurious and we should look for an omitted variable that is the true independent variable.

The problem of omitted variable involves a hitherto ignored causal factor that turns out to be influencing both the independent and dependent variables in the original causal relationship. Such a causal factor is an omitted variable. In other words, the original causal relationship turns out to be spurious causal relationship. This kind of bias could be a result of the process of limiting explanatory variables (King, Keohane, and Verba 1994: 123). The problem is also called "hidden third factor" or "specification error" (in economics) (Simon 1969: 154), and also "spurious" or "confounding"

correlation.⁹ For identifying an omitted variable in a given causal relationship, a full-fledge diagnostic technique involves examining whether there is a variable that is antecedent to (or logically prior to), and correlated to, the original independent variable, while causing the original dependent variable at the same time. (One can also conduct a counterfactual exercise to explore the existence of omitted variables: i.e., to compare the original causal relationship with an alternative, counterfactual situation where the value of the independent variable is different. For example, if factor X is hypothesized as a cause of result Y, then, a situation should be examined if the absence of factor X still resulted in Y. If the presence/absence of factor X does not influence the presence/absence of result Y, then, another causal factor must be influencing result Y.) In any event, if an omitted variable exists and can be singled out, then the causal impact of the original independent variable would be much weaker than assumed earlier. After controlling for the original independent variable, one may be able to isolate the causal effect of the omitted variable to the dependent variable.

As was noted above, our primary focus will be on diagnosing the problem of selection bias, and we will not conduct a full-fledged examination of omitted variables. In an attempt to gauge the degree of selection bias in the Gerschenkronian thesis, we will add, following King, Keohane, and Verba's guideline, the Netherlands to the list of cases and see how the original causal relationship articulated by the thesis continues to hold. Similarly, we will add the case of Spain to see how the causal logic of the Seeley-Hintze law remains intact. We have selected the Netherlands and Spain for two reasons. First, Gerschenkron did not include the Netherlands when he inductively developed his thesis;

⁹ The omitted third variable does not cause bias under two cases: either if it is not related to the dependent variable, or to the independent variable. However, accuracy of prediction is lost in the second case (King, Keohane, and Verba 1994: 169).

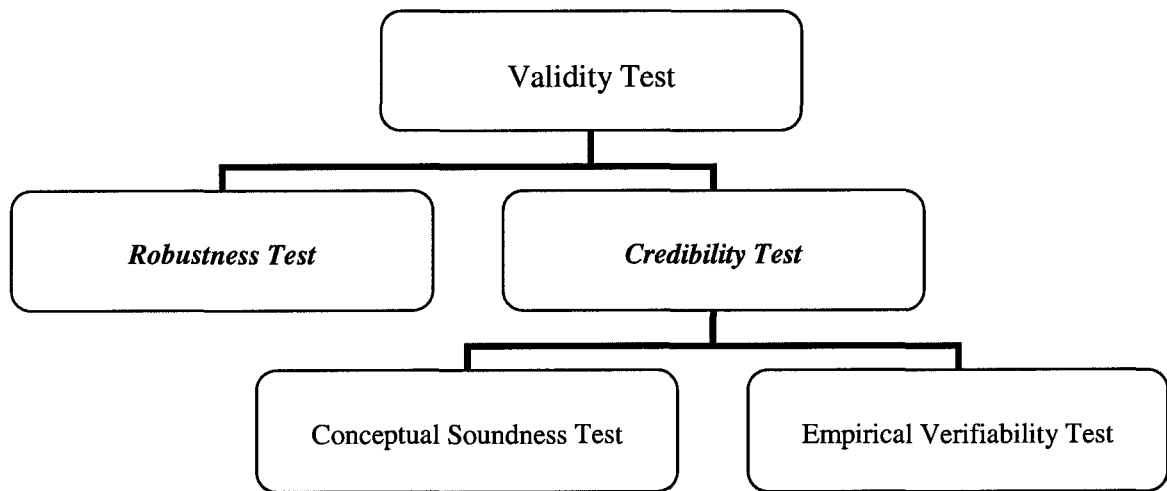
and Seeley's and Hintze's writings also fail to address the case of Spain. Second and more important, the Dutch case and the Spanish case seem to contradict the Gerschenkronian thesis and the Seeley-Hintze law, respectively — in other words, these two new cases are “critical cases” for us to test the causal logic advanced by the two prominent “second image reversed” arguments.¹⁰ If in fact we find the problem of selection bias exists in these two second-image-reversed arguments, then, we will speculate what omitted variable could be influencing the dependent variable in each argument. As it turns out, selection bias is detected in both examinations, which will be reported later. We will then suggest omitted variables.

Summary

This section has explicated a systematic set of tests for examining the validity of classic formulations of second image reversed arguments found in the works of Gourevitch and Gerschenkron, as well as Seeley and Hintze. Such tests address credibility and robustness. The credibility test in turn scrutinizes two elements: conceptual soundness and empirical verifiability. The relationships among these tests can be expressed as follows:

¹⁰ Other such “critical cases” may be available. For example, the US can be a critical case to the Gerschenkronian thesis — although the US was a late industrializer, it was not characterized by a strong state in its domestic economy. Japan can be a critical case to the Seeley-Hintze law — surrounded by ocean, Imperial Japan should have developed strong democracy but it did not until it was defeated in World War II. My paper has selected the Netherlands and Spain because they are both European countries. Since the two second-image-reversed arguments we want to scrutinize were developed with European cases, it is important for us to stay within the same scope of reference when we examine these arguments.

Figure 1: Test Design



Let us now turn our attention to examine the credibility of various second-image-reversed arguments put forward by Gourevitch.

GOUREVITCH'S “SECOND IMAGE REVERSED” THEORIES

Diagnosis

As was noted earlier, a close reading of Gourevitch’s 1978 article reveals that while Gourevitch lists nine families of second-image-reversed theories, the only two pass our credibility test. Many are not conceptually sound; a few are not easily verifiable empirically. Only two — the Gerschenkronian thesis and the Seeley-Hintze law — are conceptually sound and empirically verifiable—in other words, credible. This result is summarized in Table 1.

Table 1: The Credibility of Gourevitch’s “Second Image Reversed” Arguments

Arguments alleged by Gourevitch	Credibility
A. The International Political Economy (IPE) arguments	
1. “Late Industrialization and Centralized State Control” [i.e., Gerschenkronian thesis]	High
2. “Theories of Dependencia, Core-Periphery, and Imperialism”	Low
3. “The Liberal Development School”	Very low
4. “The Transnational Relations, Modernization, and Interdependence School”	Very low
5. “The Neo-Mercantilists and State-Centered Marxists”	Very low
B. The International Security (IS) Arguments	
6. “Security Arguments” [i.e., Seeley-Hintze Law]	High
7. “The Special Nature of Foreign Relations”	Low
8. “State Building as Foreign Policy”	Very low
9. “The Strains of Foreign Involvement”	Very low

Note: “High”: conceptually sound and empirically verifiable
“Low”: conceptually sound but empirically not verifiable
“Very low”: conceptually unsound in the first place

Now, let us elaborate our findings. To begin with, Gourevitch's article is divided into three sections: (1) the impact of the international system on domestic politics, (2) the impact of domestic structures on international outcomes, and (3) the interdependence between the international and domestic. However, "the bulk of the paper deals with the first point" (Gourevitch 1978: 882) and the other two are just briefly described. The first section, which is of interest to my study, is divided into two sub-sections focusing on the international economy (let us call this "IPE, that is, International Political Economy, theme") and the international state system ("IS, that is, International Security, theme"), respectively.

Let us look at each of the two themes in order. On the one hand, five arguments form the IPE theme: "late industrialization and centralized state control" (this is the Gersenkronian thesis, and Gourevitch refers to Moore and Kurth here¹¹), "theories of dependencia, core-periphery, and imperialism" (Hobson, Lenin, and Wallerstein cited here), "the liberal development school," "the transnational relations, modernization and interdependence school," and finally "the neo-mercantilists and state-centered Marxists." Gourevitch gives us an impression that all of these theories are second-image-reversed arguments, but this treatment by him is highly problematic: they are all conceptually unsound. In the first place, given our definition of second-image-reversed arguments that was mentioned earlier, only the Gersenkronian thesis and dependency theory by

¹¹Gourevitch indicates Barrington Moore as a possible extension of Gersenkron's argument (Gourevitch 1978: 886). This proves that, given my definition of "second image reversed," Gourevitch uses the concept of "second image reversed" too loosely. Regime patterns, in the case of Moore (1966), have been influenced by different types of industrialization, not by an international factor. Thus, using analysis of the transformation of agrarian society as a starting point, he compares the historical development of three alternative paths to the "modern" (Moore 1966:x): liberal democracy, fascism and communism. The first path is characterized by the bourgeois revolution of the landed upper classes in England, France and the US (19th century), the second path by the unsuccessful bourgeois revolutions from above in Germany and Japan (20th century), and the third path by the peasant revolutions from below in Russia and China. We will use Moore's argument later when we discuss omitted variables for the Seeley-Hintze law.

Wallerstein represent true second-image-reversed theses among these cases. The rest do not regard international factors as “decisively dominant forces” toward domestic factors. Some even are not second-image-reversed arguments at all! For example, imperialism arguments developed by Hobson and Lenin are in fact *cases of second image arguments* as Kenneth Waltz persuasively argues in his *Theory of International Politics* (1979). Furthermore, Gourevitch’s treatment of liberal development, interdependence, neo-mercantilism and state-centered Marxists as second-image-reversed arguments is not convincing. In fact, in these theories, domestic forces may be as strong as international forces—neo-mercantilism and state-centered Marxists are the extreme cases as they are clearly second-image arguments.

Thus, we are left with Gerschenkronian thesis and dependency theory. Between the two, the latter as a second-image-reversed argument has a serious weakness. That is, it is difficult to ascertain empirically the very causal mechanisms advanced by dependency theory. This is the basic conclusion that Anthony Brewer reaches in his book entitled, *Marxist Theories of Imperialism: A Critical Survey* (1980, see especially p. 273). We thus have only the Gerschenkronian thesis as the most credible case of “second image reversed” as far as the IPE theme is concerned.

Now, let us turn our attention to the IS theme developed by Gourevitch. He summarizes it as follows:

The anarchy of the international environment poses a threat to states within it: the threat of being conquered, occupied, annihilated or made subservient. The obverse of the threat is opportunity: power, dominion, empire, glory, “total” security. This state of war induces states to organize themselves internally so as to meet these external challenges. War is like the market: it punishes some forms of organization and rewards others. The vulnerability of states to such pressures is not uniform since some

occupy a more exposed position than others. Hence, the pressure for certain organizational forms differs. The explanation for differential political development in this line of reasoning is found by pointing to differing external environments concerning national security. (1978: 896)

He divides up this IS section of his article into four sub-sections: “security arguments,” “the special nature of foreign relations,” “state building as foreign policy: territorial compensation” and “the strains of foreign involvement.” The titles of these sub-sections are quite misleading. For example, the sub-section of security arguments deals with the impact of geopolitical environments on the type of political and military organizations (this is Seeley-Hintze law). Furthermore, the remaining three sub-sections address, in a more precise language, (1) the impact of involvement in the international system on the power of leaders, (2) the impact of “the deliberate actions of one state upon another“ (1978: 899), and (3) the impact of “the strain that the international state system imposes on domestic society as a whole (i.e., revolutions)“ (ibid.), respectively.

The Seeley-Hintze law as a second-image-reversed argument is straightforward, so let us look into Gourevitch’s three remaining sub-sections. As it turns out, these three sub-sections present highly problematic arguments. First, in the sub-section of “the special nature of foreign relations,” Gourevitch argues that “involvement in the international system inevitably meant more power to the Crown” (1978: 899) when referring to Machiavelli and Bodin. But this “Machiavelli-Bodin thesis” as it stands is not a good hypothesis. For he seems to assume that the international system is constantly competitive. In other words, his independent variable has only one value—it should have two. A better formulation would be that the harsher the international environment, the more power the Crown gets in his or her domestic realm. If, in other words, a state lives in a moderate international system, its leader may not become too powerful domestically.

Articulated this way, his argument can be seen as a broader version of the Seeley-Hintze law. And as such, the independent variable of the Seeley-Hintze law, geopolitical environments, is clearer and easy to handle than “the competitiveness of the international system.” (I will use geopolitical environments as an independent variable later in the analysis). Thus, it is difficult, if not impossible, for us to assess this “Machiavelli-Bodin thesis” empirically.

The second and third sub-sections have difficulties of a different nature: conceptual unsoundness. On the one hand, the sub-section of “state building as a foreign policy: territorial compensation” is actually not about “second image reversed” at all, as it largely focuses on the international behavior of Prussia-Germany as a dependent variable. On the other hand, the sub-section of “the strains of foreign involvement,” Gourevitch claims that “The outbreak and outcome of these revolutions is unintelligible without an explanation of international factors” (1978: 900) when he refers to the English, French, Russian and Chinese Revolutions. The problem, however, is his “explanation of international factors” is too loose if one wants to understand the nature of “second image reversed” properly. He includes initiating international war (in the case of England in relation to Scotland) and being attacked by a foreign country (in the case of China in relation to Japan), as well as “involvement” in a foreign revolution (in the case of France in relation to the American Revolution) and “defeats” in a major war (in the case of Russia in relation to World War I), all in his concept of “international factors.” Strictly speaking, it is not clear whether and to what extent these “international factors” are actually international *systemic* factors (and it is these factors that my definition of second-image-reversed arguments singles out as the key independent variable). Especially, it

seems highly problematic to characterize initiating international war as an international factor in the context of "second image reversed."

Summary

In sum, as far as the IS theme is concerned, the only clear-cut and credible second-image-reversed argument is the Seeley-Hintze law. Together with the Gerschenkronian thesis, it constitutes the most credible second-image-reversed arguments. All other seven alleged second-image-reversed theories in Gourevitch's article are not credible; they are either conceptually unsound or empirically unverifiable. This is a surprising finding. Gourevitch's famous article seems to have a rather inflated image as comprehensive, when in fact a vast majority of the cases he puts forward as second-image-reversed arguments do not stand close scrutiny. This finding then directs us to the next step: examining the robustness of the Gerschenkronian thesis and Seeley-Hintze law. They may be credible; but their causal arguments may not be as robust as the original authors have led us to believe.

THE GERSCHENKRONIAN THESIS

A close reading of the relevant literature on the Gerschenkronian thesis reveals that there is more than one version of this thesis. We will thus clarify the three important versions and choose one for our robustness test. Then, we will proceed to examine the problems of selection bias and omitted variables.

The Conventional Version

In its conventional version, the Gerschenkronian thesis suggests that late industrialization or a less competitive position in the international economic system (when a country joins that system) leads to a centralized state, more susceptible to authoritarianism. As we will note later, Gerschenkron's original argument included, but was not limited to, the importance of state in late industrialization. It is likely that Gourevitch and other political scientists — for example, James Kurth — modified the original argument developed in the field of economic history, to address what they were interested most: the state and the political system.

In his article entitled "The Political Consequences of the Product Cycle: Industrial History and Comparative Politics" (1979), Kurth follows the analytical agenda of Gerschenkron in the most direct manner. Using Raymond Vernon's model, Kurth focuses on the comparative economic history of the product cycle of textiles and steel (in Britain, France, Germany, and Italy) as well as automobile industries (in the US). He advances the hypothesis that the product cycle (product innovation, saturation,

manufacture and export) causes different domestic regimes. Early industries (e.g., textile) depend on the reinvestment of short-term capital (commercial banks) and require less capital. In comparison, later industries—such as steel, chemicals, automobiles, and aerospace industries—require long-term industrial bank credit, state, or foreign investors' financing.¹²

One implication of this hypothesis, according to Kurth, is that early industrialization causes a liberal state regime (less state intervention in society) while late industrialization causes an authoritarian regime (more state intervention in society). The intervening variable, so the argument goes, between the timing of industrialization and these regimes is bank-industry relations (here we see Gerschenkron's influence): a coalition between the textile industry and commercial banks supporting a liberal state (British early industrialization and French Orleanist Monarchy), a coalition between the steel industry (and the related railroad and automobile industries) and investment banks supporting a conservative or more centralized state (Second Empire of Napoleon III [1852-1870] and Germany), etc. Kurth further hypothesizes that the specific solutions that these countries each pursued in economic stagnation can be explained as results of bank-industry policy preferences: (1) the Keynesian policy of a government-induced demand creation (the automobile industry's preference), (2) the Keynesian policy of government spending on weapons and the support of weapons exports (the aerospace industry's preference), (3) Milton Friedman's ideas of deflation and reduction of welfare benefits and industrial wages (the commercial banks' preferences), (4) neo-mercantilism

¹² Cf. Landes (1969), Kemp (1969), and Rostow (1960).

(the preference of the oldest industries such as textile, steel, chemical industries), and (5) Joseph Schumpeter's idea of "creative destruction" (new industries' preference).

Kurth's 1979 formulation of the Gerschenkronian thesis has made significant impact on the post-World War II literature of international political economy. And it is this version that many students of international political economy are familiar with. But for our purposes, it is important to go back to the original formulation submitted by Gerschenkron himself. For that version is what Gourevitch's 1978 article refers to, and it is quite different from the conventional version popularized by Kurth and others.

What Gerschenkron Wrote

Gerschenkron's book, *Economic Backwardness in Historical Perspective* (1962) actually submits two versions of the Gerschenkronian thesis. The first one appears in his Chapter One, and the other in his Postscript section entitled "The Approach to European Industrialization." The difference between the two versions lies in the dependent variable. As one can see, Kurth's version incorporates these two sets of dependent variables.

Chapter One

Gerschenkron's general hypothesis is that interspatial variations in European industrial development in the 19th century are related to the degree of economic backwardness. Industrialization process exemplifies a graduated pattern different in advanced and backward countries. In other words, his independent variable is economic backwardness (in our terminology, a competitive position in the international economic system). His basic dependent variables include: (1) the relations between banks and

industry, (2) taxation (the magnitude of government extraction), (3) the ideology of decision-makers. On the first dependent variable, he hypothesizes various bank-industry relations as a result of the different patterns of development: later development means meeting higher technological requirements and thus requires bigger bank investment and government help: For example, England developed commercial banks, providing short-term capital (Gerschenkron 1962: 13). France developed credit mobiler banks, satisfying long-run investment needs. Germany developed universal banks, combining the first two. Russia started with "deposit banks" (Gerschenkron 1962: 21) resembling the English counterparts, but later replaced them with banks resembling the German type. As to the second dependent variable of taxation, the hypothesis implied in Gerschenkron's section about "the State" (referring to Russia) (Gerschenkron 1962:16-21) indicates that later industrialization, if prompted by military needs, increases government extraction (i.e., more economic pressure upon the population). On the third dependent variable of decision-makers' ideologies (Gerschenkron 1962: 22-25), the author advances the hypothesis about different types of "spirit" or "ideology" (Gerschenkron 1962: 7) across advanced and backward countries. Gerschenkron compares the English (advanced industrialization) case of free trade with the ideologies of delayed industrialization: Saint-Simonian's socialist ideas in France, Friedrich List's ideas in Germany, and Marx's ideas in Russia.

Postscript

After Chapter One, Gerschenkron surveys European industrial history in seven chapters in his *Economic Backwardness in Historical Perspective*. He says that his view

evolved gradually after Chapter One was originally published in 1952, which culminated in his Postscript (1962: 353).

Just as he has done in Chapter One, he sees European industrialization as a “systematic stagelike process“ in a scale of increasing degree of backwardness (Gerschenkron 1962: 355). His independent variable remains the same: the degree of backwardness, operationalized as various timing of successful industrialization. But in contrast to Chapter One, he introduces six indicators for his dependent variable, the mode of industrial growth. As such, Gerschenkron organizes cross-national variations into patterns around the concept “relative economic backwardness,” while viewing industrialization as a “uniform process of modernization“(Sylla and Toniolo 1991: 3). Gerschenkron summarizes the six hypotheses for industrialization as follows:

1. The more backward a country’s economy, the more likely was its industrialization to start discontinuously as a sudden great spurt proceeding at a relatively high rate of growth of manufacturing output.
2. The more backward a country’s economy, the more pronounced was the stress in its industrialization on bigness of both plant and enterprise.
3. The more backward a country’s economy, the greater was the stress upon producers’ goods as against consumers’ goods.
4. The more backward a country’s economy, the heavier was the pressure upon the levels of consumption of the population.
5. The more backward a country’s economy, the greater was the part played by special institutional factors designed to increase supply of capital to the nascent industries and, in addition, to provide them with less decentralized and better informed entrepreneurial guidance; the more backward the country, the more pronounced was the coerciveness and comprehensiveness of those factors.
6. The more backward a country, the less likely was its agriculture to play any active role by offering to the growing industries the advantages of an expanding industrial market based in turn on the rising productivity of agricultural labor (1962: 353-354).

These hypotheses can be summarized in the following table:

Table 2: Gerschenkron's argument summarized

Independent Variable= Level of Backwardness= Timing of Industrialization	Dependent Variable= Industrial Growth	Indicators of the dependent variable					
		1. growth of manufacturing output at the start	2. bigness of enterprise	3. type of goods that predominate	4. a level of pressure on consumption	5. special institutional factors as capital suppliers	6. role of agriculture
1. early (UK)= advanced	slow	continuous	small	consumer	light	factory	active
2.late (Germany)=moderately backward	fast	discontinuous	big	producer	heavy	banks-factory	passive
3.late-late (Russia)=very backward	fast-fast	more- discontinuous	bigger	producer	heavier	state-banks- factory	passive

Note that Hypothesis Five corresponds to the conventional version of the Gerschenkronian thesis. Furthermore, the bank-industrial relations and the intensity of taxation — two dependent variables appearing in Chapter One — are supposedly incorporated into Hypothesis Five here. Finally, economic ideology as a dependent variable — the third dependent variable in Chapter One — disappears in the Postscript.

Gerschenkron sets his scheme in such a way that the case of England is held as a standard point against which late industrializers and late-late industrializers are compared. Take, for example, his independent variable, the degree of backwardness. There is no absolute level of backwardness. Rather, the degree of backwardness is a relative concept. In order to determine the backwardness of a particular country, in other words, one always needs to compare that country with the “standard country” — i.e., the United Kingdom. In this way, late and late-late industrializers are conceptualized as “deviations from the norm“ (Gerschenkron 1962: 364). Thus, to explicate the aforementioned six hypotheses, let us illustrate how they apply to the United Kingdom and Germany, especially the latter that should demonstrate the elements of “deviation from the norm.”

The United Kingdom. England started its industrialization with the Industrial Revolution, and its industry developed in the 19th century after Napoleon’s downfall (Kennedy 1987: 143). Thus Britain benefitted most and its uniqueness was that it developed first (Mathias 1979: 7). The United Kingdom’s industrialization can be characterized as “slow” with the following six indicators, according to Gerschenkron:

Indicator #1: continuous growth of manufacturing output at start

The industrial transition was a continuous “evolutionary process” (Deane 1996: 14) in the United Kingdom, because light industries (textiles), requiring little start-up capital, constituted the first phase and provided capital for the heavy industry later. Thus, the process was (industrial) revolutionary not because of its abruptness, but because of its consequences. The transition from light (cotton) to heavy (iron) industry was smooth, but also the transition from labour to capital-intensive production was smooth.

Indicator #2: small size of enterprise

British enterprise was small because big enterprise, related to long-term capital, was not needed. “Main buildings were small. . . . Power sources consisted often of human energy, and techniques were simple” (Bruland 1989: 31). “By contrast, in a relatively backward country, capital is scarce and diffused . . . and there is greater pressure for bigness. . . .” (Gerschenkron 1962: 14).

Indicator #3, consumer goods as predominant goods; Indicator#6: active role of agriculture

Gerschenkron himself mentions “England’s superiority in cotton textile” (Gerschenkron 1962:10) during the 19th century, which indicates the dominant position of consumer goods (rather than capital or producers’ goods like heavy steel) in industrial output. In fact, cotton textiles had a rapid growth and provided 40% of the British exports in the first half of the nineteenth century (Crafts, Leybourne, & Mills 1991: 116). Meanwhile, the agricultural sector — i.e., farmers — played an active role as a consumer market for textile products.

Indicator#4: lesser pressure on the consumption of the population

Gerschenkron explains that in Russia, the state charged heavy tax and services to the population for the purpose of industrialization. “Precisely because of the magnitude of the governmental exactions,” he argues, “a period of rapid development was very likely to give way to prolonged stagnation, because the great effort had been pushed beyond the limits of physical endurance of the population. . . .”(Gerschenkron 1962: 17). By inference, he implies that the British population did not suffer from such pressures exerted by the government.

Indicator #5: factories as capital suppliers

As noted above, successful textile factories became the major source of finance for heavy industry. As the impetus for industrialization came from the textile factories, and enterprise was small, the English bank was “designed to serve as a source of short-term capital” (Gerschenkron 1962: 13) and banking was not used for “long-term investment purposes” (Gerschenkron 1962: 14). Thus there was no demand for joint-stock banks as sources of funding, associated with the heavy industry. The sole joint-stock bank was the Bank of England (Kindleberger 1993: 92).

Germany. The German pattern of development was different because, unlike Britain, it had a “high-cost” industrialization. The development was faster in Germany, with backward continuity (backward linkage will be clarified below). The great spurt (first indicator of backwardness) was triggered by a political event: national unification (Gerschenkron 1962: 362).

In Germany, big, joint-stock companies (the second indicator) started to develop in 1851 with the passing of the joint ownership law and as a result of the state's liberalized policy towards the chartering of such companies. The particularly close relationship between large "mixed" banks and large-scale industry was a distinct feature of German banking (Kindleberger 1993: 129). After the unification of 1870, industrialization took the form of large-scale business enterprise (cartels) and protectionism; heavy state involvement in the 1870-1914 period created the "industry state" (Tilly 1996: 112). In 1887, 80% of the largest 100 industrial enterprises were joint-stock. The government contributed to cartel formation after the depression of 1873 (Kindleberger 1993: 207). Cartels were complements to large corporations and contributed to the vertical integration of corporations (350 cartels were formed until the end of the 19th century), which was an impetus for diversification (Kocka 1978: 560).¹³ Cartels were voluntary agreements (usually between firms in the same branch and stage of production), which allowed concerns to remain independent,¹⁴ their primary aim being to set a common price policy during the crisis and a common market policy later (Kocka 1978: 563). Cartelization was legally confirmed by the highest court of the Reich in 1897.¹⁵ Only in Germany were cartel agreements treated by law like ordinary contracts, which encouraged vertical integration (Holborn 1969: 384).

¹³ In contrast, the majority of large mergers in England were horizontal. They were single-product companies with little integration and diversification, inspired by defensive motives, rather than by greater efficiency. For the period 1880-1918, 87% of total large mergers were horizontal (Payne 1978: 207).

¹⁴ In contrast, the organization of the English large mergers was more centralized.

¹⁵ The role of large-scale industrial enterprise was controversial because on the one hand, it restrained competition (redistributed income from labour to capital) and on the other hand, these restraints encouraged investment and accelerated technical growth (with cartels encouraging vertical integration back into pig-iron and coal-mining and relying on large joint-stock banks at the same time) (Tilly 1996: 114).

As for the third indicator, the case of Germany shows more stress on capital or producers' goods in its industrial output. The first phase (light industry) was missing (Stephens 1989: 1025) and the process of industrialization started directly with heavy industry (steel, railroad building), which required a large investment of capital. The majority of railroads were built by private financiers and the greater portion of the capital came from foreign sources (as Junkers were anti-industrial until the late 19th century), primarily England, Belgium and the US (Holborn 1969: 12). Railways were the leading sector that created (through its high demand) both "forward and backward linkage" effects (Tilly 1978: 414-415): "backward" linkage in the development of a joint-stock banking system and "forward" linkage in the development of joint-stock companies. German railway investment in the 1850s and 1860s was roughly equal to 60-70% of the entire investment in the manufacturing sector. This type of growth in heavy industry did not depend on the farmers as consumers, so the role of agriculture was rather passive compared with the case of the United Kingdom (indicator six).

In the German case, heavier pressure on the levels of consumption in the population took the form of higher tariffs (lower tariffs against import would help domestic consumption).¹⁶ This is the fourth indicator. Tariff protection was introduced to support grain, iron and steel in 1879¹⁷ and both industrial and agricultural duties were raised in 1885 and 1887 (Capie 1994: 35).¹⁸ The specific tariffs started at 6% ad valorem

¹⁶ Domestic politics resembled the dynamics of the Stolper-Samuelson theorem (Kindleberger 1978: 10). The Stolper-Samuelson theory explains the liberal-protectionist shift in state's policy as a shift between domestic interest groups, (free trade benefits exports of rich factors, protection benefits scarce factors).

¹⁷ O'Rourke (2000) argues that protection was primarily agricultural and industrial protection followed suit. Capie also suggests that pressures from agriculture were stronger after the agricultural crisis of the 1870s (Capie 1994: 36).

¹⁸ This established an autarkic state, according to Gerschenkron. "Autarky "as a complete economic isolation has been used as a policy transforming the country in a powerful world factor through economic self-sufficiency (Gerschenkron 1966: 59).

on wheat and 8% on other cereals but the tariffs were raised in 1885 and 1887 reaching the equivalent of 33% ad valorem on wheat and 47% on rye (O'Rourke and Williamson 1999: 95). The simultaneous protection of agriculture and industry was to become burdensome, but it worked in the short-run through slowing down the process of mechanization of agriculture.

Finally, on the fifth indicator, the banking system played a major role as a supplier of the capital in the first stage of industrialization (for the development of coal-mining, iron, and steel-making), in contrast to the British experience where factories were the main source of capital for heavy industries. Banking (as a source of funding) was exclusively in the hands of private bankers, and joint-stock companies were dependent on external financial sources (Tilly 1967: 176). Joint-stock banks in Germany appeared after 1848, and until 1870 they were less than a dozen recorded.¹⁹ German bankers had their origins in merchant trade, and the transition from merchant to specialist banking was connected to the needs of the government. The Junker-oriented Prussian government restricted the growth of privately-run banks, and the Prussian Bank (1850s and 1860s) had a monopoly of issue and restricted lending. As a consequence of the restrictive policy of the Prussian bank, money substitutes developed that activated deposits (overdraft credit) created by lending. Ultimately, this means that the Prussian government "unwittingly" (Tilly 1967: 182) contributed to the institutional development of banking. Private bankers in Prussia before 1855 were successful in circumventing the restrictions placed on the monetary and banking systems by official policy. Each region

¹⁹ The business demand for joint-stock banks was stimulated by the success of the French Credit Mobilier after 1852 and the willingness of the German government to grant liberal charters (Tilly 1967: 162). Joint-stock banks hastened German industrialization. Thus, while Britain's industrialization took several hundred years, German's took 65 years (Kindleberger 1993: 207).

in Germany maintained financial contact with other regions directly instead of by way of a single major financial center (Cameron 1967: 299).

Choosing Postscript over Chapter One for Our Assessment

As we have explicated thus far, Gerschenkron's Postscript, written after Chapter One, is far more elaborate and comprehensive. It should be capturing the essence of Gerschenkron's intention better than Chapter One does. Hence, it makes sense for us to focus on his causal arguments developed in Postscript for our analytical purposes. Hereafter, therefore, the Gerschenkron thesis refers to his Postscript argument. Now, let us assess the robustness of this Gerschenkron thesis by examining if he has selection bias. We will do so by zeroing in on one case that he did not examine: the Netherlands.

Diagnosing Gerschenkron's Selection Bias: the "Dutch Puzzle"

Gerschenkron's list of countries when discussing this hypothesis does not include many European countries—including the Netherlands.²⁰ The Netherlands was late-late industrializer like Russia: industrialization (paper, chemicals, tin-refining, wire and cable making, oil products) developed only in the 1920s; yet it took place "without any help [from the government]" (Schiff 1942: 288). In fact, as we will see more closely below, the case of the Netherlands, overall, is similar to that of the United Kingdom in respect to the six indicators of the dependent variable, although according to the Gerschenkronian thesis, it should be akin to the German or the Russian case. The Dutch case is thus an anomaly to the Gerschenkronian thesis.

²⁰ The Netherlands is a unitary state from 1795 onwards. Before that its drive towards centralization was stopped by the Dutch revolt. The period of the strongest autocratic rule starts in 1813, creating national institutions (Daalder 1973: 23).

1. Indicator#1: discontinuous growth

In 1750, the Netherlands had the most highly developed financial institutions but failed to make the transition from “commercial preeminence to industrialization for more than 100 years“ (Kindleberger cited in Sylla 1991: 55). The Netherlands was not a successful industrializer in that period. During the 19th century it had three periods of industrial growth, all showing internal imbalances: (1) the 1825-1850 expansion of industry linked to colonial trade but the stagnation of industry linked to the domestic market; (2) the 1850-1880 development of domestic market industry, but the stagnation of heavy industry; and (3) the post-1890 development of heavy industry (Zanden 1996: 90). Thus, it was only after 1890 that heavy industry had a sudden spurt in the Netherlands — although the pattern of development was uneven (Bos 1982: 32) — as Germany had experienced a bit earlier.

2. Indicator#2: small enterprise

In the Netherlands, the enterprise that developed was small, typical for an early industrializer. This is proven by the problem surrounding the earliest technologies developed abroad, which were not applicable in the economic and natural circumstances of the Netherlands. The scientific discoveries in the 1890s widened the application of the existing technologies, especially the gas engine and the electric motor, which were suited better to small factories than the steam engine (Bos 1982: 51-55). The introduction and diffusion of gas and electric motors made profitable the large-scale mechanization of small and medium-sized industries. Despite the breakthrough of large-scale industry in heavy industry, 70% of the employees in industry still worked in small/medium-sized

firms as of 1909, and out of them 55% worked in firms with less than 10 employees (Zanden 1996: 90).²¹

3. Indicator#3: stress on consumer goods or producers' goods in industrial output

It seems that in the existing (English-language) literature, there was no clear dominance achieved either by consumer goods or by producers' goods in the Dutch industry profile. For example, De Jonge (cited in Bos 1982: 33), on the one hand, points out that heavy electrical industry, shipbuilding, gas and electricity supply sectors developed in 1850-1914. On the other hand, he (De Jonge 1971: 178-179) notes the development of other industries as follows: sugar-refinery, shoe-making, and paper industries in 1850-1870; cotton industry in 1870-1890; both cotton and metal industry (for ship-building) in 1890-1914. However, as cotton and metal industries did not dominate the growth process at the end of the 19th century, De Jonge concludes that they could not be considered as "leading sectors" (De Jonge 1971: 201). All in all, we cannot specify with confidence which the type of goods predominated in the Dutch industrialization, in sharp contrast to Germany.

4. Indicators#4: pressure on the consumption level of the population

Unlike the German heavy protection, the Dutch Tariff Law of 1862, which guided the trade policy of the Netherlands up to 1924, provided that the import of raw materials was entirely free (Schiff 1942: 281). This is a good indication that in contrast to Germany, there was less pressure on the consumption level of the Dutch population. Some finished articles (excluding foodstuffs and other articles of mass consumption,

²¹ This shows that if the change in the production technique does not comply with the organizational structure (small to medium sized factories in this case), then the change is not a driving force (De Jonge 1971: 177).

which were left duty free) were charged with duties not exceeding 5 per cent ad valorem. Even during the agricultural depression of the 1870s and 1880s, the Dutch government concluded most-favored-nation agreements. The reason for the difference with Germany is that agricultural interest groups were stronger in Germany (Schiff 1942: 282).

5. Indicator#5: capital suppliers

In the Dutch banking system, the demand for industrial capital was not great because the country's industrial structure had numerous small-to-medium-sized companies (Wintle 2000: 105). Thus Dutch industrialization could start with little bank-based funding (as in Britain) despite its late start. This is in sharp contrast to Gerschenkron's argument that late-late industrializers, or so-called "very backward" states, need "more institutionalized funding" — sometimes state-led funding — in the initial development of industry. Having in mind that Dutch industrialization developed after its German counterpart, one would imagine that the Netherlands should have had even higher institutional intervention. However, the Netherlands more closely resembled an early industrializer like the United Kingdom in terms of capital supply for the industry.

Let us look more closely at the Dutch banking system. Mixed banking in the Netherlands was thwarted by government intervention in 1837 and 1856 (Jonker 2003: 71).²² The Netherland Credit and Deposit Bank was organized in Amsterdam (1863) employing mainly foreign capital (Wintle 2000: 105) by a syndicate headed by L.-R. Bischoffsheim and supported by the Comptoir d'Escompte based on a model of

²² The 1856 attempt for establishment of such type of a bank, financing the industry, was made impossible by the negative report from De Nederlansche Bank to the government. Thus the government refused the incorporation of such banks (Bos 1982: 47).

organization of the French Credit Mobilier (Cameron 1953: 480). The Bank set up the General Commercial and Industrial Society of Amsterdam. However, mixed banks did not contribute to the long-term financing of industry, as there was no demand for them, even by 1890, because of the insignificant prospects of heavy industry (Bos 1982: 47). The turning point of Dutch bank-industry development came later, in the period of concentration in the second decade of the 20th century, because of the growing interest in industry's long-term financing.

As for industrial policy more generally, in both the British and the Dutch cases there was little assistance from the state (Pollard 1996: 385). For example, the ship-building industry in the Netherlands developed in the years prior to World War I with no state help. Early (the beginning of 19th century) industrialization attempts, initiated by the state, were unsuccessful. State involvement started later, prior to World War II.²³ This explains why the Dutch railroad network was still without connections with the rest of Europe in 1863 (Cameron 1953: 481). In addition, in the early 1860s, railway construction was financed by the state, yet its exploitation was delegated to a private company (Zanden and Riel 2004: 192).

In fact, Dutch railroads are an example of unsuccessful state initiation of industrialization at the beginning of the 19th century. The King's mercantilistic policy

²³ According to the same source (Schiff 1942: 287), Dutch industrial development passed through three stages: mercantilistic government aid (mid 17th to mid 19th century), the lack of active government policy (1862-1932), and slowly growing protection (1932-1939).

included shipping, industry, and transportation as targets for help.²⁴ The King was the biggest supporter for railroad funding but his rule by decree in that area was unsuccessful because of the Parliament's refusal to support (Veenendaal 1995: 189).²⁵ The Parliament voted down the proposal for construction because it doubted both the source of finance and the ability of the government to finance public works. The result was that the insufficient "State-built and State-run" railroad system (Veenendaal 1995: 190). Rhenish Railway depended on a personal initiative and ceased to exist when the next king (William II) came to power in 1840. After 1845, two private enterprises (again with English, Belgian, and German shares) were engaged in railway building: Holland Railway (serving the line Amsterdam-Haarlem-Rotterdam) and the Dutch Rhenish Railway (which acquired the State-run Rhenish Railway). Thus a "mixed system" (Veenendaal 1995: 190) (built by the state, operated by private companies) was established in line with the 1848 liberal Constitution, which still tried to give a chance to state support, but again in 1857 the plans for government involvement in the form of interest guarantee or paying for such expensive works as river bridges were not accepted by the Parliament. The mixed system did not work because the severe competition among the three biggest companies (the Holland, the Rhenish, and the State railways) reduced production. The new "system of concentration and competition" (Veenendaal

²⁴ King Willem I, known as the merchant king, personally started three industrial initiatives to promote the national industry at the beginning of the 19th century: Fund for National Industry (1821), Netherlands General Society for the Promotion of National Industry (1822) (in the form of Societe Generale), Netherlands Trading Company (1824). Only the latter outlasted him and survived as a banking concern (Societe Generale) (Wintle 2000: 104). It was not part of the government but had close relationships with the King.

²⁵ This is an example of the role of the government as a vacuum-filler, risk-taker, "lender of last resort" (Kindleberger 1978: 12-13), a second best choice selected if the markets do not work efficiently. This explanation challenges again Gerschenkron's theory of backwardness, which states that the more backwardness at the start of economic development, the higher the level of government substitution of private companies (for example, railroad building).

1995: 191) in 1890 bought up the Rhenish Railway and concentrated the network in the hands of the Holland and State companies. Thus, half of the railway network was owned by the state, but not until late 1937 did the state acquire complete ownership of all railways (full state monopoly) with the dissolution of the Holland and State companies and the creation of the Netherlands Railways Ltd. (Veenendaal 1995: 192).

6. Indicator#6: active role of agriculture

Regarding the sixth indicator, agriculture was important and did play an active role in the Netherlands. In both the Netherlands and Britain, in fact, a highly efficient agricultural sector modernized before the industrialization process and raised national incomes, thus providing a market for industrial products (Pollard 1996: 374).

Now that we have surveyed six indicators in the Dutch case, we can tabulate our findings as follows:

Table 3: The “Dutch Puzzle”

Independent Variable= Level of Backwardness= Timing of Industrialization	Dependent Variable= Industrial Growth	Indicators of the dependent variable					
		1. growth of manufacturing output at the start	2. bigness of enterprise	3. type of goods that predominate	4. a level of consumption	5. special institutional factors as capital suppliers	6. role of agriculture
1. early (UK)= advanced	slow	continuous	small	consumer	light	factory	active
2. late (Germany)= moderately backward	fast	discontinuous	big	producer	heavy	banks-factory	passive
3. late-late (Russia)= very backward	fast-fast	more-discontinuous	bigger	producer	heavier	state-banks-factory	passive

Note: The shaded area indicates where the Netherlands stands.

A glance at the table clearly indicates that out of the six indicators, the Netherlands is more like a very backward-state (like Russia) in Indicator#1 only, and like an early industrializer (England) in the four other indicators (Indicator#3 remains indeterminate due to the lack of precise information). All in all, the Netherlands is close to the United Kingdom as far as its key features are concerned, despite its late-late industrializer status.

The Dutch case, therefore, challenges the robustness of the Gerschenkronian thesis. It suggests that perhaps, the causal linkage assumed by Gerschenkron is not as strong as we have long been led to believe. Such a causal linkage between backwardness or the timing of joining global capitalism on the one hand, and the domestic features — especially, the degree of institutionalized capital supply and state involvement in industry — may even be spurious. In other words, there could be another causal variable. Let us submit one potential one: economic ideology.

Potential Omitted Variable: Economic Ideology

What unites the United Kingdom and the Netherlands against Germany (or for that matter, Russia) is economic liberalism. It is beyond the scope of this project paper to demonstrate the concrete causal impact of economic ideology on all of the six indicators of the dependent variable. But at least on the surface, it is plausible that economic ideology does matter as far as our fifth indicator — especially the role of the state in relation to industry, that is, the dependent variable of the conventional version of the Gerschenkronian thesis — is concerned. That is, it is reasonable to hypothesize that economic liberalism tends to result in less state involvement in industry, whereas economic nationalism (mercantilism) leads to more state involvement. It follows that

economic ideology is a possible “true causal variable” that explains why the Netherlands, despite its belated start in industrialization, has basically a British-style industrial system in terms of the key indicators identified earlier. In other words, economic ideology may be the key to solve the “Dutch puzzle” posed to the Gerschenkronian thesis.

As is well known already, economic liberalism in the United Kingdom was based on the Adam Smith’s value theory which considered labour “as the only universal. . . [real] measure of value” of the commodities (Smith 1963 [1776]: 29). In Britain the agricultural structure was characterized by a clear functional distinction between landowner, farmer and labourer and this became the distinctive “English land system” at the end of the eighteenth century. Having been shaped during the eighteenth century, the “English system” then influenced economic thought (Thompson 2002: 121).

On the other hand, economic ideology in the Netherlands emerged before the 18th century out of “vertical” relations among shipbuilding guilds that imposed a specific practice of power-sharing (Feyter 1982: 175). Religion was the main cleavage, in accordance with the principles of Erasmian humanism that divided the society between the “regent“ (merchant, moderate liberal) and the “reformist“ or “insignificant citizens“ (clergymen, orthodox Calvinist) (Pot 2000: 137).²⁶ Economic freedom was based on the principle of “spontaneous economic harmony“ (Friedman 1946: 114) of all the society with the state’s non-intervention in the economy. As anti-liberals were inspired by the Dutch struggle of independence against Spain (Friedman 1946: 118) and liberals were

²⁶ Dutch protestant reformation is related to the name of Erasmus, whose Christian humanism developed in opposition to Luther’s German protestant reformation. While Erasmus supported the freedom of the human will and defined Christianity as morality (Erasmus 1961[1536]: x), Luther was against the free will and emphasized on Christianity as a dogmatic religion, led by a “divine guidance“ (Erasmus 1961[1536]: 78).

inspired by the opposition against 17th century French mercantilism (Feyter 1982:71),²⁷ a mixture of both ideologies could be found in all social cleavages. Thus, the liberal views were blurred with anticlerical (anti-catholic) views (Bax 1990: 87; Friedman 1946: 116), and the political “top-structure” wanted to exploit free trade, which caused “misconception of the fundamentals of free trade“(Feyter 1982: 191).²⁸ Liberal views could be related to Erasmus’ humanism. The Liberal Conservative higher bourgeoisie, inspired by Calvinism (Dutch conservatism), supported “enlightened” rationalistic conceptions of “natural law” (Friedman 1946: 119).²⁹

In Germany, meanwhile, Friedrich List was an economic ideologue. List’s theory (1966[1885]) argued that nations should strengthen their individual powers (through protection), i.e., find its place in the international division of labour, before entering free competition. Nationality was the intermediate interest between those of “individualism“ and cosmopolitanism (List 1966: xxix). Thus according to List, the Netherlands had serious problems, due to its mercantilistic aristocracy (private industry) that lacked

²⁷ French mercantilism in the Dutch perception was associated with a policy against the international strength of the Dutch merchant fleet (Feyter 1982: 71).

²⁸ This looks similar to what Kindleberger calls “government as an independent source of instability “ or “ulcer“ (Kindleberger 1978:2). By “top-structure” Feyter does not mean the king but the conservative regents or the “inner structure of hereditary dynasties yielding to questionable ventures” (Feyter 1982: 180) such as financing the 18th century wars of Europe and especially revolutionary France. The motive for that behaviour was the hope that co-ordination of the French productive capacity, the French and Dutch colonies, and the Dutch shipping and capital may compete with British trade. More specifically the scheme was designed to counter British maritime power. Thus, the conservative regent-party supported protection in the shipbuilding industry (Feyter 1982: 188). For example, key figures of the structure included Count Van Limburg Stirum, who prepared the framework for the post-war constitution and John Cockerill, who participated in the Belgium steel-industry and the development of NSM (Netherlands Steamship Company used for the trade with Java).

²⁹ In Germany, Luther’s Protestantism worked against liberalism as an ideology (Gould 1999: 85). The anti-catholic policy of the liberals and their alliance with the state is most obvious in the religious policy of the Kulturkampf, as a state-led attack on the privileges of the catholic church (Gould 1999: 81). The Falk Laws of 1873 imposed state control over the church. Thus, this caused the secularization of the Catholic church, and the consolidation of political Catholicism in opposition to liberal interests.

statesmanship and national unity.³⁰ German nationality, in comparison, was laid by the state. However, unlike in England, the German crown was not supported by free institutions but by a system of hierarchical bureaucracy. In fact political centralization may have been a reaction against the cosmopolitical economic theory of Smith. Thus, List supplants Smith's "theory of values" with a theory of the "productive power" which depends on the effectual division of labour (List 1966: 170). Thus focusing on the "national manufacturing power" (List 1966: 347), List reversed Smith's theory. According to List, customs were the main ways of protecting internal manufacturing (List 1966: 309). German mercantilism enlarged the market space as it built the national institutions necessary for trade, especially standards and national money.

Summary

This section has scrutinized the robustness of the Gerschenkronian thesis, one of the two most credible second-image-reversed theories in Gourevitch's 1978 article. We have first clarified the "true" Gerschenkronian thesis. There are three versions of the Gerschenkronian thesis: (1) the conventional version following Kurth's formulation; (2) the formulation found in the Chapter One of Gerschenkron's 1962 book; and (3) a different formulation, again by Gerschenkron himself, that appears in the Postscript section of the same book. Our conclusion is that the third one should be recognized as the "true" Gerschenkronian thesis.

We then proceeded to diagnose if this version of the Gerschenkronian thesis had a selection bias problem by adding one case: the Netherlands. We have found that the

³⁰ Holland in union with Belgium, with the Rhenish districts and with North Germany, constituted one national territory according to List (List 1966: 33).

Dutch case does constitute a puzzle to Gerschenkron, as it contradicted the causal argument held in his thesis: despite its belated industrialization, the features of the Netherlands resembled those of the United Kingdom, an early industrializer. Given this finding, we concluded this section by speculating if economic ideology would be a true causal variable. In sum, our basic finding is that the Gerschenkronian thesis as a causal argument is not as robust as we have long assumed.

THE SEELEY-HINTZE LAW

In this section, we will first elaborate the content of the Seeley-Hintze law. The examination of selection bias and omitted variables will then follow.

Its Causal Logic Clarified

It is Gabriel Almond (1989b: 242) who coined the term, “the Seeley-Hintze law.” Sir John Seeley (1896)³¹ of Cambridge University developed the original hypothesis, and Otto Hintze (1975 [1956]) of the University of Berlin applied it to 18th and 19th century European history.³² This law states the inverse relations between domestic liberty and international pressure. Dating from the late nineteenth century, the law holds that the greater the insulation of a state from competitive external influence, the less political power would be centralized within the state. Apart from Almond’s article, the Seeley-Hintze law has been more recently mentioned in two other books by the same author.³³ According to Almond, the “Seeley-Hintze tradition” includes such themes as: “war and state building, the international economic environment and national political development, the impact of international environment on revolutions and political crises, and the influence of international politics and economics on the structure and process of democratic regimes, in particular consociationalism and neocorporatism” (Almond 1989b: 272). In contrast to the Seeley-Hintze *tradition*, the Seeley-Hintze *law* is particularly relevant, according to Almond, to the explanation of the two opposite ways

³¹ Almond refers to Seeley’s *An Introduction to Political Science* (1896).

³² Note however that Seeley illustrates his theory in the case of England and Hintze uses the German case.

³³ G. Almond (1989a: 272-273); Almond (2002: 206).

of state formation in Europe: the English and the continental European (German case). The former represents the limitation of monarchic authority (democracy building), the latter military absolutism.³⁴

Let us go back to the original writings by Seeley and Hintze. These authors develop their arguments separately, working on Britain and Germany, respectively. Initially Seeley picks Britain and Germany as illustrative cases of his theory but he never analyses Germany. Hintze thus writes in reply to Seeley's theory, mainly to explain Germany.

On the one hand, Seeley primarily focuses on the "organic state" (Seeley 1896: 130, 183), the one that originates in a struggle between a society (striving to a common goal) and a hostile external environment. In fact, the original Seeley law (cited by Almond) concerns a purely domestic level of analysis.³⁵ However, Seeley extends it to refer to the domestic-international interaction implying that while territorial exposure to external dangers causes adoption of universal military service and, thus, internal government pressure (as in Germany), the lack of such an external threat causes lack of an universal service and thus liberty (as in the case of England)(Seeley 1896: 150). His argument can be expressed in the following table:

³⁴ The Seeley-Hintze law is relevant to European state-building (16th to 19th century) but not applicable to Communist regimes and Third world countries (Almond 1989b: 245).

³⁵ Seeley delivered his lectures in 1885. He asserts that the degree of government is directly proportional and the degree of liberty-inversely proportional to the degree of pressure (Seeley 1896: 131). Also, he is one of the first to use England (and the US) as an example of a liberty state, and Prussia as an example of an absolutist state. Seeley also differentiates between five different degrees of government intervention, the first four representing the materialist state whose primary concern is order, and the fifth one representing a state with higher concerns: 1) war-state (minimum government), 2) law-state, 3) trade-state, 4) police-state 5) culture-state (Seeley 1896: 140). In this scale he means "organic state" or a state driven by a common interest. Consequently in the case of "inorganic states" (Seeley 1896: 183) created by coercive, violent efforts of a small group, a new, opposite scale has to be created: the war state will be the one with maximum government and the culture-state with minimum.

Table 4: Seeley's argument

Independent variable=external environment	Dependent variable=form of the state
1. hostile (Germany)	1. universal military service/absolutist state
2. moderate (Britain, USA)	2. no universal military service/liberty state

On the other hand, Hintze suggests that state organization reflects military organization, and focuses specifically on the existence of the standing army rather than universal military service as such (Hintze 1975[1956]: ch.5).³⁶ His independent variable is similar to Seeley's: while "sea power is allied with progressive forces, whereas land forces are tied to conservative tendencies" (Hintze 1975[1956]: 214). But his dependent variable concerns the standing army or its absence (navy and militia). For him, furthermore, the development of a standing army in the feudal state goes along with the rise of a more conservative, militarist state (Hintze 1975[1956]: 214), while the development of a navy tends to be accompanied with a more liberal state. In this context, he considers Prussia as a "classic example of the militarist state" (Hintze 1975[1956]: 201). His causal argument, then, can be expressed as follows:

³⁶ Later Hintze is considered a founder of a unified theory of state-building (as mentioned in Tilly, 1975). Hintze's theory is very close to Tilly's theory of war-making and state-making. Hintze's statement that all "state organization was originally military organization, organization for war" (Hintze 1975[1956]: 181) is found later in Tilly's thesis about war and state formation (Tilly 1985). The state is thus regarded as a provider of organized means of violence. It is interesting that Tilly in fact paraphrases Weber's definition of the state, (excluding the word legitimate)(for the Weber's definition of the state as an organization having the claim to the monopoly of the legitimate use of physical force in the enforcement of order: see M. Mann (1993: 55), without actually citing him in his bibliography. The whole argument of Tilly (war made the state and the state made war) is cyclical because he does not explain why states are not constantly at war then. Hintze has the same problem.

Table 5: Hintze's argument

Independent variable=external environment	Dependent variable=form of the state
1. hostile/landpower (Germany)	1. standing army/military interest/conservative state
2. moderate/seapower (England)	2. navy/industrial interest/liberal state

Thus, we can combine Seeley's and Hintze's arguments, which is shown below:

Table 6: Seeley-Hintze unified argument

Independent variable=external environment	Dependent variable=form of the state
1. hostile/continental environment (Germany)	1. standing army/ conservative state
2. moderate/maritime environment (England)	2. militia and navy/ liberal state

Thus, stylized characterizations of the United Kingdom and Germany from the Seeley-Hintze perspective go like the following. On the one hand, by 1713, the British naval administrative system was established with the Parliament supporting a strong navy at all times (Bruijn 2000: 91). In fact Alfred Mahan bases his *The Influence of Sea Power upon History* (1890) on the English case. As for the ideological regime, England was the most liberal state during the 19th century (Gould 1999: 120). An anti-conservative coalition among Whigs, Reformers, and Liberals was formed between 1830 and 1886 and won twelve of fourteen general elections (Gould 1999: 120). The kind of liberalism that formed supported free trade, parliamentarianism, and religious freedom. Liberalism strongly influenced even the Conservative party.³⁷ In fact, moderate Liberals differed only slightly from moderate Conservatives—they shared the idea that the government

³⁷ This explains why even after the end of the liberal coalition in 1921, and under conservative rule, the liberal party still had considerable influence.

should represent the extremes of neither party but rather be “a middle government“ (Bagehot 1974: 198). Thus moderate ideologies allow for building compromises and coalitions between opposing parties. According to Lijphart (1977), these coalitions in Britain were small (minimum winning), characteristic of the “competitive democracy” (Lijphart 1977: 25) of socially homogeneous societies.

On the other hand, the army played an active role in Germany, especially in the constitutional struggle (reforms in 1819, 1848, 1866, and 1918) against liberalism. In fact, the army “made” the Prussian monarchical state (Craig 1955: xv). The army participated both as a tool of the state in the “liberal“1848 and 1862-6 revolutions, and the 1848 restoration of the monarchy. It did not pay obedience to the 1850 Constitution (article 108) (Craig 1955: 123) but to the emperor (articles 44-47). The role of the generals increased in the last quarter of the 19th century. They established “the state within the state“ (Craig 1955: 217).³⁸ As for the ideological regime within Germany, it was heavily illiberal. The liberal (progressive) party weakened as a result of the conservative (Bismarck) Indemnity Bill of 1866 (Sagarra 2001: 198).³⁹ Thus, the liberal party was split into two asymmetrical parties: Prussian liberals and National liberals. The

³⁸ The size of the German army was fixed to 1% of the population based on the “iron law“ (Craig 1955: 220) of 1867 and the size increased in 1874 (Septennial law) and in 1890.

³⁹ The Indemnity Bill of 1866 was a compromise between the prime minister (Bismarck) and the parliament, reached after the end of the Austro-Prussian war. It also marked the end of the so-called Constitutional conflict (of the early 1860s) between the Crown and the Prussian officer corps, on the one hand, and the Landtag (the lower house of the Prussian parliament) on the other. The center of the problem was budgetary control of the army and the role of the army in the state, and more specifically how the army reform was to be financed (Sagarra 2001: 119). In 1862, when he became Prussian prime minister, Bismarck accepted the king’s view for a three-year military service and governed without a budget, using the customs and excise revenue. The 1866 victory of Prussia’s reformed army increased the popularity of the Prussian conservative party in the Landtag elections in July 1866. The conservative victory made a majority of Prussian liberals modify their position over the Constitutional conflict. Generally, liberals in Germany had been related to the national unification cause. On the issue of budgetary control of the army, the compromise was in favour of the government and the Parliament lost its key function — the annual budgetary control — as the military spending was set at a fixed ratio in proportion to the population (Sagarra 2001: 127).

Prussian liberals, who were stronger, accepted compromise policy with the conservative party after the Indemnity Act. The National liberals by 1890s also transformed into a conservative party. Thus the “liberal party” was actually conservative. The Liberal party during the 1880s also revised its free trade policy and became representative of the protectionist interests of heavy industry. In 1887, when the Center refused cooperation, the National Liberals jointly with Conservatives passed the Army Bill in the Reichstag (Gerschenkron 1966: 44). The conservative regime is a consequence of the fact that the Prussian Constitution survived inside the Imperial Constitution (1871), since Prussia was one of the federal units of the German Reich. Germany was in fact ruled by Prussia, which in turn was ruled by the conservative Junkers. The Conservative party and the party of the Junkers controlled the Prussian Government and consequently the Federal Council (Bundesrat) of the Reich.

Diagnosing Seeley-Hintze’s Selection Bias: The “Spanish Puzzle”

Now that we have articulated the causal argument of the Seeley-Hintze law, let us examine its robustness. Here, just as we introduced the Netherlands in the case of the Gerschenkronian thesis, we introduce Spain to see if the Seeley-Hintze law may have the problem of selection bias. As it turns out, the law does have such a problem. The case of Spain seriously contradicts the causal logic of the law.

In terms of its geographical positioning, as Alfred Mahan confirms (Mahan 1890: 32), Spain is a seapower, bordering both the Atlantic and the Mediterranean. According to the Seeley-Hintze law, therefore, Spain should, just as the United Kingdom did, have an alliance between sea-power and liberalism within its polity. Yet, Spain’s domestic politics shows strong commonalities with Germany. They were both authoritarian and

illiberal. More specifically, Spain and Germany both shared the standing army and conservatism (two indicators of the Seeley-Hintze law's dependent variable). Let us review the case of Spain below.

1. Indicator#1: strong role of the standing army in politics

The standing army played an active role in Spanish political life.⁴⁰ The 1812 liberal constitution was short-lived, because the government (Junta General) was not supported by the politicized army (provincial juntas) (Esdaile 2000: 22). Up to 1868, the generals acted (through officers' revolts called *pronunciamientos*) as instruments of the political parties. Being part of the 1868 "liberal" revolutionary coalition, generals caused the restoration (in fact a *pronunciamiento*) (Carr 1980: 4) and supported the political system established after the restoration of the Bourbon monarchy (1874-1897).⁴¹ After 1898 (Spain's defeat by the United States), furthermore, the two-party system was demolished (Herr 1971: 123). In the new regime, the king became a representative of army's interests. Spain, in short, had a militarist state. In addition, the civil guard was militarized in 1878 (Boyd 2000: 77). This blurred the line between military and civilian leadership.

2. Indicator#2: a conservative regime

In terms of political ideology, Spain, again like Germany, was predominantly characterized by its conservatism. The intended 1868 liberal revolution transformed into army-led conservative reform, because the liberal opposition was in fact conservative.

⁴⁰ While Britain complemented its "maritime" strategy with a "continental" one (Kennedy 1987: 113), Germany subordinated its Imperial Admiralty (in the period 1871-88) to the army and the emperor (Modelski and Thompson 1988: 305), and Spain focused on land warfare starting from the 17th century (Modelski and Thompson 1988: 270).

⁴¹ Spain became a conservative unitary republic under general Serrano in 1874.

The liberal conservatives (moderates) rejected liberalism and supported a political oligarchy based on property. A British-style two-party alternation system (*turno pacifico*) initiated by Canovite, which operated until 1898, started with the liberal acceptance of the conservative 1876 constitution. The Liberal and Conservative Parties alternated in power between 1876 and 1898. This was an alternation between the two dynastic parties (they both accepted the monarchy). In fact, the king controlled both of these parties which in turn were constructed from above, from their leaders: Praxedes Sagasta in the case of the Liberal Party and Canovas del Castillo in the case of the Conservative Party. These parties were “held together by the distribution of government patronage and dependent for their majorities in the Cortes on electoral management by the Minister of the Interior” (Carr 1980: 9). The king was at the core of the constitutional mechanism and any regime change. The mechanism started with his granting of a decree of dissolution of the Cortes to the prime minister who in turn was to fabricate an electoral victory by a sweeping majority.

In Spain, furthermore, the political mechanism of “electoral management did not provide any accountability” (Carr 1980: 9). It was the king who decided by decree the timing of elections and the prime minister’s selection. The stability of the system relied on unity within the two parties, achieved by a “spoils system” or series of negotiations at top level (Carr 1980: 11). This unity was achieved through “extension of the area of acquiescence” (Carr 1982: 356), an act that suited the conservatives and shifted the regime from its theoretical English prototype.

Potential Omitted Variable: The Political Power of the Landed Upper Classes

If, in fact, the case of Spain tells us that the causal argument of the Seeley-Hintze law can be potentially spurious—that is, the effect of geopolitical environments is spurious—then, what could be a true causal variable—more likely a domestic-level variable—on varying domestic political systems? This is a classic question of social science. One classic attempt to address question can be found in Barrington Moore, Jr.’s *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (1966). We are not going to repeat the content of this famous work here. Suffice it to say, for our interest, that the different roles of the landed upper class before industrialization are the key, according to Moore, to understand why some societies like the United Kingdom became democratic, whereas others like Germany became fascist, and still others became communist. More specifically, he operationalizes his independent variable in three forms: (1) “the relationships of the landed upper class with the monarchy”; (2) “their response to the requirements of production for the market”; and (3) “the relationship of the landed upper classes with the town dwellers, mainly the upper stratum that we may loosely call the bourgeoisie” (Moore 1966: 423).

Compared with Moore’s scheme, the Seeley-Hintze law is more limited in its scope as far as its dependent variable is concerned. For our interest, furthermore, what is especially interesting in Moore’s work is the *political role*—as opposed to economic role—of the landed upper classes in the process of modernization. In the United Kingdom, “[T]he political hegemony of the landed upper class had to be broken or transformed” (Moore 1966: 429). In contrast, the German counterparts, Junkers, retained such political hegemony. Did Spain have a similar experience like Germany in this

regard? Moore, in his book, barely touches on Spain! Thus, although our space is limited, the Spanish case should be briefly examined and parallels with the German case should be identified, although we can only do so in a preliminary fashion given the limitation of relevant information.

German (Prussian) absolutism in fact relied on the political power of the landed aristocracy. The pattern dated back to the agreement between Elector Frederick William I and the nobles in 1653 (the Recess of 1653) that gave the Junkers control over the countryside and the Elector control over taxation to expand military spending (Finer 1997: 1358). In fact, this divided the spheres of influence between them, as Junkers saw the Elector as their rival. Coordination between them started in 1732 when the Elector divided the state in cantons, which provided the supply for his army. Nobility (the Junkers) served as officers and the serfs under their control served as infantry. Thus, resources were concentrated in the aristocracy (Tilly 1996: 99), as the elimination of serfdom at the beginning of the 19th century improved the economic status of the Junkers (Gerschenkron 1966: 23).⁴² This strengthened the German feudal class, which was in fact the military antidemocratic caste in Prussia. The fall of liberalism in 1848 meant an alliance between the Prussian aristocrats (Junkers) and the king. Under the Bismarck constitution of the German Reich (1871), Germany was in fact ruled by Prussia, which in turn was in the hands of the Junkers in support of the monarchy. Both the Upper and the Lower Chambers were controlled by them as a result of an open ballot and unequal and indirect franchise called “three-class system” (Gerschenkron 1966: 25).

⁴² Although in southern and western Germany abolition improved the independent status of farmers, abolition in the East allowed the Junkers to gather additional land of the former serfs. (In the period between 1800 and 1860 about two and a half million acres of land were appropriated by the Junkers).

In Spain, the landed upper classes also had strong political power: big landowners and the clergy of the religious orders.⁴³ Since the 1808-1814 Spanish war of independence against Napoleon's France, bishops and local oligarchies had the leading role because they organized the army (Esdaile 2000: 17). The result was the establishment of military governments and provincial juntas (dictatorships) that did not recognize as legitimate the central government (Junta General) established with the liberal 1812 Constitution (Esdaile 2000: 22).⁴⁴ Although after the 1868 revolution the power of the church declined with the confiscation and sale of its land, the church recovered, aided by the monarch (Alfonso XII and Maria Christina) after 1875. In fact, by 1860, the old oligarchy had already taken over constitutionalism and centralism; they had a system of *caciquismo*, controlled by the local agents as the large landowners. Parties were allowed to rotate only if they supported the established groups through pre-electoral local deals (Carr 1980: 11).

⁴³ The church and the municipalities were the two biggest landholders. The mechanism of land sales introduced by the liberal governments of 1830s, and the land sales of 1855 (*desamortaciones*) reserved the church lands to those who could provide most money: local oligarchy, existing landowners and speculators, instead of guaranteeing a market competition (Carr 1980: 4). Thus the *desamortaciones* did not change the existing structure of land property, which favoured the church. The church also increased its role as a guarantor of the social order, with the failure of the liberal revolution of 1868 (that resulted in anarchy). Thus the church was allowed to establish new religious communities and take back its old monasteries (Esdaile 2000: 112). The church was very important for the Canovine regime in general, because it guaranteed, through the education, the depolitization and apathy of the population. Its educational message to the population was that the existing social order was "divinely ordained" (Esdaile 2000: 156) and any ideologies incompatible with Catholicism were excluded. Thus the church, the government and local caciques worked together, and apathy was the electoral foundation of the regime of *turno pacifico*. The church was in turn politically represented in the senate, and was allowed to establish its own schools and religious orders (Esdaile 2000: 156).

⁴⁴ Spain did not develop the fixed institutionalization of the Estates system: "both the convocation and composition of the Cortes was subject to the arbitrary decision of the monarchy" (Anderson 1974: 65). Aristocratic corporatism was expressed in the rich military orders (Calatrava, Alcantara, Santiago) created by the crusades. This created asymmetry of institutional orders (some estates had more power). In Spain no strong coalition was formed and the landlords were more important than the crown, which caused "crumbling" of state making (Tilly 1975: 44).

Summary

Although further inquiry is necessary, the above brief comparative sketch between Germany and Spain suggests that the political hegemony of the landed upper elites in Spain—they are conservative and illiberal in their political orientation—is a plausible cause of the Spanish militarist state, just as the Junker class formed the backbone of the German militarist state. And established and rich works such as Moore's seem to form a solid intellectual foundation for this line of argument. In light of this alternative explanation, and in light of the "Spanish puzzle" we identified in the Seeley-Hintze law, the robustness of this law may be not as strong as we have assumed. In other words, the international variable of geopolitical environments may not be as significant as the cause of domestic political systems.

CONCLUSION

This project paper has re-examined, from a methodological perspective, the modern classics of the “second image reversed” literature. These works single out international-level causal variable yielding domestic outcomes. We have reported three specific findings. First, Gourevitch’s famous 1978 *International Organization* article has misrepresented seven out of nine theories as sound “second image reversed” arguments. Only two theories — the Gerschenkronian thesis and the Seeley-Hintze law — as we have found out, can be categorized as credible second-image-reversed explanations. Our second and third findings concern these two theories. On the one hand, the Gerschenkronian thesis, as formulated by Alexander Gerschenkron in his *Economic Backwardness in Historical Perspective*, may not be robust as a causal argument, because there is a reasonable reason to believe that it contains a selection bias, to the extent that the assumed effect of its independent variable may be much weaker or even spurious. We have reached this conclusion after examining the fit of the Netherlands — Gerschenkron originally did not analyze it — with the Gerschenkronian thesis. We furthermore suggested an alternative independent variable located at the domestic level, (i.e., economic ideology), which could be a true independent variable. On the other hand, we have reached a similar set of conclusions regarding the Seeley-Hintze law. That is to say, after identifying the poor fit of Spain with this second-image-reversed theory, we concluded that the causal logic of the Seeley-Hintze law is less robust than scholars like Almond assume. Just like the Gerschenkronian thesis, the Seeley-Hintze law may suffer

from the problem of selection bias and a true independent variable — for example, the political power of the landed elites — may be found at the domestic level.

Implications of our findings are significant. For example, if these modern classical writings have serious problems, similar re-examination of later works in the now large literature of “second image reversed” may be warranted. As we have noted in the introduction of this paper, this literature is flourishing, but some of their causal arguments may not be as robust as we are assuming now. Another implication is a methodological lesson: we should use several methods — such as those suggested by King, Keohane, and Verba (1994) — to avoid methodological problems like selection bias, when we formulate and test causal hypotheses. For example, more careful selections of cases may have prevented the modern classic writers we examined from making errors.

In future research, we should further examine, more systematically, alternative causal variables in the study of the Gerschenkronian thesis and the Seeley-Hintze law. This paper merely suggested the plausibility of economic ideology and the political power of the landed elites, respectively, as true causal variables. But more systematic analysis is required. Another area of future research is the examination of other methodological problems in the literature of “second image reversed.” This paper examined two methodological problems, selection bias and omitted variables. But as King, Keohane, and Verba (1994) indicate, there is another one: the problem of endogeneity. In the context of the “second image reversed” literature, this problem means that the real causal direction may run from the domestic sphere to the international sphere, the opposite of what the literature assumes. A particular second-image-reversed argument may turn out to be a second-image argument. As we have noted in this paper,

Gourevitch made this type of mistake in his 1978 article. Other second-image-reversed arguments presented may have a similar problem. We should re-examine the literature of “second image reversed” from this angle as well.

Regardless of the shortcomings that this paper has identified, the contributions made by Gerschenkron, Seeley, and Hintze, as well as Gourevitch, are still enormous. The basic insights that they provided remain one of the indispensable theoretical building blocs in the contemporary scholarship of both comparative politics and international relations. By correcting their weaknesses, we can only improve the literature of “second image reversed.” We have exciting tasks ahead of us.

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