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RESEARCH ARTICLE

Hegemonic decline and grand strategy: A variegated framework

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Abstract

How do hegemons respond to relative decline? The existing literature suggests that declining hegemons either cling to the status quo through preventive war and other expansionist measures or retrench. This article argues that hegemonic decline produces incentives for both forms of action. More specifically, I provide a variegated framework that distinguishes between mild and acute decline as two distinct situations through which declining hegemons may pass. Mild hegemonic decline, defined as the diffusion of new technologies from the hegemon to other great powers, incentivises an expansionist strategy by heightening economic competition and strategic vulnerability. However, acute hegemonic decline, defined as a hegemon's inability to lead a new round of innovative technologies, leads to grand strategic contraction by reducing the scope of the hegemon's interests and its material capacity to sustain them. The variegated framework is elaborated and tested by analysing Great Britain's grand strategy from 1880 to 1939.

Keywords: decline; grand strategy; great power competition; hegemony

Introduction

How do hegemons in decline behave on the international stage? The extant literature argues that declining hegemons either stick with the status quo by maintaining or increasing existing commitments and resources to arrest the loss of influence and security[1] or, as captured by domestic interests,[2] pursue retrenchment to safeguard core interests and avoid overreach.[3] The empirical record supports both hegemonic expansion and contraction. For example, Victorian Britain pursued an expansive grand strategy, whereas inter-war Britain retrenched.[4] But while existing accounts can explain why a declining hegemon either expands or contracts, no framework satisfactorily explains both forms of grand strategic behaviour, either because their assumptions rule out one option or because their key independent variable cannot explain the variation between them.

[1]Dale Copeland, *The Origins of Major War* (Cornell University Press, 2000); Steven Van Evera, *Causes of War, Power and the Roots of Conflict* (Cornell University Press, 1999).

[2]Charles Kupchan, *The Vulnerability of Empire* (Cornell University Press, 1996); Mark Brawley, *Afterglow or Adjustment: Domestic Institutions and Responses to Overstretch* (Columbia University Press, 1999); Hendrik Spruyt, *Ending Empire: Contested Sovereignty and Territorial Partition* (Cornell University Press, 2005).

[3]Paul MacDonald and Joseph Parent, *Twilight of the Titans: Great Power Decline and Retrenchment* (Cornell University Press, 2018); Kayle Haynes, 'Decline and devolution: The sources of strategic military retrenchment', *International Studies Quarterly*, 59:3 (2015), pp. 490–502.

[4]For a detailed discussion of the two cases, see the empirical section.

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This article steps up to the challenge by advancing a variegated argument that describes expansion and retrenchment as equally likely, depending on the form of decline a hegemon experiences. More specifically, I conceptualise hegemonic decline as a non-deterministic process comprising two distinct stages, each corresponding to grand strategic expansion and contraction: the first, defined as *mild hegemonic decline*, refers to the diffusion of technological and organisational first-mover advantages from the hegemon to other great powers. This situation allows other great powers, besides the hegemon, to compete economically and threaten the hegemon's global interests militarily, prompting the hegemon to adopt an expansive grand strategy in response. The second, defined as *acute hegemonic decline*, refers to the ability of a great power other than the hegemon to lead a new round of innovation and gain first-mover advantages. This 'power transition' situation shrinks the hegemon's international economic position and its capacity to sustain a more expansive one, therefore inducing a contractionary strategy in defence of a narrower geographical sphere. In short, the advent of hegemonic decline causes an expansion of commitments and resources, and the progression of decline produces contraction and retrenchment.

The following sections flesh out and test the variegated framework outlined above. This is preceded by a discussion of the extant literature, highlighting the need for theory development. The framework is then fleshed out by examining Britain's late nineteenth- to early twentieth-century strategies. In carrying out the above tasks, this article aims to explain why declining hegemons have both expanded and retrenched. More ambitiously, the framework is put forward as a tool for producing viable expectations about the future behaviour of hegemons in decline: a task made especially relevant in the face of the United States' ongoing decline vis-à-vis China.

Debating hegemonic decline and grand strategy

According to the first wave of hegemonic decline literature, the most likely response of declining hegemons is to sustain the status quo by maintaining or increasing global commitments, even to the point of preventive war. Two distinct explanations account for this overextension. Rationalist hegemonic stability and power transition theories argue that retrenchment signals weakness and accelerates decline, whereas preventive war and continued commitment reduce the need to bargain under adverse future conditions.[5] A second strand attributes overextension to domestic politics, including elite perceptions of vulnerability,[6] the dominance of pro-expansion institutions such as the military over fiscal authorities,[7] fragmented decision-making with multiple veto points,[8] and nationalist governing coalitions.[9]

By contrast, a second generation of literature argues that declining hegemons and great powers more generally tend to retrench.[10] Analogous to overextended firms, they are expected to rebalance commitments and resources, cut peripheral obligations, and increase alliance burden-sharing to ensure survival.[11] Retrenchment is explained through punishment and socialisation mechanisms:

[5]Copeland, *Major War*; Van Evera, *Causes of War*, pp. 74–6; Robert Gilpin, *War and Change in World Politics* (Cambridge University Press, 1981), p. 101; Jack S. Levy, 'Declining power and the preventive motivation for war', *World Politics*, 40:1 (1987), pp. 82–107 (p. 87); Michael Beckley, 'The peril of peaking powers: Economic slowdowns and implications for China's next decade', *International Security*, 48:1 (2023), pp. 7–46; Michiel Foulon and Gustav Meibauer, 'Why US–China relations have not escalated yet: Power rise, power transition, and perceptions of resolve', *European Journal of International Security*, published online(2026), pp. 1–22. doi: 10.1017/eis.2026.10061. Accessed 18 October 2026. For an argument that stresses narratives of decline as permissive conditions for expansionism, see: Robert Ralston, 'Make us great again: The causes of declinism in major powers', *Security Studies*, 31:4 (2022), pp. 667–702.

[6]Kupchan, *Vulnerability*.

[7]Brawley, *Afterglow*.

[8]Spruyt, *Ending Empire*.

[9]Steven Lobell, *The Challenge of Hegemony: Grand Strategy, Trade, and Domestic Politics* (University of Michigan Press, 2003); Kevin Narizny, *The Political Economy of Grand Strategy* (Cornell University Press, 2007).

[10]MacDonald and Parent, *Twilight*; Haynes, 'Devolution'; Moritz Graefrath, 'The false peril of great power retrenchment: Types of strategic withdrawals and their consequences', *European Journal of International Security*, 10:3 (2025), pp. 331–49.

[11]MacDonald and Parent, *Twilight*, p. 29.

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states that fail to retrench are penalised by others and encouraged to adopt more efficient strategies under conditions of insecurity.[12] Expansionist responses are thus viewed as excessively risky, given the possibility of multi-front wars against rising powers,[13] the constraints of nuclear deterrence,[14] and the expectation that rising states will behave as status-quo actors.[15]

Empirical evidence supports both expectations. Focusing on hegemonic decline under globalised capitalism,[16] and setting aside the ongoing case of US decline, this analysis treats Britain as the prototypical case from which to derive grand strategic expectations.[17] A closer examination of the British case (1880–1939) reveals both expansion and contraction in the country's global commitments. As detailed in the empirical section, Britain's formal and informal empire expanded roughly threefold during the late nineteenth and early twentieth centuries. By contrast, in the inter-war period, Britain retrenched to defend a more geographically circumscribed sphere of interest, comprising the formal empire and the dominions.

The issue with the existing literature is that it fails to explain both expansion and contraction simultaneously. Structural theories predicting retrenchment cannot explain why Victorian Britain expanded and inter-war Britain contracted without introducing domestic political factors. This is especially true since their study treats the two periods of decline as of similar depth, with the latter as the main variable that could explain strategic variation.[18] Other 'retrenchment' studies have accounted for variation in where retrenchment has occurred by focusing on the availability of capable and compatible partners in the periphery.[19] Knowing, however, where retrenchment will transpire does not answer when a hegemon will adopt or reject retrenchment.[20] Equivalently, structural accounts that predict expansionism cannot explain hegemonic retrenchment, such as Britain's inter-war strategy. They identify intervening variables that may constrain preventive war, including the availability of alternative hardline strategies,[21] limits on the challenger's growth potential,[22] pessimism about the prospects of victory,[23] or domestic institutional constraints in democracies with multiple veto players.[24] Yet these explanations converge on the view that contraction is unlikely under conditions of hegemonic decline.

[12]Ibid., p. 27.

[13]Steven Lobell, 'The grand strategy of hegemonic decline: Dilemmas of strategy and finance', *Security Studies*, 10:1 (2000), pp. 86–111 (p. 90).

[14]Robert Jervis, *The Meaning of the Nuclear Revolution: Statecraft and the Prospect of Armageddon* (Cornell University Press, 1989).

[15]Steve Chan, Weixing Hu, and Kai He, 'Discerning states' revisionist and status quo orientations: Comparing China and the U.S.', *European Journal of International Relations*, 25:2 (2019), pp. 613–40.

[16]The variegated framework applies to capitalist and non-capitalist great powers operating within modern capitalist international systems, in which technological revolutions are the principal drivers of long-run shifts in relative power. It is not intended to explain hegemonic decline under pre-industrial international systems or episodes of technological change that do not fundamentally reshape the foundations of international order.

[17]There are three reasons for selecting the British case. First, Britain is the canonical case in the hegemonic decline literature, enabling direct comparison between this framework's expectations and those of competing theories. Second, alternative cases are less suitable for testing because they are not readily comparable: early modern cases such as Spain's seventeenth-century decline occurred under different modes of production and logics of economic power, while contemporary cases such as US relative decline remain ongoing, making evaluation premature. Third, and in contrast to the US–Japan case, Britain offers a particularly strong case for structured comparison because the same hegemon experienced both mild and acute decline, allowing the analysis to compare different strategic responses while holding important contextual factors, including political institutions, geography, and historical legacies, constant.

[18]Paul MacDonald and Joseph Parent, 'Graceful decline? The surprising success of great power retrenchment', *International Security*, 35:4 (2011), pp. 7–44 (p. 28).

[19]Haynes, 'Devolution'.

[20]It could do so if a hegemon wanting to retrench had no partners to devolve commitments.

[21]Copeland, *Major War*, pp. 41–2; Van Evera, *Causes of War*, pp. 86–7.

[22]Levy, 'The preventive motivation', p. 97.

[23]Copeland, *Major War*, p. 50.

[24]Randall Schweller, 'Domestic structure and preventive war: Are democracies more pacific?', *World Politics*, 44:2 (1992), pp. 235–69.

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Accounts that are better equipped to explain a hegemon's decision to expand and to retrench during decline, and which will be considered competing explanations in the empirical section, are those that focus on domestic political factors, especially those whose key independent variable varied during Britain's period of hegemonic decline.[25] This is particularly true of frameworks that treat 'governing coalitions' as the key independent variable, since the 1880–1939 period encompasses multiple governing coalitions representing distinct societal interests.[26]

As shown below, these accounts face two limitations in explaining both expansion and contraction under hegemonic decline. First, grand strategy concerns broad, long-term national objectives, whereas societal interests typically pursue narrower and shorter-term goals. Consequently, they are rarely central to formulating or executing grand strategy, a tendency reinforced by their often limited capacity to organise collectively and secure effective access to decision makers. Consistent with this expectation, Britain's grand strategy was formulated and implemented largely without societal pressure and, at times, in opposition to it, while remaining remarkably consistent across governments representing distinct political constituencies.

Accordingly, we need a framework that accounts for both hegemonic expansion and contraction under relative decline, without the internal validity problems associated with *innenpolitik* accounts. The following sections develop such a framework, arguing that hegemons vary in their grand strategic behaviour because they experience two qualitatively distinct forms of hegemonic decline, each prescribing a distinct strategic response.

The theory

Grand strategy refers to a state's broad foreign policies,[27] manifested as patterns of behaviour,[28] for pursuing security and prosperity as its fundamental interests.[29] Given their distinct capacities, hegemons hold broad security and prosperity interests that exceed their ability to protect the metropole from territorial conquest and credible coercive threats or to pursue a narrowly defined comparative advantage.[30] A hegemon's prosperity depends on the global economy as a whole, while its security extends beyond homeland defence to the stability of distant regions. Accordingly, grand strategy entails decisions about the scope of global commitments and balance-of-power obligations, including which regions to defend, which states to include in security alliances, whether to support an open international economy, and how best to protect core and peripheral interests through an appropriate military doctrine.[31] Bracketing the above into distinct grand strategies, in line with the latest literature on decliners' grand strategic options,[32] I identify two broad types: an *expansionist grand strategy* of maintaining or expanding global commitments directly and/or by forging expansive security alliances, in defence of an open global economy, assuming that such a goal maximises the hegemon's sources of prosperity, underpinned by an ambitious military doctrine designed to protect multiple regions simultaneously through military predominance

[25] Veto-point, institutional, and 'strategic culture' did not vary in Britain's case for the 1880–1939 period.

[26] For Lobell, relative decline will lead hegemons to either cooperate with or punish contenders, and whether one strategy dominates depends on the trade preferences of the hegemon's domestic governing coalition (Lobell, *Hegemony*, pp. 20, 27–34). Similarly, for Narizny, grand strategic behaviour is explained by the preferences of the dominant sectoral groups, motivated by decline's impact (Narizny, *Political Economy*, pp. 23–30).

[27] Hegemons pursue more goals, including status and ideological preferences, but grand strategy is primarily about satisfying fundamental goals, without which auxiliary goals are unreachable.

[28] Nina Silove, 'Beyond the buzzword: The three meanings of grand strategy', *Security Studies*, 27:1 (2018), pp. 27–57 (pp. 43–5). Grand strategy, as an idea or organising principle, is not chosen, as it is often not written down.

[29] Charles Glaser, 'Rational analysis of grand strategy', in Thierry Balzacq and Ronald R. Krebs (eds), *The Oxford Handbook of Grand Strategy* (Oxford University Press, 2021), p. 107; Stephen Brooks and William Wohlforth, *America Abroad: The United States' Global Role in the 21st Century* (Oxford University Press, 2016).

[30] Glaser, 'Rational analysis', p. 108.

[31] Ibid.

[32] Paul MacDonald and Joseph Parent, 'Grand strategies of declining powers', in Thierry Balzacq and Ronald R. Krebs (eds), *The Oxford Handbook of Grand Strategy* (Oxford University Press, 2021), pp. 474–89.

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over other great powers.[33] Conversely, a *contractionary grand strategy* prescribes the contraction of global commitments, directly and/or through suitable allies to whom it can devolve current responsibilities, and a more concentrated military doctrine designed to defend a narrower 'sphere of interests'.[34]

What determines whether a declining hegemon chooses an expansionist or contractionary grand strategy is the form of its hegemonic decline. More specifically, I argue that hegemonic decline refers to two distinct situations. The first refers to the diffusion of power from the hegemon to other great powers, defined as *mild hegemonic decline*:[35] the technological and organisational capabilities that distinguished the hegemon in the first place, and that granted first-mover advantages, are diffused cross-nationally to more great powers, which are able, both economically and militarily, to compete for the same dynamic markets, to occupy top positions in global value chains, to capture key inputs, and more generally to compete for influence globally.[36] Heightened competition is exacerbated by the fact that 'power diffusion' occurs unevenly,[37] meaning that some great powers – those with the least absorptive or innovative capacity – will be driven to reserve exclusive influence over regions, markets, or supply chains to compete more effectively. An exclusivist logic can also characterise efficient diffusers, which may reserve markets, resources, or segments of value chains either because dynamic markets generate oligopolistic competition, as emphasised by strategic trade theory,[38] or because such restrictions serve as bargaining chips against pre-emptive hegemons, willing to constrain their ability to compete for market share or strategic positions in value chains.[39] Mild decline's second effect is heightened strategic vulnerability, produced by the diffusion of military and infrastructural power towards other great powers, which empowers them to threaten the hegemon's strategic interests.

Whether rising powers adopt the most expansive strategies or employ the most assertive means, the hegemon will, *ceteris paribus*, face heightened economic competition and strategic vulnerability.[40] The two developments are expected to produce an expansionist grand strategy as the best way to protect existing interests and acquire new ones in a more competitive environment. Conversely, the hegemon has no reason to contract and forge existing or prospective interests linked to prosperity, unless it faces a clear and imminent threat to homeland security, something hegemonic decline does not entail, or lacks the financial capacity to concurrently sustain a credible homeland defence and an active grand strategy, a condition that is unlikely to apply to a hegemon in mild decline given its financial centrality.[41]

[33]Preventive war is considered a plausible expansionist policy provided that the declining hegemon faces a clear and imminent security threat from rising challengers.

[34]Parent and MacDonald identify five grand strategies declining great powers adopt: expansion, bluffing, binding (co-optation), retrenchment, and appeasement (MacDonald and Parent, 'Declining powers', pp. 481–5). To simplify, I group expansion, bluffing, and binding under 'expansion', as they reflect a willingness to maintain the status quo, and retrenchment and appeasement under 'contraction', as both reflect a smaller 'footprint'.

[35]The emphasis on technology as power's primary element is justified because it is more closely linked to productivity (Robert Solow, 'Technical change and the aggregate production function', *The Review of Economics and Statistics*, 39:3 [1957], pp. 312–20; Richard Nelson and Sydney Winter, 'The Schumpeterian trade-off revisited', *The American Economic Review*, 72:1 [1982], pp. 114–32), because capital formation typically follows innovation (Philippe Aghion and Peter Howitt, 'A model of growth through creative destruction', *Econometrica*, 60:2 [1992], pp. 323–51), and because technology is stickier, generating persistent unevenness through path dependence (Nelson and Winter, 'Schumpeterian').

[36]Carlota Perez, *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages* (Edward Elgar, 2002). Beyond late nineteenth- and early twentieth-century Britain, a plausible illustration of mild decline includes the diffusion of US leadership in information and digital technologies to Japan during the late twentieth century.

[37]Fulvio Castellacci, 'Innovation and the competitiveness of industries: Comparing the mainstream and the evolutionary approaches', *Technological Forecasting and Social Change*, 75:7 (2008), pp. 984–1006.

[38]Paul Krugman, *Strategic Trade Policy and the New International Economics* (MIT Press, 1986).

[39]A. Organski, *World Politics* (Alfred Knopf, 1968), pp. 361–3.

[40]On rising powers' strategies, see: Joshua Shifrinson, 'Strategy on the upward slope: The grand strategies of rising states', in Thierry Balzacq and Ronald Krebs (eds), *The Oxford Handbook of Grand Strategy* (Oxford University Press, 2021), pp. 457–73.

[41]'Financial centrality' refers to the hegemon's attractiveness as a global investment destination, the use of its currency as reserve currency and principal medium of exchange for international trade, and its role as key trade financier and international

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The second situation, *acute hegemonic decline*, arises when the hegemon can no longer lead a new wave of technological and organisational innovation, while a rival great power can.[42] This shift has two consequences. First, the hegemon's global commercial and financial position contracts as it loses competitiveness in dynamic markets and high-value segments of global value chains, alongside a decline in financial centrality that increasingly shifts to the rising power. Second, this weakened economic base reduces the resources available to sustain global commitments, intensifying guns–butter trade-offs. The hegemon's already constrained capacity to uphold an expansive network of commitments is further undermined by the emerging leader's growing military dominance.

With a narrower 'national interest' to defend and fewer resources available for commitments, the declining hegemon is compelled to concentrate its efforts on constructing a more limited, protected sphere of interest to secure prosperity against superior economic competition from the emerging leader, thereby reducing its external commitments and resource allocation and resulting in a contractionary grand strategy. The alternative of pursuing an expansionist strategy in defence of an extensive exclusive sphere is unviable, owing to the hegemon's reduced material capabilities, producing acute guns–butter trade-offs, and to the formation of a highly constraining strategic environment, produced by the emerging leader's capacity to translate its growing economic strength into superior military capabilities, thereby deterring and, if necessary, coercing the declining hegemon from pursuing such a strategy.

Summarising the two forms of hegemonic decline: mild decline generates environmental pressures that incentivise the hegemon to expand to protect its broad interests and find new ones, whereas acute decline incentivises contraction by reducing the scope of its interests and its material capacity to 'punch above its weight' (see Figure 1). Note that the two forms of hegemonic decline are not necessarily sequential: a hegemon may experience mild decline without progressing to an acute phase, as the United States has demonstrated since 1945; similarly, a hegemon may experience acute decline without having experienced mild decline, in that a new technological revolution may appear before the diffusion of a previous revolution. Also, acute decline should not be conflated with hegemonic transition, for while another great power may gain a technological or organisational edge, translating that advantage into hegemony requires additional institutional and ideational developments that unfold over a longer period.

Hegemonic decline, conceptualised here as 'adverse performance in a technological revolution', is not the only way it is measured in the literature. Conventional approaches rely on a range of indicators, most commonly world GDP shares, ordinal GDP rankings, and composite capability indices such as CINC, each capturing different expressions of aggregate material capability. However, these measures cannot capture qualitative variation in the forms of hegemonic decline, which is necessary to explain variation in grand strategy.

World GDP shares provide a broad measure of relative economic weight and are therefore a useful baseline indicator of both mild and acute decline, insofar as both translate into changes in aggregate economic position. However, falling GDP shares cannot distinguish between mild and acute decline. While one could differentiate between forms of decline by the magnitude of GDP change, any such approach would rely on arbitrary thresholds rather than the underlying processes that define the two forms. Consequently, distinguishing between mild and acute decline requires returning to the technological dynamics that generate changes in world GDP share, since these, not the magnitude of GDP change, provide the basis for classification.

investor; Charles P. Kindleberger, 'The formation of financial centers: A study in comparative economic history', Working Paper No. 114 (Massachusetts Institute of Technology, Department of Economics, 1973).

[42]Beyond inter-war Britain, potential examples of acute decline include cases in which previously dominant capitalist powers failed to lead subsequent technological revolutions. The Dutch Republic's inability to maintain leadership after the commercial–financial revolution and Portugal's earlier decline after the maritime revolution offer suggestive historical parallels but fall outside the framework's scope conditions because of their pre-industrial contexts. Whether the contemporary rise of China constitutes an instance of acute decline for the United States, namely, a failure to lead the next technological revolution centred on artificial intelligence and related digital technologies, remains an open empirical question.

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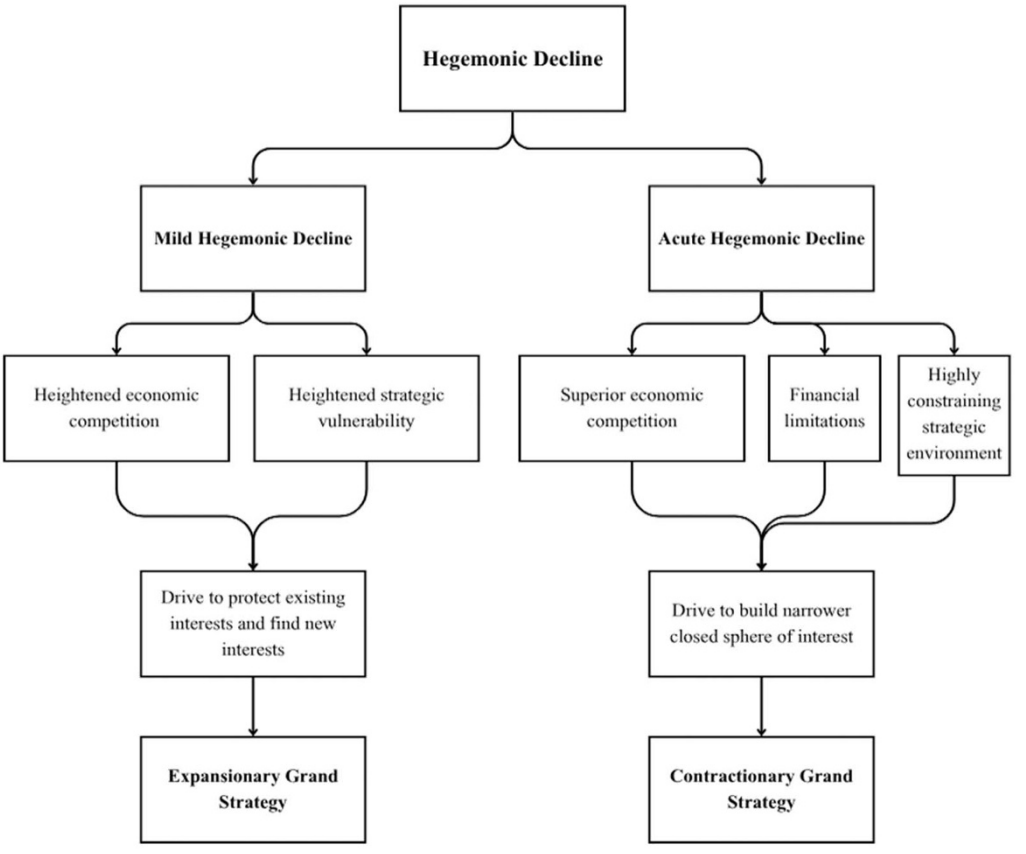


Figure 1. Mild and acute hegemonic decline.[43]

A similar limitation characterises ordinal rankings derived from world GDP shares. While ordinal rankings translate relative economic position into discrete hierarchies, they do not distinguish the forms of decline that may underlie either changes in rank or their absence. A hegemon may be overtaken economically while retaining key hegemonic privileges, including financial centrality and military predominance, or it may lose such privileges as part of a deeper technological shift. Conversely, it may experience mild decline through the diffusion of frontier technologies while still retaining first place in the economic hierarchy. Ordinal rankings, therefore, reduce distinct technological trajectories to identical positional outcomes and cannot account for variation in grand strategy, which depends on the underlying form of decline rather than ordinal position itself.

Composite capability indices such as CINC face similar limitations. By aggregating multiple dimensions of material power, CINC provides a broad proxy for relative capability and thus for adverse shifts in hegemonic power. However, it cannot distinguish qualitatively between mild and acute decline. While different forms could be inferred from the magnitude of change in CINC, such distinctions would rest on arbitrary thresholds rather than underlying technological processes. Moreover, because CINC incorporates military capability, it conflates the independent variable, hegemonic decline, with elements of the dependent variable, grand strategy.[44]

[43]On the micro-mechanisms translating decline's systemic effects into strategic adjustment, see: Panos Vasileiadis, 'Reconstructing neoclassical realism: a transitive approach', *International Relations*, 39:4 (2025), pp. 657–81 (pp. 668–70).

[44]MacDonald and Parent, 'Graceful decline', p. 24.

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Taken together, these limitations motivate conceptualising hegemonic decline as a process driven by technological change, which is the primary determinant of long-run shifts in aggregate material capability. Rather than treating changes in aggregate material capabilities as constitutive of decline, this approach identifies the technological processes that generate them and distinguishes between the forms of decline they produce. This preserves the analytical distinction between mild and acute decline, thus providing a more appropriate basis for explaining variation in grand strategy among declining hegemons.[45]

The following sections elaborate on and evaluate the variegated framework by examining Britain's grand strategy during two key periods: the 1880–1913 period, when Britain declined mildly relative to the United States, Germany, France, and Russia; and the 1919–39 period, marked by Britain's acute decline vis-à-vis the United States.[46]

Mild hegemonic decline: Great Britain 1880–1913

Post-Napoleon, Britain's economy emerged unrivalled. The widespread adoption of modern innovations and production methods, supported by abundant coal, capital, and a large, skilled labour force, enabled British industries to dominate global output in dynamic sectors of the second technological revolution, including cotton, iron, and engineering.[47] This dominance established a British monopoly over rapidly expanding export markets in Europe, the United States,[48] and the periphery,[49] as well as over international services, including shipping, insurance, and trade finance.[50]

British hegemony produced consensus at home for a contractionary grand strategy of *free trade imperialism*,[51] prescribing the conservative goals of eliminating barriers to commercial and financial flows in the periphery and in Europe through the non-discriminatory free trade treaty;[52] cutting unnecessary commitments in the formal empire by granting the dominions the power to govern themselves and by keeping territorial acquisitions to a minimum;[53] and adopting a defence doctrine of cutting down old imperial commitments, coercing the dominions into building their own militia, trimming the defence budget, and restructuring the Royal Navy into small and swift expeditionary units to protect trade routes.[54]

[45]Although much of the literature conceptualises hegemonic decline in terms of shifts in relative material capabilities (e.g., GDP shares or ordinal rankings), these indicators are observable outcomes of technological leadership change. Importantly, competing approaches often identify the same historical episodes as cases of decline but interpret them at a different level of abstraction, focusing on shifts in material position rather than the underlying technological leadership dynamics that generate them. This preserves empirical comparability with existing studies; MacDonald and Parent, 'Graceful decline', p. 28.

[46]Britain is defined as a hegemon on account of its 'industrial revolution' first-mover advantages.

[47]François Crouzet, *Britain Ascendant: Comparative Studies in Franco–British Economic History* (Cambridge University Press, 1990), pp. 345–50.

[48]François Crouzet, 'Toward an export economy: British exports during the Industrial Revolution', *Explorations in Economic History*, 17:1 (1980), pp. 48–93 (p. 55).

[49]Crouzet, 'Export economy', pp. 75–6.

[50]François Crouzet, 'The historiography of French economic growth in the nineteenth century', *Economic History Review*, 56:2 (2003), pp. 215–42 (pp. 235–6).

[51]Bernard Semmel, *The Rise of Free Trade Imperialism: Classical Political Economy the Empire of Free Trade and Imperialism 1750–1850* (Cambridge University Press, 2004).

[52]Martin Lynn, 'British policy, trade, and the informal empire in the mid-nineteenth century', in Andrew Porter and Roger Louis (eds), *The Oxford History of the British Empire*, vol. 3: *The Nineteenth Century* (Oxford University Press, 1999), pp. 105–12; Patrick O'Brien and Geoffrey Pigman, 'Free trade, British hegemony and the international economic order in the nineteenth century', *Review of International Studies*, 18:2 (1992), pp. 89–113 (p. 94); Peter Cain, *Economic Foundations of British Overseas Expansion 1815–1914* (The MacMillan Press, 1980), pp. 18–19.

[53]Lynn, 'Informal empire', pp. 104–5.

[54]Peter Burroughs, 'Defense and imperial unity', in Andrew Porter and Roger Louis (eds), *The Oxford History of the British Empire*, vol. 3: *The Nineteenth Century* (Oxford University Press, 1999), pp. 320–45; Cain, 'Foundations', p. 37.

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Mild hegemonic decline

Britain's monopoly at the 'innovation frontier' and its conservative grand strategy would not last long. By the 1860s, the second technological revolution was maturing from early mechanisation towards scale-dependent sectors such as steel, chemicals, and heavy engineering.[55] Britain entered this transformation with inherited advantages, remaining a leader in its early phase.[56] However, the United States and Germany proved adept at absorbing and advancing the third technological revolution, matching and, in some key sectors, surpassing British producers by the turn of the twentieth century.[57] This catching up translated directly into export competitiveness and a redistribution of world manufacturing shares away from Britain, as other great powers met domestic demand for dynamic manufactures[58] and began competing in third markets.[59]

France and Russia also witnessed the formation of capital-intensive industries such as iron and steel manufacture and an upsurge in railway construction and related durables.[60] But unlike Germany and the United States, the pace of their industrialisation was suboptimal as neither could fully diffuse or innovate on the technologies reflecting the third technological revolution, resulting in lower productivity[61] and limited access to dynamic export markets.[62] To mitigate their disadvantaged international position, the two countries sought to build closed economic zones aimed at restructuring trade and investment to exclude rival powers and redirect economic benefits towards the metropole, particularly towards dynamic sectors facing superior international competition,[63] and secondarily to alleviate less dynamic sectors, suffering from declining global demand.[64] Their makeup comprised newly acquired colonies integrated into protected imperial markets through preferential tariffs and reserved investment opportunities, alongside spheres of interest designed to reserve commercial and investment opportunities. These mercantilist projects manifested in several contested regions, including the Far East, Southeast Asia, Central Asia, and Africa.

Therefore, from 1880 onwards, Britain confronted a more competitive international commercial environment as other great powers served their own markets, competed in third markets, and attempted to build closed economic zones. This did not go unnoticed in London.[65] The Royal Commission on the Depression of Trade and Industry confirmed the advent of heightened competition by highlighting how Britain had lost her advantage in production, and that the superior adaptability of the Germans was putting them ahead; in neutral markets, especially in the East, we were 'beginning to feel the effects of foreign competition in quarters where our trade formerly enjoyed a practical monopoly'.[66] The same report prescribed 'the search for new markets and the effort to hold onto existing ones…if Britain's commercial position was to be maintained in the face of the severe competition to which it is now exposed'.[67] Similarly, the 1888 Giffen Report revealed

[55] Christopher Freeman and Francisco Louca, *As Time Goes By, from the Industrial Revolutions to the Information Revolution* (Oxford University Press, 2001), pp. 188–220.

[56] Ibid.

[57] David Landes, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present* (Cambridge University Press, 1969), pp. 215, 293; Paul Kennedy, *The Rise and Fall of the Great Powers, Economic Change and Military Conflict from 1500 to 2000* (Random House, 1987), p. 200.

[58] Peter Cain and Anthony Hopkins, *British Imperialism, 1688–2015* (Routledge, 2016), pp. 166–8.

[59] Samuel Saul, 'The export economy 1870–1914', *Bulletin of Economic Research*, 17:1 (1965), pp. 5–18 (p. 12).

[60] Clive Trebilcock, *The Industrialisation of the Continental Powers 1780–1914* (Routledge, 2013), pp. 112–204, 205–91.

[61] Ibid., p. 159; Tom Kemp, *The Industrialization in Nineteenth-Century Europe* (Routledge, 2013), pp. 114–48.

[62] Saul, 'Export economy', p. 12.

[63] Michael Smith, 'Free trade versus protection in the early Third Republic: Economic interests, tariff policy, and the making of the republican synthesis', *French Historical Studies*, 10:2 (1977), pp. 293–314 (p. 314); Herman Lebovics, *The Alliance of Iron and Wheat the Third French Republic, 1860–1914* (Louisiana State University Press, 1988), pp. 141–59.

[64] Lebovics, *Iron*, pp. 141–2.

[65] Aaron Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895–1905* (Princeton University Press, 1988); W. G. Hynes, 'British mercantile attitudes towards imperial expansion', *The Historical Journal*, 4:19 (1976), pp. 969–79 (p. 972).

[66] Friedberg, *Titan*, p. 39.

[67] Ibid., p. 40.

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that Britain's trade was still growing in absolute terms, but at a slower pace than that of Germany and the United States.[68] British policymakers were equally cognisant of French and Russian mercantilism in the periphery and were determined to ensure that the open door in China[69] or Africa[70] was not shut.

Although pessimistic, London regarded Britain's global economic position as secure. The Giffen Report highlighted Britain's predominance in the great common markets.[71] A subsequent 1894 report found no weakening in Britain's relative hold 'upon either the import or the export of trade of the world'.[72] A similar report, drafted by the Board of Trade in 1897, acknowledged competition but considered Britain ahead of its rivals.[73] The restrained optimism of these reports rested on firm ground, for on the eve of WWI Britain still 'had a higher per capita income, a greater share of world trade, and a greater share of world investment than any other state'.[74]

More importantly, policymakers defined the 'national interest' in global terms by recognising the country's *financial centrality*: Britain's tertiary sector grew unprecedentedly from the 1870s onwards.[75] This was because the country already had strong shipping, banking, and insurance sectors, ready to facilitate the expansion of global commerce driven by the diffusion of industrialisation. In this way, international trade was hauled by British ships, financed by British clearing houses, and secured by British insurers. This produced significant surplus capital, which was reinvested in the industrialisation of core and peripheral powers, providing 'Britain with an ever-growing income from interest and dividends'.[76] Essentially, as others' trade grew, Britain's financial income increased, covering the gap left by relative industrial decline.[77] Also, the country's industrial superiority up to the 1870s and its ability to finance commerce through short-term loans and long-term capital investments elevated gold-denominated sterling into 'world money', thereby ensuring London's role as the world's clearing house.[78]

A grand strategy of new imperialism

With a firm international economic footing rooted in financial and monetary centrality and a solid commercial position, policymakers continued to operate within the bounds of free trade imperialism. The country's grand strategy from 1880 to 1913, what historians have termed new imperialism, prescribed identical goals: preserving and expanding an open global economy by extending the open door in the periphery.[79] What changed were the means needed to keep the world economy open, as Britain faced a more competitive environment driven by industrialised competitors and French and Russian mercantilism. In light of the shifting environment, new imperialism expanded Britain's global commitments through new colonial acquisitions and spheres of interest, backed by an ambitious security strategy based on a 'two-power standard' policy, requiring Britain's naval strength to always exceed that of the next two strongest European navies combined, which served both to protect overseas commitments and to ensure homeland security, and on security and diplomatic agreements, such as the 1902 Anglo–Japanese Alliance, the 1904 Entente Cordiale with

[68] Ibid., p. 41.

[69] Thomas Otte, 'Great Britain, Germany, and the far-eastern crisis of 1897–8', *The English Historical Review*, 110: 439 (1995), pp. 1157–79 (p. 1163).

[70] Claire Hirshfield, *The Diplomacy of Partition: Britain, France and the Creation of Nigeria, 1890–1898* (Kluwer, 1979), p. 138.

[71] Friedberg, *Titan*, p. 41.

[72] Ibid.

[73] Ibid., p. 49.

[74] Stephen Krasner, 'State power and the structure of international trade', *World Politics*, 28:3 (1976), pp. 317–47 (p. 332).

[75] Cain and Hopkins, *Imperialism*, pp. 119–48.

[76] William Lewis, *Economic Survey, 1919–1939* (Routledge, 2003), p. 79.

[77] Cain and Hopkins, *Imperialism*, pp. 165–81; Geoffrey Ingham, *Capitalism Divided? The City and Industry in British Social Development* (Macmillan, 1984), p. 101.

[78] Ingham, *Capitalism Divided*, p. 101.

[79] Desmond Platt, *Finance, Trade, and Politics in British Foreign Policy* (Clarendon Press, 1968); David McLean, 'Finance and "informal empire" before the First World War', *The Economic History Review*, 29:2 (1976), pp. 291–305.

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France, and the 1907 Anglo–Russian Convention, designed to sustain these commitments. The end goal of this expansionist strategy was to build and maintain regional orders that could preserve the open door for trade and investment and ensure core British strategic interests by preventing the expansion of rival colonies or spheres of interest with a mercantilist regime.

New imperialism manifested across several regions and was contested by great powers. Nowhere did their interests intersect more sharply than in China. Britain, though its overall commercial presence remained modest in absolute terms, held a dominant position thanks to its unrivalled trade network and its control over the Chinese Imperial Maritime Customs until the 1880s.[80] London's 'China policy' therefore aimed to preserve the open door, enforced through an MFN regime it had extracted during the Second Opium War through the Tianjin Treaties. This policy was first challenged by the 1885 Sino–French Treaty, which concluded the Sino–French War. The treaty recognised France as the victor and granted it preferential commercial treatment, including differential duties and railway concessions, thereby undermining the open door.[81] Fortunately for Britain, these concessions had only a limited impact, applying only to an economically marginal part of China.[82] A more serious challenge to Britain's position emerged in 1895 with the Sino–Japanese War and China's defeat. In its aftermath, Russia and France secured influential roles by helping negotiate a settlement and financing China's war indemnities. In return, they obtained bilateral agreements that facilitated the establishment of closed economic spheres of interest under French and Russian control.[83] Russia saw this as an opportunity to establish a closed sphere of interest, encompassing Manchuria, Chihli, and Sinkiang.[84] Finance Minister Witte drove this expansion, arguing that Russia's industrial development depended on securing exclusive access to Asian markets.[85] This rationale was shared by War Minister Kuropatkin and Tsar Nicholas II, who sanctioned the creation of a Far Eastern sphere of interest to 'offer all the powers of the world awesome economic competition'.[86] After the 1896 Sino–Russian Treaty, Russia moved to realise this vision by building a railway into Manchuria, granting Russia extensive commercial, industrial, and infrastructural privileges along the line, and by occupying strategic positions in Kiaochow in 1897 and later in Port Arthur and Talienwan.[87] A supplementary agreement in 1898 barred China from granting concessions to third powers in or around the Liaodong Peninsula, effectively formalising an exclusive Russian sphere.[88]

Britain's open-door policy and its dominance in the Yangtze Valley, China's wealthiest region, were therefore threatened by the possibility of a divided China. Before the 1890s, China's territorial integrity could be preserved through non-interference, but after 1895, inaction risked partition and the collapse of the open door. Consequently, the Conservative governments of Salisbury and Balfour and the Liberal governments of Campbell-Bannerman and Asquith pursued a three-part strategy.

First, Britain aimed to maintain its influence over the Chinese authorities in Beijing, leveraging British banking interests, primarily the Hongkong and Shanghai Bank, to take a more active role in indemnity disputes after failing to outbid Russia and France for the first loan.[89] British influence

[80]Jürgen Osterhammel, 'British business in China, 1860s–1950s', in Andrew Porter and Roger Louis (eds), *The Oxford History of the British Empire*, vol. 3: *The Nineteenth Century* (Oxford University Press, 1999), pp. 146–9.

[81]David McLean, 'Commerce, finance, and British diplomatic support in China, 1885–86', *The Economic History Review*, 26:3 (1973), pp. 464–76 (p. 466); Platt, *Finance*, p. 271.

[82]Lee, *France and the Exploitation of China, 1885–1901: A Study in Economic Imperialism* (Oxford University Press, 1989).

[83]Ibid., p. 29.

[84]Sarah Paine, *Imperial Rivals: China, Russia, and their Disputed Frontier* (ME Sharpe, 1996), p. 191.

[85]Ibid., p. 184.

[86]Ibid., p. 196.

[87]Thomas Otte, *The China Question: Great Power Rivalry and British Isolation, 1894–1905* (Oxford University Press, 2007); pp. 87–9; Paine, *Frontier*, pp. 184, 190.

[88]Paine, *Frontier*, p. 194.

[89]Mclean, 'Finance', p. 302.

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was reinforced through control of China's Imperial Maritime Customs, as most loans were secured against customs revenue.[90]

The strategy's second component was to preserve as much of the open-door system as possible, in exchange for recognition of the great powers' right to maintain spheres of interest. Recognising this allowed exclusive control over strategic concessions, such as railways and mines, provided that the open door for trade was upheld.[91] Accordingly, Britain could simultaneously safeguard its core assets in the Yangtze Valley, which fell within its own sphere of interest.

The strategy's third strand sought to prevent the spheres of interest from expanding and becoming formal colonies.[92] It pursued this through three distinct measures. First, Britain leased the port of Wei-Hai-Wei, strategically located between the German and Russian spheres, to block their expansion to the south and north and to prevent a potential connection between them.[93] Second, it acquired rail and mining concessions that crossed the Russian, German, and French spheres, disrupting their territorial cohesion.[94] Finally, and with less success, London sought to reduce the spheres' national character by supporting international investment consortia, aiming to foster shared economic interests among the great powers.[95]

The primary security mechanism in defence of this strategy was the 1902 Anglo–Japanese Alliance, which ensured the viability of Britain's regional order in the Far East by providing a 'strategic umbrella' against Russian expansionism.[96] Others have interpreted the specific alliance as evidence of retrenchment, arguing that it enabled Britain to concentrate forces in Europe against Germany.[97] This interpretation, however, overlooks that although the Anglo–Japanese Alliance was intended to avoid an immediate increase in Britain's naval deployment in the Far East, it also committed Britain to an ambitious new strategic position against Russia. The alliance obliged Britain to support Japanese action in Korea and across China in the event of war with Russia or France, irrespective of the specific *casus belli*.[98] Nor is the retrenchment thesis borne out by Britain's naval policy. Rather than reducing commitments or expenditure, the alliance was accompanied by increased naval spending, driven by the need to counter the expanding fleets of France, Russia, and Germany while securing Britain's vital interests in the Far East.[99]

Britain's strategy produced a negotiated regional order structured around distinct spheres of interest, which upheld the open door for trade while reserving strategic concessions for their respective holders. This resulted from government initiative rather than sectoral activism: despite partisan differences, Conservative and Liberal elites shared a common assessment of China's importance and a corresponding obligation to expand British commitments in defence of an 'open' China.[100]

The top-down character of new imperialism in China was underscored by the absence of pressure from key sectoral interests associated with the two parties. Beginning with the Conservative governments of Salisbury and Balfour, closely aligned with financial interests,[101] the state had to act to secure railway and other strategic concessions central to preserving China's territorial integrity,

[90]Cain and Hopkins, *Imperialism*, p. 400.

[91]Platt, *Finance*, p. 291.

[92]Niels Petersson, 'Gentlemanly and not-so-gentlemanly imperialism in China before the First World War', in Shigeru Akita (ed.), *Gentlemanly Capitalism, Imperialism and Global History* (Palgrave Macmillan, 2002), p. 104; Cain and Hopkins, *Imperialism*, p. 400.

[93]Otte, 'Germany', 1171; Arthur Rosenbaum, 'The Manchuria bridgehead: Anglo–Russian rivalry and the imperial railways of North China, 1897–1902', *Modern Asian Studies*, 10:1 (1976), pp. 41–64 (p. 54).

[94]Petersson, 'Gentlemanly', p. 154.

[95]Ibid., pp. 76–7.

[96]Ibid., p. 306.

[97]Haynes, 'Devolution', pp. 496–7; MacDonald and Parent, *Twilight*, pp. 95–6.

[98]Otte, *China Question*, pp. 304–6.

[99]Ibid., p. 310; Friedberg, *Weary Titan*, p. 184.

[100]Platt, *Finance*, pp. 262–307; Petersson, 'Gentlemanly', p. 108; McLean, 'Finance', p. 300; Bernard Porter, *The Lion's Share: A History of British Imperialism 1850 to the Present* (Routledge, 2021), pp. 133–4.

[101]Cain and Hopkins, *Imperialism*, pp. 135–7; Narizny, *Political Economy*, pp. 159–61.

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largely because British investors showed limited enthusiasm.[102] This disconnect became evident in 1903, when Lansdowne enlisted French interests to build a strategically important railway after British investors declined.[103] The elite-driven character of new imperialism was further reflected in the divergence between investor interests and Conservative policy. One such case was the IRNC railway concession, owned by the British and Chinese Corporation, which ran through Manchuria, the heart of Russia's sphere of influence, making it important for Britain's broader goal of hindering China's partition. The corporation, however, had concluded that the concession was not a profitable investment and was deterred from selling only by direct government pressure.[104]

Equally telling is the mismatch between the Liberals and the party's industrial constituency,[105] emphasised by the government's readiness to pass up opportunities to support industry specifically.[106] For example, Foreign Secretary Grey was pressured by industry to endorse attaching industrial orders to rail concessions to offset declining orders, a move he explicitly declined.[107] Grey's support for financial interests in securing concessions further underscored the weak link between Liberal policy and British industry.[108]

Beyond China, British interests were similarly entangled in India's eastern and western peripheries, where competing imperial projects intersected. In the west, Russia sought to expand and consolidate a closed sphere of interest across Central Asia, including Afghanistan and Nepal, and, most prominently, in Persia, leveraging its newly constructed railway infrastructure. In the east, France pursued the creation of a territorially expansive and economically protected Indochinese empire. Britain responded on both fronts by expanding its formal and informal commitments to preserve the open door and defend India.

In the east, Britain sought to preserve its commercial and financial dominance in Burma and Siam while safeguarding the Indian frontier. These interests increasingly clashed with France's ambition to build an Indochinese empire as a protected market, source of raw materials, and gateway to the Chinese market.[109] To this end, France colonised Vietnam, Cambodia, and Laos and sought to establish a closed sphere of interest across the region.[110] Control of Siam, where Britain enjoyed a commercial monopoly, was essential to this objective. France, therefore, expanded its influence in Upper Burma to pressure Britain over Siam,[111] culminating in the 1883 Franco–Burmese Trade Agreement, which granted France banking and railway concessions along with a secret armaments clause committing it to supply Upper Burma with weapons in the event of British intervention.[112] London found such an arrangement unacceptable, given Upper Burma's proximity to India and the strong financial and commercial interests in Mandalay that had long pressed for annexation.[113]

Against this backdrop, Conservative Prime Minister Salisbury annexed the country in 1886. Soon after, France invaded Siam's eastern regions, which were vital to Indochina's link to China.[114]

[102]Petersson, 'Gentlemanly', p. 104; Cain and Hopkins, *Imperialism*, p. 401.

[103]E. W. Edwards, 'The origins of British financial co-operation with France in China, 1903–6', *The English Historical Review*, 86:339 (April 1971), pp. 285–317 (p. 306).

[104]Rosenbaum, 'Manchuria'.

[105]Narizny, *Strategy*, pp. 173–6; Malcolm Pearce and Geoffrey Stewart, *British Political History, 1867–2001: Democracy and Decline* (Routledge, 2002), pp. 28–66, 185–206; Cain and Hopkins, *Imperialism*, p. 136.

[106]Ian Packer, *Liberal Government and Politics, 1905–15* (Palgrave Macmillan, 2006), pp. 28–54.

[107]Cain and Hopkins, *Imperialism*, pp. 392–414.

[108]Ibid., pp. 402–3.

[109]Smith, 'Synthesis', p. 314; Lee, *Exploitation*, pp. 20–9.

[110]Lee, *Exploitation*, pp. 20, 29.

[111]P. Tuck, 'Jules Ferry, Upper Burma and Siam: The defense of the French imperial frontier in mainland Southeast Asia, 1883–1885', *The Journal of Imperial and Commonwealth History*, 6:3 (1978), pp. 228–53 (pp. 234–36).

[112]Kenneth Fieldhouse, *Economics and Empire, 1830–1914* (Weidenfeld and Nicolson, 1976), p. 390.

[113]Anthony Webster, 'Business and empire: A reassessment of the British conquest of Burma in 1885', *The Historical Journal*, 43:4 (2000), pp. 1003–25 (pp. 1015–20).

[114]Milton Goldman, 'Franco–British rivalry over Siam, 1896–1904', *Journal of Southeast Asian Studies*, 3:2 (1972), pp. 210–28.

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Knowing that Siam could not act as an effective buffer state, Britain pushed France to accept a demarcation agreement, which resulted in the 1896 Franco–British Agreement, dictating the territorial sovereignty of Siam, the application of the open door, and the establishment of a British sphere of interest in western Siam and a French sphere in eastern Siam, granting each power priority over strategic concessions.[115] This pattern of negotiated colonial settlements culminated in the 1904 Entente Cordiale, which ended many of the remaining Anglo–French disputes in Asia and Africa, most notably through the reciprocal recognition of Britain's position in Egypt and France's predominance in Morocco.[116]

Like in the east, Britain held vital interests on India's western frontier, particularly in Persia and the defence of the crown colony. The principal threat was Russia, which sought to establish a closed sphere of interest in Persia, thus securing a commercial monopoly for Russian enterprise.[117] This process began in 1889, when Prince Dolgorukii, the Russian envoy to the shah's court, exploited Russia's military superiority and the Transcaspian Railway to secure a secret convention granting Russia a monopoly over transportation concessions. Russian dominance was further entrenched through financial control after Finance Minister Witte founded the Discount-Loan Bank of Persia in 1894. In 1900, the bank issued a loan conditional on pledging nearly all customs revenues, restricting further foreign borrowing, and imposing a ten-year ban on railway concessions to other powers.[118] Backed by military and financial leverage, Russia compelled Tehran in 1902 to adopt a commercial regime that 'discriminated against British trade and favoured Russian merchandise'.[119]

Russia was the dominant actor in Tehran and northern Persia.[120] Britain, by contrast, held stronger influence in the south-east, owing to its proximity to the Indian frontier and the Gulf route to India. From the 1890s, however, Russian expansion threatened Britain's undeclared sphere.[121] To counter this, British governments pursued a two-part strategy. First, they sought to build a politically and economically stable Iranian state capable of resisting Russian encroachment,[122] primarily through the Imperial Bank of Persia, which acted as Britain's political instrument by issuing public loans, often against the wishes of City financiers.[123] Britain also promoted rail and infrastructure concessions, but largely through state-backed subsidisation, given limited private investment.[124] Second, Britain demarcated a sphere of influence along the Persian Gulf, serving as a strategic fallback should the rest of Persia fall under Russian control.[125] These objectives were formalised in the 1907 Russo–British Convention, which divided Persia into Russian and British spheres separated

[115] Ibid., p. 221.

[116] Others have interpreted the Entente Cordiale as a policy of retrenchment directed against Germany (Gilpin, *War and Change*, p. 197). This overlooks the fact that British policymakers did not view the agreement as a means of retrenching from imperial commitments to concentrate against Germany. Rather, they saw it as a step towards imperial consolidation: by resolving Anglo–French disputes, it paved the way for a future accommodation with Russia that would safeguard Britain's Asian interests. More immediately, the Entente reduced the risk of British entanglement in the Russo–Japanese War and settled outstanding colonial disputes with France; Thomas Otte, *The Foreign Office Mind: The Making of British Foreign Policy, 1865–1914* (Cambridge University Press, 2011), p. 286; Christopher Andrew, *Theophile Delcasse and the Making of the Entente Cordiale: A Reappraisal of French Foreign Policy 1898–1905* (Palgrave Macmillan, 1968), p. 211.

[117] David McLean, *Britain and Her Buffer State: The Collapse of the Persian Empire, 1890–1914* (Royal Historical Society, 1979), p. 16; 'Finance', pp. 297–8; Jennifer Siegel, *Endgame: Britain, Russia, and the Final Struggle for Central Asia* (I.B. Tauris, 2002), pp. 10–11; Cain and Hopkins, *Imperialism*, pp. 381–2; Platt, *Finance*, pp. 228–32.

[118] Mclean, *Buffer*, pp. 16–17.

[119] Ibid., p. 18.

[120] Platt, *Finance*, pp. 228–32.

[121] Ibid.

[122] Mclean, *Buffer*; Platt, *Finance*.

[123] Mclean, *Buffer*, p. 143.

[124] Ibid., pp. 143–4.

[125] Ibid., p. 144.

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by a neutral zone,[126] with each power obliged to maintain the open door while retaining rights over strategic concessions.[127]

Like in China, new imperialism in Central and Southeast Asia was primarily a top-down strategy. British investors showed limited interest in these regions, leaving them with little incentive to lobby 'their' Conservative governments to assume additional commitments. This was particularly evident in Persia, where Conservative leaders had to reassure reluctant City financiers, who viewed the kingdom as a risky investment, to provide loans to the Persian state.[128] The same pattern was evident under the Liberals, who had to urge uninterested British industrial interests to expand their presence in Persia to counter Russia's commercial preponderance.[129]

In essence, British Conservative and Liberal policymakers viewed all four corners of the world as integral to national prosperity and pursued top-down efforts to construct regional orders that preserved the open door and secured core strategic interests.[130] Consistent with this ambition and complicated by the 1894 Franco–Russian Alliance, British security policy followed suit.[131] The army was maintained at Boer War levels,[132] while London adopted a 'two-power naval standard' requiring a fleet equal to the combined strength of any two other great powers.[133] Supporters justified the policy in terms of free trade imperialism and the naval expansion of France and Russia, and later Germany, after the destruction of the Russian fleet in the 1905 Russo–Japanese War. The United States was excluded, as it was seen as both potentially dominant and broadly aligned with new imperialism's goals.[134] Following Russia's naval defeat, France's failure to modernise its fleet, and Britain's ententes with both powers, London initially reduced naval expenditure, confident in its superiority over Germany.[135] However, after evidence in 1908–9 of Germany's secret naval expansion, Asquith's Liberal government postponed the more cautious 1906–7 naval budget revision to maintain British naval superiority.[136]

In sum, new imperialism expanded Britain's formal and informal commitments in Asia and Africa to sustain open regional orders, backed by a costly security strategy centred on the two-power standard and the Anglo–Japanese Alliance, which together sustained these commitments and maintained naval superiority amid the expanding programmes of Russia, France, and Germany. The following section examines how these priorities were reassessed after WWI.

Acute hegemonic decline: Inter-war Britain 1919–39

Until 1913, Britain's strong industrial position and financial predominance made preserving an open global economy a rational objective, necessitating an expansionist grand strategy in response

[126] Platt, *Finance*, p. 235.

[127] Although the Convention has been treated as evidence of British 'retrenchment' (Gilpin, *War and Change*, p. 197), the views of the principal decision makers suggest otherwise: for the 'Official Mind', the Convention represented a strategy of imperial consolidation, designed to secure British interests in Asia by resolving the Anglo–Russian rivalry rather than reallocating resources towards a confrontation with Germany. By reducing the risk of conflict with Russia, the Convention created the conditions for a more stable imperial order while also expanding British responsibilities in Persia, Afghanistan, and Nepal. Rather than constituting a retreat from imperial commitments, it reorganised and expanded them within a more favourable strategic environment; Otte, *Office Mind*, pp. 305, 309; Siegel, *Endgame*, p. 15.

[128] Mclean, *Buffer*, p. 144; Platt, *Finance*, p. 236.

[129] Cain and Hopkins, *Imperialism*, p. 383; Platt, *Finance*, pp. 219–48.

[130] On New Imperialism's manifestation in Africa as a response to French and German expansionism, see: Ian Phimister, 'Empire, imperialism and the partition of Africa', in Shigeru Akita (ed.), *Gentlemanly Capitalism, Imperialism and Global History* (Palgrave Macmillan, 2002), pp. 65–82; Cain, *Foundations*, pp. 50–5; M. Chamberlain, *The Scramble for Africa* (Routledge, 2013), pp. 47–64; Hirshfield, *Diplomacy of Partition*.

[131] Friedberg, *Weary Titan*, pp. 138, 146; Peter Burroughs, 'Defense and imperial unity', in Andrew Porter and Roger Louis (eds), *The Oxford History of the British Empire*, vol. 3: *The Nineteenth Century* (Oxford University Press, 1999), pp. 333–4.

[132] MacDonald and Parent, *Twilight*, p. 99.

[133] Friedberg, *Weary Titan*, pp. 155–61.

[134] Phillips O'Brien, *British and American Naval Power, Politics and Policy* (Praeger, 1998), pp. 8–29.

[135] O'Brien, *Naval Power*, pp. 52–3.

[136] Ibid., pp. 77–92.

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to heightened competition and strategic vulnerability caused by relative decline. With the end of the war, this position was no longer present. What changed this was the declining relevance of the third technological revolution and Britain's failure to lead a new one based on mass standardised production and consumption of the automobile, the tractor, the aeroplane, and electrical appliances as key industries.[137] The United States led the fourth technological revolution, leaving Britain far behind.[138] Conversely, throughout the inter-war period, Britain struggled with an economy dominated by globally declining old-economy sectors,[139] even as global trade continued to expand.[140] A key consequence was the contraction of the country's international commercial position, as the United States gradually replaced Britain as key trader in China, Japan, and Latin America.[141] Instead, Britain relied on the Empire, the dominions, and a list of economically dependent countries to safely absorb British goods and services.[142]

Also, unlike the pre-war period when 'finance' compensated for relative industrial decline, this time around, it lacked the capacity, for it too experienced contraction:[143] shipping's income fell in the face of superior US competition, lower freight rates, and a smaller British share of world trade;[144] marine insurance's income was also cut 'to a third of its post-war peak by 1930', again due to rising US competition;[145] a smaller current account surplus also meant less available capital for foreign investment, a situation further inflated by the elevation of New York as a more attractive financial market,[146] and by Britain's intention to strengthen the pound to return to the gold standard, forcing further restrictions on long-term foreign loans necessitated by a weak national economy.[147] What capital remained was preferentially exported to the dominions and a few selected partners, such as Denmark and Argentina,[148] to ensure they would service their existing debt to Britain and continue buying 'British'.[149]

Sectoral leaders and policymakers in London widely recognised Britain's acute decline relative to the United States.[150] Leading pro-imperial organisations, including the British Empire Producers' Organisation, representing Conservative MPs and dynamic industries, the Conservative parliamentary group Empire Industries Association, and the Empire Economic Union, founded by leading figures in heavy industry, agreed that Britain could no longer compete with superior US

[137] Eric Hobsbawm, *Industry and Empire: The Making of Modern English Society, 1750 to the Present Day* (Pantheon Books, 1968), pp. 105–17.

[138] Robert Matthews, Charles Feinstein, and John Odling-Smee, *British Economic Growth 1856–1973* (Clarendon Press, 1982), p. 435; Robert Boyce, *The Great Interwar Crisis and the Collapse of Globalization* (Palgrave Macmillan, 2009), pp. 106–7; Tim Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s* (Cambridge University Press, 1993).

[139] Sydney Pollard, *The Development of the British Economy* (Edward Arnold, 1962), pp. 98–9; Rooth, *Protectionism*, pp. 12, 16; Nick Crafts, 'The assessment: British economic growth over the long run', *Oxford Review of Economic Policy*, 4:1 (1988), pp. i–xxi (p. vii).

[140] Rooth, *Protectionism*, pp. 10–12.

[141] United States Department of Commerce, 'Commercial Yearbooks', vol. I (1928), p. 128; vol. II (1930), pp. 160, 351.

[142] Cain and Hopkins, *Imperialism*, pp. 466–70; Rooth, *Protectionism*, pp. 29–30; Porter, *Lion's Share*, p. 211; Boyce, *Interwar Crisis*, p. 110.

[143] Cain and Hopkins, *Imperialism*, pp. 471–5.

[144] Matthews et al., *Economic Growth*, p. 407.

[145] Robert Carter and Peter Falush, *The British Insurance Industry Since 1900* (Palgrave Macmillan, 2009).

[146] Pollard, *British Economy*, p. 186; Boyce, *Interwar Crisis*, p. 153; Ian Drummond, *The Floating Pound and the Sterling Area 1931–1939* (Cambridge University Press, 1981), pp. 4–5; Cain and Hopkins, *Imperialism*, p. 473.

[147] Bernard Attard, 'Moral suasion, empire borrowers and the new issue market during the 1920s', in Michie Ranald and Philip Williamson (eds), *The British Government and the City of London in the Twentieth Century* (Cambridge University Press, 2004), p. 206.

[148] Cain and Hopkins, *Imperialism*, p. 474.

[149] Attard, 'Borrowers', p. 199.

[150] Michael Goldberg, 'Anglo–American economic competition, 1920–1930', *Economy and History*, 16:1 (1973), pp. 15–36; Rory Miller, *Britain and Latin America in the Nineteenth Centuries* (Routledge, 1993), p. 191.

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industrial capabilities in dynamic global markets.[151] The Federation of British Industries, the country's largest employers' union, and the Trades Union Congress, the largest association of trade unions, similarly acknowledged Britain's shrinking international economic position and US economic predominance.[152] Recognition extended across the political spectrum: Conservatives such as Baldwin, Amery, Mond, and Neville Chamberlain highlighted US commercial and industrial hegemony,[153] while Labour and Liberal leaders likewise identified the United States as the new economic leader, requiring major strategic adjustment.[154]

A grand strategy of 'bloc imperialism'

With the country facing acute hegemonic decline, the three major political parties came to recognise the country's shrunken economic position, admitting that British industry could not access global markets by default, British services could not 'roam freely', and the country's increasingly scarce capital would need to be allocated more carefully. More importantly for grand strategy, political elites also understood that British prosperity had become increasingly dependent on the Empire and the dominions.[155] By the end of the 1920s, this sphere of interest absorbed the majority of British exports,[156] provided Britain with most of its imports,[157] and received most British investment.[158]

Consequently, a cross-partisan political and societal consensus formed around the idea of building and defending this narrower sphere, which had become central to Britain's economic strength.[159] For industry and trade unions, acute decline demanded an imperial economic bloc that would guarantee exports by promoting free trade within the empire through the extension of imperial preferences.[160] For finance, particularly after Britain departed from the gold standard in 1931, a unified imperial bloc was seen as a way to prevent uncontrolled depreciation of a floating pound by improving the trade balance[161] and ensuring that debtor countries within the bloc maintained adequate sterling balances.[162] For the Conservatives, the organisation of the Empire and the dominions into 'one eternal and indestructible unit', as its leader, Stanley Baldwin, put it, was the only solution to acute decline;[163] this is despite the cosmopolitan interests of its key constituents.[164] Similarly, for Labour and the Liberals, establishing an imperial bloc through preferential imperial trade was imperative in the face of the United States' growing economic dominance.[165] This imperative was all the more urgent amid fears that the dominions might turn to the United States if London failed to uphold preferential treatment for British exports.[166]

[151]Robert Boyce, *British Capitalism at the Crossroads, 1919–1932: A Study in Politics, Economics, and International Relations* (Cambridge University Press, 1987), pp. 230–1.

[152]William Garside, 'Party politics, political economy and British protectionism, 1919–1932', *History*, 83:269 (1998), pp. 47–65 (p. 55); Boyce, *Crossroads*, pp. 154–5, 256.

[153]Ibid., pp. 124–5, 230–2, 263–4.

[154]Ibid., pp. 263–4.

[155]Cain and Hopkins, *Imperialism*, pp. 466–70; Rooth, *Protectionism*, pp. 29–30.

[156]Cain and Hopkins, *Imperialism*, p. 469.

[157]Ibid., p. 468.

[158]Ibid., p. 474.

[159]Boyce, *Crossroads*; Rooth, *Protectionism*; Garside, 'Political economy', pp. 47–65.

[160]On dynamic sectors' support of a bloc strategy, see: Boyce, *Crossroads*, pp. 230–1; on older sectors, see: Boyce, *Crossroads*, pp. 123–4, 256; Rooth, *Protectionism*, pp. 44–5.

[161]Garside, 'Political economy', pp. 55–6, 64; Boyce, *Interwar Crisis*, p. 376.

[162]Cain and Hopkins, *Imperialism*, p. 508.

[163]Boyce, *Crossroads*, pp. 124–5, 230–2.

[164]Cain and Hopkins, *Imperialism*, p. 458; Boyce, *Crossroads*, p. 21. 'Finance' briefly tolerated imperial unity after the exit from the gold standard, whereas the Conservatives had become the party of imperial unity as early as 1927; Boyce, *Crossroads*, pp. 124–5.

[165]Boyce, *Crossroads*, pp. 241, 263, 277–9.

[166]Boyce, *Interwar Crisis*, pp. 378, 380; R. Holland, *Britain and the Commonwealth Alliance* (Macmillan Press, 1981), p. 143; Rooth, *Protectionism*, p. 70.

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The bloc began forming in 1932, when Neville Chamberlain, then Chancellor of the Exchequer in Prime Minister Macdonald's 'national unity' government, proposed a general 10 per cent tariff combined with imperial preference.[167] Later that year, at the Ottawa Conference of British Colonies and Dominions, Britain secured preferential margins, modest immediate concessions through reduced tariff rates, and some guarantees limiting future protection. In return, the dominions received advantages over foreign competitors, most notably guarantees of free entry into the British market.[168] The bloc's subsequent development involved extending this preferential logic to commercially dependent states, including Norway, Sweden, Denmark, the Baltic states, Portugal, Iraq, Egypt, and Siam. This expansion was cemented through bilateral trade agreements, most significantly with Denmark and Argentina, which integrated these non-imperial sovereign states into a British-centred trade orbit.[169]

As Britain's national economic interests narrowed, its security strategy was correspondingly scaled back to more limited and conservative objectives.[170] It rested on four policies that commanded broad bipartisan support, even though Conservatives and Labour appealed to different constituencies.[171] The first was cooperation with the United States, seen as the most effective way to safeguard the Empire.[172] This rested on two assumptions: that the United States possessed the financial and military capacity to outpace Britain in any arms competition,[173] and that Anglo–American interests broadly converged, particularly given the US preference for stability and existing territorial arrangements in areas of shared concern.[174] Together, these considerations encouraged military retrenchment and reinforced cooperation between the two countries.

These assumptions shaped Britain's approach at the 1921–2 Washington Naval Conference. The United States entered the negotiations seeking parity in capital ships, a ten-year moratorium on naval replacements, and the termination of the Anglo–Japanese Alliance. These demands had significant implications for Britain's naval posture and its ability to defend the Pacific dominions and its interests in China. In response, the government and the Admiralty concluded that the most effective way to preserve the Royal Navy's position was to pursue general naval reductions among the major and regional powers, particularly the United States, thereby avoiding an unsustainable arms race.[175] Accordingly, Britain accepted US demands for parity through mutual reductions.

At the same time, policymakers judged that the United States could more reliably contribute to the defence of the Pacific dominions, given its conservative strategic aims, especially when contrasted with Japan's revisionist behaviour during WWI.[176] The Anglo–Japanese Alliance was thus replaced by a four-power arrangement between Britain, the United States, Japan, and France. This framework committed the signatories to respecting one another's possessions and spheres of interest, restricted the development of new naval bases except at Singapore and Pearl Harbor, and upheld China's territorial integrity alongside the open-door principle.[177] By endorsing this system, Britain

[167] Boyce, *Interwar Crisis*, pp. 327–8, 369.

[168] Rooth, *Protectionism*, p. 100; Boyce, *Interwar Crisis*, p. 380.

[169] Drummond, *Floating Pound*.

[170] Porter, *Lion's Share*, p. 217.

[171] Narizny, *Grand Strategy*, pp. 159–61, 173–6.

[172] Philips O'Brien, *The Anglo–Japanese Alliance, 1902–1922* (Routledge, 2004); Christopher Bell, 'Winston Churchill, Pacific security, and the limits of British power, 1921–41', in John Maurer (ed.), *Churchill and the Strategic Dilemmas Before the World Wars* (Frank Cass, 2005), pp. 51–87.

[173] Paul Kennedy, *The Rise and Fall of British Naval Mastery* (Allen Lane, 1976), p. 277; Bell, 'Pacific security', p. 52.

[174] David French, *Deterrence, Coercion, and Appeasement British Grand Strategy, 1919–1940* (Oxford University Press, 2022), p. 120.

[175] Kennedy, *Naval Mastery*, p. 277; Greg Kennedy, 'The Royal Navy and imperial defence, 1919–1956', in Greg Kennedy (ed.), *Imperial Defence: The Old World Order 1856–1956* (Routledge, 2007), p. 135; Keith Neilson, 'The Foreign Office and the defence of empire, 1919–1939', in Greg Kennedy (ed.), *Imperial Defence: The Old World Order 1856–1956,* (Routledge, 2007), p. 38.

[176] O'Brien, *Alliance*, pp. 274–5, 278–9.

[177] French, *Deterrence*, p. 122; Neilson, 'Foreign Office', p. 37; Kennedy, 'Royal Navy', p. 136.

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effectively placed its confidence in the United States to sustain stability in the Pacific and to check potential Japanese expansion.[178]

However, this architecture did not guarantee a firm US commitment, forcing Britain to pursue a second security policy: maintaining military forces capable of defending the Empire independently of US support.[179] This policy operated along two main lines. The first centred on shaping the Royal Navy to meet the demands of Britain's global empire and to protect its sea lines of communication.[180] Central was the development of a globally dominant force of light cruisers, regarded as the most suitable vessels for both roles.[181] This priority was embedded in the Washington Naval Settlement, and when the United States later sought parity in cruisers, London resisted, notably at the unsuccessful 1927 Geneva Conference and the 1930 London Conference.[182] Given Britain's financial constraints, the government also adopted a more limited one-power standard in the 1920s, ensuring the Royal Navy could counter any single threat in core imperial regions,[183] marking a sharp departure from the pre-war two-power standard, designed to sustain British naval superiority for an open global economy.

In addition to developing an imperially oriented navy, London sought to build an air force and an army tailored to imperial requirements. In the case of the RAF, the emphasis throughout the 1920s fell on its imperial role: roughly half of its squadrons were stationed in, or operated across, the Empire's periphery, while most of its bomber force consisted of light, short-range aircraft designed for imperial policing.[184] Similarly, the army's budget was drastically reduced, and its role 'reverted to its late-nineteenth-century function as a professional field force' tasked with defending India and supporting colonial authorities during periods of unrest.[185]

The security strategy's third pillar prescribed building infrastructure to ensure these forces' mobility. This included modernising existing naval bases and the decision to build a naval base at Singapore, serving as the central defensive hub for the Pacific dominions.[186] The Empire also established a network of airfields to connect it physically, enabling the RAF to operate as an imperial policing force.[187]

The fourth and final component of Britain's security policy was to promote stability in Europe with minimal commitment, thereby allowing a focus on imperial priorities.[188] This was made possible through British leadership in the 1925 Locarno Treaties, which established the inviolability of the French–German and Belgian–German borders.[189]

Conclusion

What was Britain's strategic response to hegemonic decline? Between 1880 and 1939, policymakers adopted two markedly different grand strategies. From 1880 to 1913, the country's global commitments grew, supported by a bold security strategy based on the two-power standard and the

[178]Bell, 'Pacific security', pp. 52–3; Anthony Clayton, *The British Empire as a Superpower, 1919–39* (The Macmillan Press, 1986), p. 23.

[179]Bell, 'Pacific security', p. 54.

[180]Kennedy, 'Royal Navy', p. 137; Kennedy, *Naval Mastery*, p. 273.

[181]Kennedy, 'Royal Navy', p. 135; O'Brien, *Naval Power*, pp. 212, 215–16; Orest Babij, 'The second Labour government and British maritime security, 1929–1931', *Diplomacy and Statecraft*, 6:3 (1995), pp. 645–71 (pp. 649–51); French, *Deterrence*, pp. 196–7.

[182]Babij, Maritime security', p. 664; French, *Deterrence*, pp. 199, 208–10.

[183]Bell, 'Pacific security', p. 59.

[184]Clayton, *Superpower*, p. 26; Paul Kennedy, *The Realities Behind Diplomacy: Background Influences on British Foreign Policy, 1865–1980* (Fontana Press, 1989), p. 275; French, *Deterrence*, pp. 214–15.

[185]Kennedy, *Naval Mastery*, p. 273.

[186]Neilson, 'Foreign Office', p. 36; Clayton, *Superpower*, pp. 24–5; Bell, 'Pacific security', p. 54; French, *Deterrence*, pp. 187–8.

[187]French, *Deterrence*, pp. 215–16.

[188]Kennedy, *Naval Mastery*, p. 273.

[189]French, *Deterrence*, pp. 155–7; Kennedy, *Realities*, pp. 268–9.

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Anglo–Japanese Alliance. This aligned with the aim of safeguarding the broader national interest of maintaining open regional orders amid an increasingly competitive environment driven by the industrialisation of other great powers. Conversely, in the inter-war period, Britain's global commitments and resources contracted, in alignment with the narrower objective of defending an imperial bloc. This shift reflected the bloc's growing importance as the country's principal source of prosperity, particularly in light of the United States' capacity to lead the fourth technological revolution. Therefore, Britain was compelled to act in markedly different ways across the two periods by experiencing two distinct forms of hegemonic decline, each generating its own set of incentives and constraints on strategic action.

Connecting these findings to debates on hegemonic decline and grand strategy, this analysis shows that decline generates incentives for both expansionist and contractionary responses. Rather than constituting an 'either/or' dilemma, different incentives apply depending on the type of decline experienced. Mild decline triggers expansionist dynamics by fostering a more competitive environment, whereas acute decline necessitates contractionary behaviour by shrinking the hegemon's international economic position. Second, these findings challenge the prevailing view of retrenchment as the default response under decline. While hegemons are likely to retrench, they typically do so only when their 'national interest' contracts because they cannot lead a new round of innovation. Before that, the most common response is expansion to defend interests that extend well beyond mere survival concerns. Third is the conclusion that a hegemon's grand strategy is not, contrary to OEP accounts, driven by a bottom-up logic resting on the preferences of social actors and their translation into strategic policy by their political representatives. Policymakers across the political spectrum conceived and implemented both new imperialism and bloc imperialism, often without pressure from constituents and sometimes against their preferences. Conservatives and Liberals sought to attract British investors to strategic concessions in China, Persia, and Africa, while both, alongside Labour in the inter-war period, converged on shared grand strategies despite representing distinct constituencies. This consensus reflected the pressures of hegemonic decline: late nineteenth- and early twentieth-century policymakers responded to a more competitive global environment with expansion, while inter-war policymakers centred British interests on the imperial bloc and embraced retrenchment amid US economic dominance. Sectoral support sometimes facilitated strategic adjustment, as with the political viability of bloc imperialism, but decline itself provided the broader impetus for consensus across governing coalitions.

Beyond its immediate findings and their implications for hegemonic decline and grand strategy, this article opens two distinct avenues for further research. One involves applying this framework to the contemporary decline of the United States relative to China. Another involves extending and applying the variegated framework to great powers in decline other than hegemons, thus proposing the study of great powers in decline as an uneven hierarchy of adversely affected great powers, thereby highlighting and accounting for diverse patterns of grand strategic behaviour.

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