CHAPTER TWO

A Preference for War?
AN ADDITIVE THEORY OF BUSINESS WAR PREFERENCES

Why, then, do businesses support or oppose war? As noted in the previous chapter, businesses in the United States have historically held divergent opinions over war and peace. Some businesses have opposed wars while others haven't. Some businesses may even have supported wars. Existing explanations for these opinions, however—centered mainly on a business' trade policy preferences—do a poor job of predicting which businesses will support or oppose war. In this chapter I therefore lay out a new additive theory of business war preferences, the opinions businesses hold over whether a government should go to war or not.

I begin this chapter by first conceptualizing business support and opposition to war. Saying that a business supports or opposes war can mean one of two things, either that the business holds a policy preference in favor or against interstate conflicts, or that a business acts politically in reaction to the threat of conflict. This dissertation focuses on the former interpretation. Second, I summarize existing explanations for business war preferences and note how none of them provide a strong basis for understanding why businesses might support or oppose war. I center this discussion on the most convincing alternate explanation for business war preferences, which I term trade preference theory, but I also discuss additional proto-theories of business war preferences rooted in businesses' natural affinity for peace or war, military contracts, and need for foreign markets, raw materials, or other ancillary policy outcomes that wars might help accomplish. Although all of these explanations have their supporters, they suffer from a series of logical and empirical shortcomings that ultimately render them unconvincing.

Third, I develop a new additive theory of business war preferences to mitigate these shortcomings. As a first step, I provide a clear conceptualization of businesses as political actors based on a set of reasonable assumptions about what businesses are and what motivates them. Second, I assert that there are a number of economic consequences of war besides just disrupted international trade, in particular increased governmental demand for conflict relevant material and decreased consumer demand. Having laid this theoretical groundwork, I can then deduce a series of hypotheses regarding why businesses would want to support or oppose war based on which businesses are most and least affected by these economic consequences. Finally, I note how these assumptions and assertions lead to some important scope conditions on my theory.

To preview the theoretical argument, I believe that a business's war preferences stem from the additive effects of two major causes. First, there is a business' trade orientation, whether it is in an internationalist or domestic oriented sector. Second, there is a business's conflict relevance, whether it currently sells or can easily convert to selling goods that increase military effectiveness. This theory therefore represents a simple—yet powerful—revision to existing theories of business war preferences. By highlighting multiple, additive causes of business war preferences my theory does a better job of both predicting and explaining these preferences in key historical cases than trade preference theory. As such, it is a firmer theoretical foundation for follow-on theories of business political behavior and business influence on governmental policy making than trade preference theory. I conclude the chapter with a discussion of how I go about testing this new additive theory of business war preferences against trade preference theory using a structured multi-method approach.

2.1 Conceptualizing Business Support and Opposition to War

What does it mean to say that a business supports or opposes war? Business support or opposition to war can conceptually refer to one of two things: that a business holds a policy preference for or against conflict, or that a business acts politically to try and influence a country's decision to engage in war. In other words, business support or opposition to war can be conceptualized as either the policy outcome that an actor prefers, that is war or peace, or as the political strategy, that is support or opposition, that an actor employs to achieve its most preferred outcome.[1]

This dual conceptualization of business support and opposition to war poses some empirical difficulties that I will discuss more fully later in this chapter. Specifically, it's hard to empirically differentiate between an actor's preferences and their resulting strategy/behavior because it is impossible to directly measure preferences.[2] Nevertheless, it remains useful for analytic purposes to differentiate between policy preferences and political behavior since political behavior is always driven by multiple causes, and cannot be explained solely based on an actor's policy preferences.[3] In this section I simply aim to conceptualize and define the categories of policy preferences and business war preferences, the latter being the primary outcome of interest or dependent variable in this study.

What, then, are business war preferences? International political economy scholars have long studied businesses' policy preferences in a variety of foreign economic and

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[1] This distinction mirrors that in Jeffrey A. Frieden, "Actors and Preferences in International Relations." In *Strategic Choice and International Relations*, edited by David A. Lake and Robert Powell, 39–76. Princeton: Princeton University Press, 1999: 41.

[2] Daniel M. Hausman, "Mistakes About Preferences in the Social Sciences." *Philosophy of the Social Sciences* 41, no. 1 (2011): 3–25.

[3] The strategic environment and actors' information have independent effects on actor behavior alongside their preferences. See Frieden, "Actors and Preferences," 48; David A. Lake and Robert Powell, "International Relations: A Strategic-Choice Approach." In *Strategic Choices and International Relations*, edited by David A. Lake and Robert Powell. Princeton: Princeton University Press, 1999: 3–38.

domestic policy areas, including trade[4], welfare[5], immigration[6], and climate regulation[7], but there has been far less research on businesses' security policy preferences. Broadly, an actor's preferences refer to their rank ordering and relative affinity over potential outcomes. A business's policy preferences, then, are their rank ordering and relative affinity over policies a government might choose to enact. Policies are strategies that governments pursue to try and achieve their goals. For businesses and other domestic actors, then, policies are a political outcome, albeit one they can try to affect. Business war preferences are therefore the rank ordering and relative affinity that businesses have over whether a state should go to war or stay at peace. They are a "preference over outcomes"—that is war or peace—rather than a "preference over strategies."[8]

Businesses likely have distinct war preferences about different types of wars, for instance interstate versus intrastate conflicts. For the purpose of this dissertation, though, I focus exclusively on businesses' preferences about interstate conflict. Business war preferences are therefore a spectrum ranging from opposition at one end, where a business prefers interstate peace relative to interstate war, to support at the other, where a business prefers interstate war relative to interstate peace. Because support and opposition to war are diametric end points of a spectrum, saying a business is likely to support war is the same as saying that they are unlikely to oppose war, and vice versa.

A final important point regarding business war preferences is the question of whether or not it is appropriate to theorize where actor preferences come from. Economists, for instance, have traditionally viewed an actor's preferences as fixed, that is unchanging, and exogenous, or given by nature. They are therefore relatively unconcerned with trying to explain where preferences come from, and indeed criticize efforts to try and do so.[9] Political scientists, however, disagree, and oftentimes treat preferences as an outcome of interest, or "dependent variable," worth explaining through a theoretical argument.[10] As noted above, international political economy scholars have long considered business' policy preferences about a variety of domestic and foreign economic policies as an appropriate dependent variable. My research on business war preferences builds on this

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[4] In Song Kim, "Political Cleavages within Industry: Firm-Level Lobbying for Trade Liberalization." *American Political Science Review* 111, no. 1 (February 2017): 1–20; Iain Osgood, "The Breakdown of Industrial Opposition to Trade: Firms, Product Variety, and Reciprocal Liberalization." *World Politics* 69, no. 1 (January 2017): 184–231; Leonardo Baccini, Andreas Dür, and Manfred Elsig, "Intra-Industry Trade, Global Value Chains, and Preferential Tariff Liberalization." *International Studies Quarterly* 62, no. 2 (June 2018): 329–40.

[5] Cathie Jo Martin, "Nature or Nurture? Sources of Firm Preference for National Health Reform." *American Political Science Review* 89, no. 4 (1995): 898–913; Peter A. Hall and David Soskice, eds. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford, UK: Oxford University Press, 2001; Kathleen Thelen, *Varieties of Liberalism and the New Politics of Social Solidarity*. New York: Cambridge University Press, 2014.

[6] Margaret E. Peters, *Trading Barriers: Immigration and the Remaking of Globalization*. Princeton, NJ: Princeton University Press, 2017.

[7] Amanda Kennard, "The Enemy of My Enemy: When Firms Support Climate Change Regulation." *International Organization* 74, no. 2 (2020): 187–221.

[8] Frieden, "Actors and Preferences."

[9] George J. Stigler and Gary S. Becker, "De Gustibus Non Est Disputandum." *American Economic Review* 67, no. 2 (March 1977): 76–90.

[10] Aaron Wildavsky, "Choosing Preferences by Constructing Institutions: A Cultural Theory of Preference Formation." *American Political Science Review* 81, no. 1 (March 1987): 3–22; Frieden, "Actors and Preferences."

earlier work on policy preferences, albeit in the realm of international security as opposed to international political economy or domestic politics.

2.2 Existing Explanations for Business War Preferences

How have international relations scholars historically explained business war preferences? Traditionally, the most popular explanation for a business's war preferences has been to link these preferences to a business's trade policy preferences. Scholars have argued that businesses that support and engage in international trade will oppose war since conflict raises the cost of trade, while businesses that want trade protectionism and compete with imported goods will support wars since conflicts produce a de facto tariff that mitigates the flow of imports.

This view, however, which I term trade preference theory, represents only one theory of business war preferences amongst many. After summarizing trade preference theory I therefore discuss three other alternate explanations for business war preferences rooted in businesses' natural affinity for peace or war, military contracts, and need for foreign markets, materials, or other ancillary policy outcomes that war might achieve. Relative to trade preference theory, though, these additional theories of business war preferences are fairly unconvincing. In particular, they suffer from a series of conceptual and logical shortcomings that render them unpersuasive. Although I summarize them here, I therefore dispense with them in the later, empirical sections of this dissertation.

2.2.1 Trade Preference Theory

The main existing theoretical explanation for business war preferences is what I will call trade preference theory. Scholars have recognized that there is a connection between war and trade ever since the work of early Manchester School political economists such as Richard Cobden in the nineteenth century. Given that war disrupted trade, Cobden hoped that educating businessmen and policy makers about the negative economic consequences of war would lead them to be more peaceful.[11] By the early twentieth century these ideas had not only been expanded upon theoretically, but taken root in popular discourse. Norman Angell's early 20th century bestseller, *The Great Illusion*, for instance, argued that modern war was irrational because of its economic costs. Not only were any economic benefits of conquest greatly outnumbered by the costs of war, Angell noted, but these economic benefits could be gained absent war's cost through international trade.[12] British economist Richard Pigou made similar arguments during and after the First World War. Interstate wars could be very costly to countries even if they weren't directly invaded, Pigou noted, since "great losses may be inflicted upon many people through the interference with foreign trade which war involves."[13]

This early scholarship forms the historical foundation for trade preference theory, which argues that a business' war preferences stem solely from their trade policy preferences. Since war disrupts trade, internationally competitive firms that favor and engage in free trade will likely oppose wars. They have an incentive to advocate for

[11] Richard Cobden, *The Political Writings of Richard Cobden*. Vol. 1–2. London: William Ridgway, 1868.
[12] Norman Angell, *The Great Illusion*. New York: G. P. Putnam's Sons, 1910.
[13] Arthur C. Pigou, *The Economy and Finance of the War*. London: J. M. Dent & Sons Ltd., 1916: 10.

restrained, peaceful foreign policies.[14] As Patrick McDonald explains, "these foreign policy goals are driven by material interests seeking to avoid the well-known economic costs of military conflict."[15] Conversely, import-competing interests that prefer trade protectionism to free trade will be less likely to oppose wars, and indeed may have a preference for military conflict. "The beneficiaries of protection, or firms that are not competitive in global markets, may support aggressive foreign policies or war for the economic benefits it provides to them. By slowing imports, military conflict raises the domestic price of traded goods and enables import-competing firms to expand their domestic market share."[16]

Other scholars have echoed and expanded upon this central premise of trade preference theory. Etel Solingen, for instance, argues that businesses with distinct trade policy preferences join together into domestic political coalitions that then lobby for or against expansionist and bellicose foreign policies. In particular, she notes that "Expanding international markets and institutions affect domestic incomes, prices, employment, and politics. Some groups benefit from international exchange"—that is trade—while "others do not."[17] An "internationalizing" coalition will "attract actual or potential beneficiaries of economic openness, including internationally competitive sectors and consumers" while an "inward-looking" coalition will bring together "constituencies adversely affected by openness, including proponents of state entrepreneurship, nationalism, 'self-sufficiency,' and military-industrial complexes."[18]

As a result of these economic policy preferences, coalitions are driven to favor certain foreign security policies over others. For Solingen, an "internationalizing" grand strategy will "emphasize access to global markets, capital, and technology; regional cooperation and stability; and domestic macroeconomic stability that reduces uncertainty, encourages savings, and enhances investment (including foreign investment)," while inward-looking coalitions "benefit from grand strategies that enhance the viability of statist, nationalist, protectionist, and military-industrial complexes. External insecurity and competition offer rationales for extracting societal resources, collecting monopoly rents, creating cartels, rewarding protectionist constituencies, and undermining internationalizing competitors."[19] Beyond a broad preference for a certain "grand strategy" over another, Solingen's ideal type coalitions also have distinct war preferences. This differentiates her argument from other scholars who try to explain business' preferences regarding "grand

[14] Patrick J. McDonald, *The Invisible Hand of Peace: Capitalism, the War Machine, and International Relations Theory*. New York: Cambridge University Press, 2009; Patrick J. McDonald and Kevin Sweeney. "The Achilles' Heel of Liberal IR Theory?: Globalization and Conflict in the Pre-World War I Era." *World Politics* 59, no. 3 (April 2007): 370–403; Etel Solingen, "Domestic Coalitions, Internationalization, and War: Then and Now." *International Security* 39, no. 1 (Summer 2014): 44–70; Benjamin O. Fordham, "The Domestic Politics of World Power: Explaining Debates over the United States Battleship Fleet, 1890–91." *International Organization* 73 (2019): 435–68.
[15] McDonald, *The Invisible Hand of Peace*: 68-9.
[16] McDonald, *The Invisible Hand of Peace*: 69.
[17] Solingen, "Domestic Coalitions, Internationalization, and War," 46. See also Etel Solingen, *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy*. Princeton, NJ: Princeton University Press, 1998.
[18] Solingen, "Domestic Coalitions, Internationalization, and War," 47.
[19] Solingen, "Domestic Coalitions, Internationalization, and War," 47.

strategy."[20] For Solingen, the "pillars" of internationalizing grand strategies individually "dampen incentives for war; collectively they weaken them further." Conversely, for an inward-looking coalition, "Forceful territorial expansion"—specifically through war—"helps to extend the size of protected markets and squeeze out competitors."[21]

Finally, Ben Fordham's research on the domestic economic determinants of American foreign policy, although dealing primarily with how business pressure affects government policy, also argues that a business' trade policy preferences drive their support for a bellicose, as opposed to a pacific, foreign policy. Fordham notes that businesses lobbying for protection from foreign imports in the early 20th century led the United States to "adopt an aggressive and opportunistic posture towards other major powers" which raised the possibility of armed crises and wars.[22] "Overall," he concludes, a U.S. trade policy that sought "special advantages for American exporters while closing the U.S. market to manufactured imports implied an aggressive posture toward other states."[23]

Fordham uncovers a similar relationship between trade preferences and a willingness to court war in the United States' stark increase in military spending in the late 1890s. The construction of a large fleet of battleships during this period supported protectionist interests since "Plans to exclude other developed states from the US market" through trade protectionism, "and perhaps from Latin America as well" through economic and diplomatic coercion, "implied a hostile posture" towards other major powers. "As the premier power-projection instrument of the time, battleships were a natural complement to this foreign policy."[24] To be fair, Fordham draws far subtler linkages between trade policy preferences and war preferences than scholars like McDonald and Solingen. The implications of his arguments, however, remain the same: businesses that support free trade should be more likely to oppose, and less likely to support, war than businesses that oppose free trade.

We can therefore deduce one testable hypothesis from trade preference theory.[25]

> **H_1**: Internationalist businesses will be more likely to oppose war than domestic-oriented businesses.

Although trade preference theory is straightforward and fairly intuitive, there are at least three potential reasons for concern. First, as noted in the previous chapter, trade preference theory lacks predictive accuracy in key historical cases such as American businesses' preferences regarding World War I and World War II. Many of the businesses

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[20] For instance, see Kevin Narizny, *The Political Economy of Grand Strategy*. Ithaca, NY: Cornell University Press, 2007. I have chosen to focus exclusively on war preferences both because of ongoing conceptual debates regarding what constitutes a grand strategy and, relatedly, a personal skepticism that business leaders think in terms of such scholarly categories. The best summary of the conceptual debate over "grand strategy" is Nina Silove, "Beyond the Buzzword: The Three Meanings of 'Grand Strategy.'" *Security Studies* 27, no. 1 (2018): 27–57.

[21] Solingen, "Domestic Coalitions, Internationalization, and War," 47.

[22] Benjamin O. Fordham, "Protectionist Empire: Trade, Tariffs, and United States Foreign Policy, 1890–1914." *Studies in American Political Development* 31, no. 2 (October 2017): 186.

[23] Fordham, "Protectionist Empire," 190.

[24] Fordham, "The Domestic Politics of World Power," 8.

[25] Since business war preferences are a spectrum ranging from opposition to support we could also write this hypothesis as "Businesses in domestic-oriented industries will be more likely to support war than businesses in internationalist industries.

that trade preference theory would predict should oppose wars, such as the World War I-era wheat industry and World War II-era automobile industry, didn't really oppose these conflicts. Second, by focusing exclusively on war's effect on trade, the theory ignores war's effect on domestic demand. In particular, it misses potential avenues for businesses to offset a decrease in international trade by selling to domestic buyers. Trade preference theory therefore implicitly argues that trade preferences are a sufficient explanation for business war preferences, a rather strong theoretical claim. Finally, trade preference theory hasn't been directly tested. Scholars primarily use trade preference theory to justify using trade policy preferences as a proxy measure of business war preferences for testing the effect of business pressure on policy outcomes.[26] Despite its popularity, therefore, there is little direct evidence supporting trade preference theory.

2.2.2 Proto-Theories

There are also a number of additional proto-theories of business war preferences that are worth mentioning briefly. They aren't suited for empirical testing, however, since they have weaker logic and less clear hypotheses than trade preference theory. The three main proto-theories are scholars arguing that businesses have a natural affinity for war or peace, scholars highlighting the role of military contracts in determining business war preferences, and scholars linking a need for raw materials or markets in foreign countries, or other ancillary policy outcomes that war might accomplish, to business war preferences.

2.2.2.1 Natural Affinity

Some scholars have argued that businesses have a natural affinity for either peace or war, implying that businesses have uniform preferences either supporting or opposing wars. Scholars arguing that all businesses support war highlight how businesses have a unique opportunity to collude with government officials during wartime, potentially juicing their profits and locking in beneficial regulations and laws. Sociologist C. Wright Mills, for instance, argued during the Cold War that all businesses in the United States had a shared interest in conflict since war boosts profits and gives businesses a rationale for becoming more directly involved in government. Mills noted that "today the successful economic man...must influence or control those positions in the state in which decisions of consequence to his corporate activities are made." Importantly, "This trend in economic men is, of course, facilitated by war, which thus creates the need to continue corporate activities with political as well as economic means. War is of course the health of the corporate economy; during war the political economy tends to become more unified, and moreover, political legitimations of the most unquestionable sort--national security itself are gained for corporate economic activities."[27] Economist Murray Rothbard articulated a similar view, believing that businesses universally supported war in order to insulate themselves from market pressures by capturing governmental regulatory and purchasing

[26] For example, McDonald, *The Invisible Hand of Peace*, uses trade preference theory as the basis for testing whether states with lower tariffs are less likely to go to war than states with higher tariffs. He doesn't directly test whether export-oriented businesses, which oppose tariffs, also oppose war.
[27] C. Wright Mills, *The Power Elite*. New York: Oxford University Press, 1956: 167.

power.[28] Broadly, these arguments reflect Cold War-era concerns about collusion between businesses and government in the realm of both domestic and foreign policy.[29]

Other scholars, however, argue that all businesses oppose war, highlighting a culture of "business pacifism" rooted in both norms and rational fears about the economic effects of conflict. Samuel Huntington, for example, described this culture as inherent in the scholarly work of Cobden, Herbert Spencer, John Fiske and William Graham Sumner, as well as the example set by "lay prophets" such as Andrew Carnegie. Huntington argued that three factors: a form of religious moralism, classical economic liberalism and utilitarianism, and social darwinism, combined to cause businesses to oppose war.[30] James T. Shotwell, an early 20th century professor of international relations at Columbia University, believed that American efforts to maintain free trade during wars stemmed in part from "the general interest of business in peace."[31] The problem with both of these sets of arguments, however, is that they have little to no empirical support. Across all major 20th century wars that the United States participated in, for instance, we see variation in business war preferences, not uniformity.[32]

2.2.2.2 Military Contract Theory

Might a desire for military contracts and military spending drive some businesses to support war? Famously, President Dwight D. Eisenhower warned about the growing power of the "military industrial complex" in his farewell address to the country upon leaving office, mirroring Cold War era fears that the country was at risk of becoming a "garrison state" due to the high levels of military spending and restrictions on individual liberty necessary to compete with the Soviet Union.[33] Broader fears that high levels of military spending are incompatible with the United States' liberal, republican political traditions date back even farther, to the country's founding after the Revolutionary War.[34]

Unfortunately, despite a large scholarly literature dedicated to analyzing the military industrial complex, this research doesn't coalesce into a testable theory regarding business war preferences. Early 20th century research on businesses that profited from war—the so-called "merchants of death"—is primarily polemical, relying on hearsay and supposition rather than providing systematic evidence about the opinions of military

[28] Murray N. Rothbard, "War Collectivism in World War I." In *A New History of Leviathan*, edited by Ronald Radosh and Murray N. Rothbard, 66–110. New York: E. P. Dutton & Co., 1972.
[29] John Kenneth Galbraith, *The New Industrial State*. New York: Penguin Books, 1974.
[30] Samuel P. Huntington, *The Soldier and the State*. Cambridge, MA: Harvard University Press, 1957: 222-226.
[31] James T. Shotwell, *On the Rim of the Abyss*. New York: The Macmillan Company, 1936: 63.
[32] Beyond the evidence from World Wars I and II cited in the previous chapter, see Leo Cherne, "Does Business Want War?" *Nation's Business* 40, no. 1 (January 1, 1952): 37–39, 75–76; Bruce M. Russett and Elizabeth C. Hanson, *Interest and Ideology: The Foreign Policy Beliefs of American Businessmen*. San Francisco, CA: W. H. Freeman and Company, 1975.
[33] Eisenhower notably used the term "military industrial complex" in his "farewell address" of January 17, 1961. For cold war era fears of the "garrison state," and the country's strategic reaction to it, see Aaron L. Friedberg, *In the Shadow of the Garrison State: America's Anti-Statism and Its Cold War Grand Strategy*. Princeton, NJ: Princeton University Press, 2000; Michael Lind, *The American Way of Strategy: U.S. Foreign Policy and the American Way of Life*. New York, NY: Oxford University Press, 2006.
[34] Rebecca Thorpe, *The American Warfare State*. Chicago, IL: University of Chicago Press, 2014.

oriented businesses.[35] Later research on the military industrial complex often speaks about the complex in the abstract, failing to specify the preferences of private businesses as opposed to political elites or military bureaucracies.[36] Even if this literature can be read as simply arguing that all members of the military industrial complex support war, therefore, it still doesn't tell us which businesses specifically comprise the military industrial complex. It also doesn't make a clear prediction about businesses that aren't part of the military industrial complex.

While it intuitively makes sense that businesses that sell munitions or other types of war supplies to governments likely have unique policy preferences regarding war, scholars have yet to articulate a general theory linking military contracts, or the potential for military contracts, to business war preferences. In particular, scholars studying the "military industrial complex" leave a crucial question unanswered: what are the war preferences of businesses that aren't currently part of the "military industrial complex," such as consumer-facing firms, but which might convert to selling military equipment during war time? There are a number of examples, such as the World War II-era automobile industry, of companies that had little to no peacetime military contracts but pivoted in the lead-up to war towards building and selling military equipment.[37] Existing scholarship on the "military industrial complex" has little to say about these companies or their war preferences. My additive theory of business war preferences mitigates this shortcoming by introducing the broader concept of a business' "war utility" that encompasses both their current and future ability to help a country's war effort.

2.2.2.3 Foreign Market/Materials Theory

A final theory of business war preferences, albeit one that has fallen out of favor in recent decades, is what I will call foreign market/materials theory. Drawing on long-standing Marxist and liberal theories of imperialism, this theory argues that businesses which desire foreign market access and raw materials will support foreign wars and an expansionist foreign policy, while those that don't need foreign markets or raw materials will oppose war.

Foreign market/materials theory can be traced back to the early 20th century, most notably to John Hobson's economic analysis of imperialism. Hobson believed that the acquisition of foreign colonies was misguided, given that they offered few economic benefits to colonizers and squabbles over colonial possessions had the potential to spark conflict between major powers. Why, then, did European countries acquire colonies?

[35] Helmuth C. Engelbrecht and Frank C. Hanighen, *The Merchants of Death*. New York, NY: Dodd, Mead & Company, 1934, is the best known example of this prolific genre.

[36] E.g. Walter Adams, "The Military-Industrial Complex and the New Industrial State." *The American Economic Review* 58, no. 2 (1968): 652–65; Seymour Melman, *Pentagon Capitalism: The Political Economy of War*. New York, NY: McGraw-Hill Book Company, Inc, 1970. Other scholars studying the military industrial complex simply look at different dependent variables than business war preferences, such as procurement decisions. E.g. James R. Kurth, "The Political Economy of Weapons Procurement: The Follow-on Imperative." *The American Economic Review* 62, no. 1/2 (1972): 304–11; Mary Kaldor, "The Weapons Succession Process." *World Politics* 38, no. 4 (1986): 577–95; Eugene Gholz and Harvey M. Sapolsky. "Restructuring the U.S. Defense Industry." *International Security* 24, no. 3 (Winter 1999): 5–51.

[37] Mark R. Wilson, *Destructive Creation: American Business and the Winning of World War II*. Philadelphia, PA: University of Pennsylvania Press, 2016; Stefan J. Link, *Forging Global Fordism: Nazi Germany, Soviet Russia, and the Contest over the Industrial Order*. Princeton, NJ: Princeton University Press, 2020.

Hobson's answer was that some businesses benefited economically from imperialism even though most businesses did not. Imperialism occurred, therefore, when "the business interests of the nation as a whole are subordinated to those of certain sectional interests that usurp control of the national resources and use them for their private gain."[38] Particularly, export-oriented business with surplus manufactured products benefited from imperialism because imperial conquest opened up foreign markets where these products could be profitably sold. Manufacturers "gain a living by supplying the real or artificial wants of the new countries we annex or open up."[39] Although Hobson's economic interpretation of imperialism is perhaps best known by contemporary scholars, he is just one of many early 20th century scholars who analyzed wars and imperialism as the result of business' desire for foreign markets. Italian economist Achille Loria similarly believed that imperialism was the result of business pressure: "Why, indeed," he asked, "are wars undertaken if not to conquer colonies which permit the employment of fresh capital, to acquire commercial monopolies, or to obtain the exclusive use of certain highways of commerce?"[40]

Marxist theorists such as Rosa Luxemburg and Vladimir Lenin also argued that businesses supported wars and imperialism due to a desire for raw materials and foreign markets. For Luxemburg, capitalism contained an inherent drive towards accumulation and violence. "From the very beginning, the forms and laws of capitalist production aim to comprise the entire globe as a store of productive forces. Capital, impelled to appropriate productive forces for purposes of exploitation, ransacks the whole world, it procures its means of production from all corners of the earth, seizing them, if necessary by force, from all levels of civilisation and from all forms of society."[41] Imperialism, then, is "the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment."[42]

Lenin also argued that capitalist businesses supported imperialism, albeit for slightly more specific reasons. Businesses wanted access to foreign markets due to a diminishing rate of return on capital investments in the "home markets" of European countries, and a need for raw materials. "The capitalists divide the world" into imperial blocs, Lenin believed, "not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to get profits."[43] Peace was unlikely even after dividing the world into empires, and subsequent expansion of capitalist enterprises, however, due to an insatiable desire for raw materials. Lenin argued that "the more the need for raw materials is felt, the more bitter competition becomes, and the more feverishly the hunt for raw materials proceeds throughout the whole world."[44] Even as their specific mechanisms might slightly differ, Hobson, Loria,

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[38] John A. Hobson, *Imperialism: A Study*. New York: James Pott & Company, 1902: 51.
[39] Hobson, *Imperialism*, 54.
[40] Achille Loria, *The Economic Foundations of Society*. Translated by Lindley M. Keasbey. New York, NY: Charles Scribner's Sons, 1899: 267.
[41] Rosa Luxemburg, *The Accumulation of Capital*. Translated by Agnes Schwarzschild. New Haven, CT: Yale University Press, 1951: 358.
[42] Luxemburg, *The Accumulation of Capital*, 446.
[43] Vladimir I. Lenin, *Imperialism: The Highest Stage of Capitalism*. New York: International Publishers, 1939: 75.
[44] Lenin, *Imperialism*, 82.

Luxemburg, Lenin and others can be grouped together based on their shared emphasis on businesses' desire for foreign markets and raw materials.[45]

There are two key issues, however, with this theory. First, these arguments primarily try to explain why businesses support or oppose colonization and imperialism, not war. Imperialism often involves conquest and war, but these are conceptually distinct phenomena.[46] Second, explaining business war preferences on the basis of ancillary policy outcomes such as market access or raw materials requires strong assumptions about alternative government policies besides war that might also achieve these outcomes.[47]

In particular, since war is costly for a country as a whole, rational businesses will prefer governmental strategies besides war that can achieve ancillary policy outcomes, such as a negotiated settlement, unless at least one of several additional conditions hold. First, there could be a higher probability that war achieves these policy outcomes than an alternate strategy. Second, alternative policies might be costlier to the business than war. Third, the business might also be directly affected by a war, either positively or negatively, regardless of whether ancillary policy outcomes occur or not. A more robust version of raw markets/materials theory could potentially assert and defend these first two conditions, but as currently construed the theory doesn't. The third condition implies that it is simpler to explain business war preferences based on war's direct effects rather than its ancillary benefits, which both trade preference theory and my additive theory do.

2.3 An Additive Theory of Business War Preferences

Given the shortcomings identified above with existing theories of business war preferences, what might a more convincing theory of business war preferences look like? In contrast to trade preference theory, I argue that business war preferences have multiple determinants. In particular, businesses will support or oppose war based on both their trade orientation and conflict relevance, whether they sell—or can easily convert to selling—goods that increase military effectiveness. I deduce this theory from two key sets of microfoundations: a strict conceptualization of businesses as unitary, boundedly rational actors motivated primarily by profit, and a set of defensible assertions about the economic

[45] Scholars, primarily Marxist in orientation, have certainly developed these arguments further in the intervening years since Lenin. The core emphasis on markets and raw materials, however, has remained the same.

[46] Indeed various conceptualizations of imperialism highlight different mixtures of territorial, political, economic, social, and cultural control. E. g. Anthony Brewer, *Marxist Theories of Imperialism: A Critical Survey*. London: Routledge & Keegan Paul, 1980; Antonio Negri and Michael Hardt, *Empire*. Cambridge: Harvard University Press, 2000; John Smith, *Imperialism in the Twenty-First Century: Globalization, Super-Exploitation, and Capitalism's Final Crisis*. New York: NYU Press, 2016; Samir Amin, *Modern Imperialism, Monopoly Finance Capital, and Marx's Law of Value*. New York: NYU Press, 2018.

[47] We might also consider policy outcomes like the restoration of seized property and other investor protections. See Eugene Staley, *War and the Private Investor*. Chicago, IL: The University of Chicago Press, 1935; Noel Maurer, *The Empire Trap: The Rise and Fall of U.S. Intervention to Protect American Property Overseas, 1893-2013*. Princeton, NJ: Princeton University Press, 2013; Peter James Hudson, *Bankers and Empire: How Wall Street Colonized the Caribbean*. Chicago, IL: University of Chicago, 2017; Edward R. Lucas, "Public Goods, Club Goods, and Private Interests: The Influence of Domestic Business Elites on British Counter-Piracy Interventions in the South China Sea, 1921–35." *Security Studies* 28, no. 4 (2019): 710–38. More generally, we can consider any policy outcome that a leader might proclaim as a "war aim."

effects of interstate conflicts. I also explain how these microfoundations lead to some important scope conditions on my theory.[48]

2.3.1 Conceptualizing Businesses as Political Actors

For my theory I define a business, following economist Howard Bowen, as "an independent private organization that 1) mobilizes economic resources (land, labor, and capital), 2) produces goods or services for sale in a market, and 3) relies primarily on the proceeds from the sale of its product to meet its costs."[49] In line with this definition I make four primary assumptions about businesses. First, I "black box" businesses by assuming that they are unitary actors. I ignore the internal workings and organizational complexity of businesses in favor of conceptualizing them as a single, indivisible decision-making unit.[50] Although clearly unrealistic, this unitary actor assumption is analytically useful. Treating businesses as "a reality, intangible as to body, but understandable as a unit" simplifies the elaboration of a business' decision-making process and sets a baseline against which theories with more descriptively accurate depictions of business' internal organization can be compared.[51]

Second, I assume that businesses are boundedly rational. Under expected utility models, or "strict rationality," scholars assume that actors accurately maximize their relative benefits while choosing between competing actions based on transitive, continuous and independent preferences.[52] This model often falls short, however, in providing either accurate description or prediction of human decision-making. Scholars have therefore articulated theories of both individual and organizational behavior that recognize the "bounds," or limits, on rationality.[53] Assuming that businesses are boundedly rational is a more descriptively accurate assumption than assuming that businesses are perfectly rational. This assumption has two main consequences: it allows business war preferences to have a theoretically larger variance than a strictly rational theory, and highlights how business strategies generally focus on short term rather than long term consequences.[54]

[48] Microfoundations are the fundamental building blocks of social science theory, whereby outcomes at the aggregate or "macro" level are explained based on dynamics at a lower level of analysis. I do not seek to explicitly test whether my microfoundational account of businesses as political actors is empirically accurate, so I conceptualize them here as theoretical assumptions rather than assertions. For more on conceptualizing microfoundations see Jay Barney and Teppo Felin. "What Are Microfoundations?" *Academy of Management Perspectives* 27, no. 2 (May 2013): 138–55; Joshua D. Kertzer, "Microfoundations in International Relations." *Conflict Management and Peace Science* 34, no. 1 (2017): 81–97.

[49] Howard R. Bowen, *The Business Enterprise as a Subject for Research*. Social Science Research Council, 1955: 2.

[50] For a discussion of the benefits of "black-boxing" actors see Charles L. Glaser, *Rational Theory of International Politics: The Logic of Competition and Cooperation*. Princeton: Princeton University Press, 2010: 32-3, 185-8.

[51] James H. Stauss, "The Entrepreneur: The Firm." *Journal of Political Economy* 52, no. 2 (1944): 126.

[52] John Von Neumann and Oskar Morgenstern, *Theory of Games and Economic Behavior*. Princeton, NJ: Princeton University Press, 1944; Paul J. H. Schoemaker, "The Expected Utility Model: Its Variants, Purposes, Evidence and Limitations." *Journal of Economic Literature* 20, no. 2 (1982): 529–63.

[53] James G. March and Herbert A. Simon, *Organizations*. New York: Wiley, 1958; Bryan D. Jones, "Bounded Rationality." *Annual Review of Political Science* 2, no. 1 (1999): 297–321; Rick K. Wilson, "The Contribution of Behavioral Economics to Political Science." *Annual Review of Political Science* 14, no. 1 (2011): 201–23.

[54] Ronald M. Cyert and James G. March, *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice Hall, 1963.

Third, I assume that businesses are primarily motivated to seek profits. By "primarily motivated" I mean that the collective impact of non-profit motivations on business preferences isn't greater than profit motivations. Importantly, I am not denying that businesses can be motivated by a variety of beliefs, norms, and other social factors, which is a long-established fact.[55] Rather, my profit motive assumption sets a baseline against which social and other theories of business behavior can be compared, and represents a theoretical bet that the profit motive will better explain variation in business support/opposition to war than social theories.

Fourth, I assume that businesses are primarily motivated to seek profits. By "primarily motivated" I mean that the collective impact of non-profit motivations on business preferences will never be greater than profit motivations.[56] This assumption seems justified given existing scholarship on corporate decision-making. As economist George Stigler notes, profits are "the strongest, the most universal, and the most persistent of the forces governing entrepreneurial behavior."[57] Empirically, business executives often self-report that profits are their primary goal.[58]

Importantly, in assuming that businesses are primarily profit motivated I am not denying that businesses can also be inspired to action by a variety of beliefs, norms, and other social factors. Again, the social roots of both political and non-political business behavior is a long-established fact.[59] Rather, my profit motive assumption fulfils two key roles in my theory. First, it sets a baseline against which social and other theories of business behavior can be compared. Second, it represents a theoretical bet that the profit motive will better explain variation in business support/opposition to war than social theories.

Finally, I assume that businesses are independent economic and political actors operating in a market economy. It makes little sense to talk about business war preferences if businesses are wholly state owned or otherwise shielded from the economic consequences of war.[60]

2.3.2 Understanding the Economic Effects of War

[55] Adolf A. Berle, Jr., *The 20th Century Capitalist Revolution*. New York, NY: Harcourt, Brace, 1954; William C. Frederick, "The Growing Concern Over Business Responsibility." *California Management Review* 2, no. 4 (1960): 54–61.

[56] Importantly, I am not assuming here that businesses pursue a fixed level of profits, for instance either a maximum or minimum level. Rather, I am making assumption about the relative impact of profit, as opposed to non-profit, motives on business policy preferences and behavior.

[57] George J. Stigler, *The Theory of Price*. Revised Edition. New York: Macmillan, 1952: 149. See similar sentiments in Peter F. Drucker, *Concept of the Corporation*. New York, NY: New American Library, 1972; Bowen, *The Business Enterprise*; Mills, *The Power Elite*.

[58] James K. Dent, "Organizational Correlates of the Goals of Business Managements." *Personnel Psychology* 12, no. 3 (1959): 365–93; George W. England and Raymond Lee, "Organizational Goals and Expected Behavior among American, Japanese and Korean Managers--A Comparative Study." *The Academy of Management Journal* 14, no. 4 (1971): 425–38; Russett and Hanson, *Interest and Ideology*.

[59] Berle, Jr., *The 20th Century Capitalist Revolution*; Frederick, "The Growing Concern Over Business Responsibility."

[60] For the analogous situation in the realm of trade policy see Christina L. Davis, Andreas Fuchs, and Kristina Johnson, "State Control and the Effects of Foreign Relations on Bilateral Trade." *Journal of Conflict Resolution* 63, no. 2 (2019): 405–38.

What are the economic consequences of war? In other words, how might wars affect businesses' profits? Here I simply conceptualize wars as a series of sequential geopolitical shocks that have three primary economic effects: raising the cost of international trade, increasing governmental demand for conflict relevant material, and decreasing consumer demand. I also assert that businesses know these effects will occur prior to a war breaking out, enabling them to hold *ex ante* war preferences.[61]

Importantly, different types of businesses will be differentially affected by these three consequences. Businesses that don't engage in international trade, for instance, will be less concerned about an increase in the costs of international trade than businesses that are engaged in such trade. Indeed, it is precisely by thinking about which businesses are most and least affected by these consequences that we can deduce hypotheses about the primary dividing lines along which businesses will support or oppose war. In turn, these assertions about the economic consequences of war are the mechanisms linking different types of businesses to different war preferences.

First, I assert that wars, particularly large ones between powerful states, raise the costs of international trade. This assertion should be fairly uncontroversial. The notion that war disrupts trade is a key mechanism underlying arguments about the "capitalist peace," whereby economic exchange and interdependence lower the probability of war.[62] Even international relations scholars that note war doesn't completely rupture trade generally believe that it diminishes trade flows between belligerents and scrambles flows among neutrals.[63] Second, wars will raise governmental demand for military goods, both material with purely military uses, such as tanks, and "dual-use" material, such as uniforms and food, that has both civilian and military uses. Although governments may have historically produced weapons and other war material themselves, or seized supplies from their citizens, since the mid 19th century governments have generally purchased the material they require to fight wars from private businesses.[64] Third, and related, wars will decrease the supply and demand for consumer goods. Wars will diminish the supply of consumer goods as factories and labor that previously manufactured these goods are transitioned to

[61] As "assertions" rather than "assumptions," these are testable propositions. See Seva Gunitsky, "Rival Visions of Parsimony." *International Studies Quarterly* 63, no. 3 (2019): 707-716.

[62] Erik Gartzke, "The Capitalist Peace." *American Journal of Political Science* 51, no. 1 (January 2007): 166–91; Solomon W. Polachek and Jun Xiang, "How Opportunity Costs Decrease the Probability of War in an Incomplete Information Game." *International Organization* 64, no. 1 (Winter 2010): 133–44; Reuven Glick and Alan M Taylor, "Collateral Damage: Trade Disruption and the Economic Impact of War." *The Review of Economics and Statistics* 92, no. 1 (2010): 102–27; Erik Gartzke and Oliver Westerwinter, "The Complex Structure of Commercial Peace: Contrasting Trade Interdependence, Asymmetry, and Multipolarity." *Journal of Peace Research* 53, no. 3 (2016): 325–43.

[63] Jack S. Levy and Katherine Barbieri, "Trading with the Enemy during Wartime." *Security Studies* 13, no. 3 (2004): 1–47; Joanne Gowa and Raymond Hicks, "Commerce and Conflict: New Data about the Great War." *British Journal of Political Science* 47, no. 3 (July 2017): 653–74; Mariya Grinberg, "Planning for the Short Haul: Explaining Wartime Trade between Enemies." PhD Dissertation, University of Chicago, 2019.

[64] Keith Krause, *Arms and the State: Patterns of Military Production and Trade*. Cambridge: Cambridge University Press, 1992; Roger Morriss, *The Foundations of British Maritime Ascendancy: Resources, Logistics and the State, 1755–1815*. Cambridge, UK: Cambridge University Press, 2010; Priya Satia, *Empire of Guns: The Violent Making of the Industrial Revolution*. New York: Penguin, 2018.

producing conflict relevant material.[65] Consumer demand will also drop as governments implement rationing, raise taxes, limit wage increases, and appeal to patriotism.[66]

Certainly these aren't the only economic consequences of war. Nevertheless, I emphasize them for two main reasons. First, they are direct effects of conflict rather than ancillary effects, such as a particular state's war aims. As a result, they lead to a general theory of business war preferences rather than being limited to idiosyncratic wars or individual countries.[67] Second, these effects' prominence in the political science and economics literatures on the economic consequences of conflict implies that they are some of the most important economic consequences of war. Third, these effects are less conditional on the outcome of bargaining between businesses and political leaders than the economic effects of wartime fiscal or regulatory policies.[68] I discuss how emphasizing different economic effects of war might profitably lead to alternate theories of business war preferences in the conclusion of this article.

Finally, I assert that businesses know interstate wars will cause these effects prior to a war breaking out with a relatively high degree of accuracy, therefore enabling them to hold ex ante war preferences.[69] Strategic management scholars have long argued that successful businesses proactively analyze threats to their business operations, including geopolitical risks like the threat of interstate war.[70] Empirically, businesses are often aware of how interstate wars will affect them and frame their interpretation of contemporary conflicts in light of their experience with past conflicts.[71] Saying that businesses hold *ex ante* war preferences, however, doesn't mean that these preferences will always be salient, that is relevant, for businesses.[72] Businesses hold war preferences even during times of peace, but the relevance of these preferences increases as the threat of conflict grows and businesses think proactively about how a potential war may affect their profitability.

2.3.3 An Additive Theory of Business War Preferences

[65] Wilson, *Destructive Creation*.

[66] Amy Bentley, *Eating for Victory: Food Rationing and the Politics of Domesticity*. Urbana, IL: University of Illinois Press, 1998; Rosella Cappella Zielinski, *How States Pay for Wars*. Ithaca, NY: Cornell University Press, 2016.

[67] Dan Slater and Daniel Ziblatt, "The Enduring Indispensability of the Controlled Comparison." *Comparative Political Studies* 46, no. 10 (October 2013): 1301–27.

[68] Cappella Zielinski, *How States Pay for Wars*; Sarah Kreps, *Taxing Wars: The American Way of War Finance and the Decline of Democracy*. New York, NY: Oxford University Press, 2018.

[69] This is equivalent to saying that businesses confront the threat of war under conditions of risk versus uncertainty. Frank H. Knight, *Risk, Uncertainty and Profit*. Boston: Houghton Mifflin Company, 1921.

[70] Condoleezza Rice and Amy Zegart, "Managing 21st-Century Political Risk." *Harvard Business Review* 96, no. 3 (May 2018): 130–38.

[71] The American raw cotton industry during World War I, for instance, consistently referenced the industry's experience during the American Civil War, e.g. "Dublin Chamber on Cotton Matter," *The Athens Banner*, September 3, 1914, p. 3; "Cotton and the War," *Textile World Record*, Vol. 47, No 6 (September 1914), p. 15. The American wheat industry drew on their recent experience in the Balkan Wars, which disrupted the flow of Russian wheat into global markets. See M. E. Falkus, "Russia and the International Wheat Trade, 1861-1914," *Economica*, Vol. 33, No. 132 (1966), pp. 416-429.

[72] Pedro Bordalo, Nicola Gennaioli, and Andrei Shleifer, "Salience Theory of Choice Under Risk," *Quarterly Journal of Economics*, Vol. 127, No. 3 (2012), pp. 1243-1285. The salience of businesses' trade policy preferences similarly varies over time. Alexandra Guisinger, "Determining Trade Policy: Do Voters Hold Politicians Accountable?" *International Organization*, Vol. 63, No. 3 (Summer 2009), pp. 533-557.

Why, then, do businesses support or oppose war? I argue that the additive effects of two primary causes, a business's trade orientation and conflict relevance, will ultimately determine their war preferences. I derive these two independent variables from my three assertions above about the economic effects of conflict. First, similar to trade preference theory, I argue that business support/opposition to war will be determined by a business's trade orientation. Further following trade preference theory, I conceptualize trade orientation as a dichotomous variable whereby businesses are located in either an internationalist or domestic oriented sector. A business is located in an internationalist sector if they are in an export competing industry, and therefore support free trade, or are dependent on imported material for domestic sale.[73] Conversely, a domestic oriented sector consists of import-competing industries that oppose free trade, or industries that are oriented almost exclusively towards domestic production and sale. Since internationalist businesses are reliant on international exchange for profits, I agree with trade preference theory that they will be more likely to oppose war than domestic oriented businesses since war raises the costs of international trade. I also assume, like trade preference theory, that trade orientation primarily varies at the inter-industry rather than intra-industry level.[74]

Trade orientation alone, however, is insufficient for determining support/opposition to war. Instead, its effect must be added to the effect of a second cause: the business's conflict relevance. Businesses have high conflict relevance if they sell, or can easily convert to selling, goods that increase military effectiveness.[75] These goods can be directly used or easily repurposed for military use, and therefore increase the quantity or quality of a state's military forces. Governments will need to buy more military goods during wartime than peacetime, so businesses with high conflict relevance will be less likely to oppose conflicts than businesses with low conflict relevance since they can profit from this increased governmental demand. Businesses with high conflict relevance will also be less affected by decreases in consumer demand than businesses with low conflict relevance. For simplicity I assume, as with trade orientation, that conflict relevance is a dichotomous exogenous variable that primarily varies between rather than within industries.[76]

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[73] Jeffrey Frieden, "Sectoral Conflict and Foreign Economic Policy, 1914–1940." *International Organization* 42, no. 1 (Winter 1988): 59–90.

[74] Recent scholarship on trade policy preferences focuses on intra-industry as opposed to inter-industry variation, see Kim, "Political Cleavages within Industry"; Osgood, "The Breakdown of Industrial Opposition to Trade"; Baccini et. al. "Intra-Industry Trade." Nevertheless, this work primarily sees intra-industry variation as supplementing, rather than replacing, inter-industry variation in explaining trade preferences. I discuss in the conclusion of this article how my theory can be amended to account for intra-industry variation in trade orientation.

[75] Existing research on the "security externalities" of international trade implicitly argues that all tradeable goods have some degree of conflict relevance, e.g. Joanne Gowa and Edward D. Mansfield, "Power Politics and International Trade," *The American Political Science Review*, Vol. 87, No. 2 (1993), pp. 408-420. I sharpen this argument by noting important variation in which products are more and less useful for conducting an interstate war. I further assert that this variation occurs at the industry level. Even if all businesses have an economic incentive to try and convert to selling military goods during war time, and increase their baseline level of conflict relevance, they likely vary in their ability to do so. Endogenizing conflict relevance based on industry or firm level variation in organizational adaptability or wartime convertibility costs is a fruitful avenue for future research but beyond the scope of this article.

[76] This assumption highlights that the most relevant variation in business war preferences will occur between businesses with high and low conflict relevance while the war preferences of businesses with middling conflict relevance are hard to confidently predict.

As a result of these combined effects, I argue that internationalist businesses with low conflict relevance will be the most likely businesses to oppose wars. They will be unable to sell goods to belligerent governments and are most affected by wartime trade disruptions. Both their trade orientation and conflict relevance push them to oppose war.

> **H_2**: Internationalist businesses with low conflict relevance will be the most likely businesses to oppose wars

Conversely, domestic oriented businesses with high conflict relevance will be the least likely to oppose war. They will benefit both from the inadvertent trade protectionism that war brings and by selling war material to governments. Their trade orientation and conflict relevance both make them unlikely to oppose war.

> **H_3**: Domestic oriented businesses with high conflict relevance will be the least likely businesses to oppose wars

It follows then that industries facing cross-cutting war-time economic pressures will be relatively more/less likely to oppose war than these two "extreme" cases. Internationalist businesses with high conflict relevance will be less likely to oppose wars than internationalist businesses with low conflict relevance since the former can make up trade-related losses by selling military goods and the latter cannot. Similarly, domestic oriented businesses with low conflict relevance will be more likely to oppose wars than domestic oriented businesses with high conflict relevance. These businesses will gain through the trade protection that war brings but are unable to juice their profits by selling military goods.

> **H_4**: Internationalist businesses with high conflict relevance will be less likely to oppose wars than internationalist businesses with low conflict relevance

> **H_5**: Domestic oriented businesses with low conflict relevance will be more likely to oppose wars than domestic oriented businesses with high conflict relevance

What about relative support/opposition to war between these less extreme cases? Since both internationalist businesses with high conflict relevance and domestic oriented businesses with low conflict relevance face cross-cutting war-time economic pressures, it is only possible to hypothesize their level of support/opposition to war relative to each other given an assertion about the relative effect of trade orientation and conflict relevance on business war preferences. From first principles it is hard to convincingly argue that the relative effect size of either trade orientation or conflict relevance will be consistently higher than the other across various interstate conflicts. This relationship will likely be conflict-specific. As such, my theory makes no prediction about the relative support/opposition to war between domestic oriented businesses with low conflict relevance and internationalist businesses with high conflict relevance.

Finally, it is worth considering whether conflict relevance might be a sufficient explanation for business war preferences. Since my conceptualization of conflict relevance captures both a business's current and potential ability to sell military goods, it is an improvement on existing military industrial complex research that isn't clear about which businesses are in the complex or the war preferences of businesses outside the complex. As a final hypothesis, then, we might believe that businesses with high conflict relevance simply will be less likely to oppose wars than businesses with low conflict relevance.

> **H$_6$**: Businesses with high conflict relevance will be less likely to oppose wars than businesses with low conflict relevance

2.3.4 Scope Conditions

It would be presumptuous to claim that such a simple theory can explain all business war preferences across time and space. There are therefore at least two important scope conditions on my additive theory. First, my theory is limited to states without a high level of state-owned businesses because of my assumption that businesses are independent economic and political actors operating in a market economy. Second, my theory is limited to businesses' opinions about large interstate wars where my assertions about the economic effects of conflict are justified. I operationalize these large wars as conflicts that contain at least one great power and last for at least six months. Small wars that don't involve a great power may not significantly raise the costs of international trade. Similarly, governments may not need to purchase large amounts of new military material during a short war lasting less than six months. Lengthy, large wars that involve a great power, however, will raise the cost of international trade, increase governmental demand for conflict relevant material, and decrease consumer demand.

Although these scope conditions are fairly restrictive, the goal of my theory is to set a clear baseline expectation for business war preferences in a constrained set of circumstances so that deviations from this baseline can be clearly assessed. I lay out the universe of cases that meet these scope conditions in the following section and, given their relative arbitrariness, I discuss in the conclusion how these scope conditions might be productively examined in further research.

2.4 Testing the Theory

How can we assess the relative validity of my additive theory of business war preferences versus trade preference theory? One approach would be to look primarily at the logic underpinning each theory to see whether the predictions they make are logically consistent given each theory's underlying assumptions and assertions. In this regard it is hard to argue that either theory outperforms the other. Both trade preference theory and my additive theory of business war preferences certainly contain simplifying assumptions, and underplay or ignore entirely a number of other potential causes of business war preferences. Still, such simplifications are a necessary part of developing social science theory. All social science theories rely on simplified assumptions and assertions in order to help scholars make sense of the world. As Seva Gunitsky argues, this "instrumental approach" to parsimonious theory building "highlights certain features of the world in order to make sense of it."[77]

A better test of trade preference theory and my additive theory, then, is an "empirical," or evidence-based test. By looking at observed patterns of business war preferences, and seeing which theoretical predictions better aligns with the pattern, we can make an informed judgment about the theories' relative validity. Although the intuition

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[77] Gunitsky, "Rival Visions of Parsimony," 710.

behind this test is quite simple, however, performing this type of empirical test is harder than it might seem at first.

Specifically, over the past decade or so the field of political science has undergone what some term a "credibility revolution" when it comes to empirically testing theories.[78] This revolution contains two major elements. The first is cautionary: political scientists are warned about the inherent difficulty of credibly identifying causal effects between two variables. The problem here is that when we observe a correlational relationship between two variables, that is they appear to move together, we can't prove that this is a causal relationship absent a credible exclusion restriction. There could be any number of other factors, including many that we cannot observe, that are tangled up in the supposed cause-effect relationship we are interested in. To credibly estimate a causal effect we therefore need to isolate the purported cause from these other potential confounding causes. [79] We have to convince ourselves, and other researchers, that the purported cause we are interested in isn't systematically correlated with any other factor that might also potentially cause the pattern we are observing. Needless to say, this is oftentimes a tough argument to make.

The second element of the credibility revolution has been methodological. Political scientists have turned to a number of analytic techniques that can provide a credible exclusion restriction and help them to argue that they have identified a causal effect. The common element to these analytic techniques is randomization. If a researcher can randomly manipulate a purported cause, for instance in an experimental drug trial where participants are randomly given either a drug or a sugar pill placebo, then any observed differences in outcomes can be ascribed to the randomized treatment, in this case the drug. The search for randomization has led to a drastic increase in the use of experimental techniques in political science, as well as other research designs where a researcher can argue that a potential cause is "as-if-random" even if they can't manipulate it directly.[80] Political scientists therefore often look for "natural experiments," where scholars can analyze real-world situations where a cause has been randomized through some natural process—like rainfall—or another entity outside the researcher's control, like the government. Alternatively, scholars can utilize discontinuity designs, where individuals or units are arbitrarily assigned to one category or another based on a clear threshold, for instance when a political candidate "wins" an election by margin of 50% plus one vote.[81]

Although I take both the cautionary and methodological elements of the credibility revolution seriously, both trade preference theory and my additive theory of business war preferences are, regrettably, very difficult to test using contemporary causal identification techniques. The problem is that the key independent variables in trade preference theory and my additive theory of business war preferences—a business' trade orientation and conflict relevance—are impossible for me to randomize in a credible experimental setting.

[78] Scott Ashworth, Ethan Bueno de Mesquita and Christopher R. Berry, *Theory and Credibility: Integrating Theoretical and Empirical Social Science* (Princeton, NJ: Princeton University Press, 2021).

[79] Scott Cunningham, *Causal Inference: The Mixtape*. New Haven, CT: Yale University Press, 2021.

[80] On the rise of experimental research in political science see James N. Druckman, Donald P. Green, James H. Kuklinski, and Arthus Lupia. "The Growth and Development of Experimental Research in Political Science." *American Political Science Review* 100, no. 4 (2006): 627–35.

[81] For more on these types of research designs see Thad Dunning, *Natural Experiments in the Social Sciences: A Design-Based Approach*. Cambridge, UK: Cambridge University Press, 2012; Cunningham, *Causal Inference*.

Moreover, given that mergers and splits between businesses are undertaken only after a lengthy period of analysis and maneuvering, it is hard to argue that such instances can serve as a natural experiment.

The inability to manipulate the key independent variables in these theories may lead some hardline empirical social scientists to conclude they are difficult, if not impossible to test. As Kosuke Imai notes, "It may be difficult to think about causality if the treatment variable of interest cannot be easily manipulated."[82] I disagree. Even if we cannot precisely causally identify the effects of trade orientation or conflict relevance on business war preferences we can still assess their relative empirical validity. The development in recent years of refined methods for testing social science theories using qualitative analysis and comparative case studies is both an overlooked aspect of the credibility revolution and provides a convincing method for testing trade preference theory and my additive theory of business war preferences.

In the remainder of this section, I therefore lay out a plausible approach for testing the competing hypotheses from trade preference theory and my additive theory of business war preferences using intentionally selected comparative case studies. I first describe the comparative case study method, and discuss the two-stage case selection strategy I used to select my country-conflict and industry cases. Second, I talk about the sources I use for my comparative case studies and how I use them to measure business war preferences. Finally, I briefly discuss how later chapters in the dissertation supplement the comparative case studies through limited statistical analysis of historical survey data.

2.4.1 The Comparative Case Approach

Anyone who has read a history book or a biography has read a case study, although of slightly different types. A biography, at least a biography of a single person, is a case study of an individual, while a history book, perhaps of a single country, or event, is a case study of that phenomenon. What counts as a "case" for analytic purpose in case study analysis depends on the unit of analysis, the type of phenomenon the researcher is interested in. By looking at a small set of case studies and analyzing them in depth a researcher hopes to gain generalizable knowledge or findings that will hold for other, un-studied cases.[83]

In comparative case study research a scholar looks at multiple cases simultaneously in an attempt to draw generalizable conclusions based on the similarities and differences in the characteristics of the cases and the outcomes that occur.[84] By "controlling" the case selection process and looking at cases that share similar baseline characteristics, and yet have different outcomes, a scholar can argue that the differences in outcome are due to the case's differing baseline characteristics. Importantly, controlled comparative case comparisons possess strong internal validity, and can allow for credible causal claims, when they are intentionally selected to maximize inferential leverage and can rule out confounding explanations through a deep interrogation of the historical record. In

[82] Kosuke Imai, *Quantitative Social Science: An Introduction*. Princeton, NJ: Princeton University Press, 2017, 48.

[83] John Gerring, "What Is a Case Study and What Is It Good For?" *American Political Science Review* 98, no. 2 (2004): 341–54.

[84] Alexander L. George and Andrew Bennett. *Case Studies and Theory Development in the Social Sciences*. Cambridge, MA: MIT Press, 2005.

particular, demonstrating that hypothesized causal mechanisms aren't operating as a theory predicts in "extreme" or "most likely" cases for a given theoretical explanation can provide strong contradictory evidence vis-à-vis that explanation.[85]

The problem with controlled comparative case comparisons, though, is that they often buy internal validity at the expense of external validity. Demonstrating that causal mechanisms are or aren't operative in an extreme or most likely case doesn't provide a basis for making credible claims about representative cases. As I discuss in the conclusion of this section, I mitigate these external validity concerns by pairing comparative case studies with analysis of historical survey data that allows for measurement of business war preferences across a wider range of representative business cases.

2.4.2 Case Selection Strategy

Testing trade preference theory and my additive theory of business war preferences requires a two stage case selection strategy. First, I need to select countries and conflicts that are "typical" cases for both theories. I then need to select "most likely" business cases for trade preference theory inside of that typical country-war case. This strategy gives me the best leverage for assessing the relative validity of trade preference theory versus my additive theory of business war preferences, while also ensuring that the results of that analysis have the best chance of being valid in other country-war cases.

The potential country-war case universe for my case study analysis consists of all countries with a small proportion of state owned businesses that are either involved in, or have the potential to become involved in, an interstate war that is large enough to disrupt international trade, raise governmental demand for conflict relevant material, and decrease consumer demand. Identifying business war preferences during peacetime is difficult since these preferences won't be particularly salient.[86] Only testing theories of business war preferences during wartime, however, may also be problematic, as it conditions case selection on an outcome—war—that may also be affected by variation in business war preferences.[87] Identifying "negative cases" of non-conflict, though, is incredibly difficult.[88]

Although the full case universe for testing theories of business war preferences therefore consists of all industries in countries with a small proportion of state owned businesses that have a relatively high probability of entering a large interstate war, even if that conflict never occurs, I focus my empirical analysis on a practical sub-set of that case universe: countries with a small proportion of state owned businesses involved in an interstate war with at least one great power participant that lasts at least six months. The full list of the 71 cases that fit these criteria can be found in Appendix A.[89]

[85] Jack S. Levy, "Case Studies: Types, Designs, and Logics of Inference." *Conflict Management and Peace Science* 25, no. 1 (2008): 1–18.
[86] Guisinger, "Determining Trade Policy."
[87] War outbreak is a potential "collider variable." See Felix Elwert and Christopher Winship, "Endogenous Selection Bias: The Problem of Conditioning on a Collider Variable," *Annual Review of Sociology*, Vol. 40 (2014), pp. 31-53.
[88] James Mahoney and Gary Goertz, "The Possibility Principle: Choosing Negative Cases in Comparative Research," *The American Political Science Review*, Vol. 98, No. 4 (2004), pp. 653-669.
[89] The six month length requirement is arbitrary, so I also report all country-war cases that meet the scope condition of at least one great power participant to allow for future robustness tests of my theory when relaxing this requirement.

A "typical case," according to Jason Seawright and John Gerring, is "a case that exemplifies a stable, cross-case relationship."[90] In other words, it doesn't contain unique factors that sets it apart from other cases. Selecting a typical country-war case helps bolster the potential generalizability of my empirical findings. The "transportability" of empirical findings from one context to another is only justifiable if the cases share common elements and are sufficiently similar. [91] Given that arguments for transportability and external validity rest on a number of strong assertions about case similarity, I do not claim here that my typical country-war case selection strategy yields externally valid findings that can be transported to other countries or conflicts. Rather, this strategy seeks only to raises the probability of transportability.[92]

For this dissertation I focus primarily on the country-war case of the United States during World War I, for four primary reasons. First, nearly half of the country-war cases in my restricted case universe (34/71 cases) occur during the World Wars. Second, selecting a country case during World War I as opposed to World War II seems prudent given the potential confounding effect of a business's experience during World War I on their preferences regarding World War II. Third, although it is tempting to see the American experience during World War I as unique due to its extended period of neutrality from 1914-1917, this view is the product of scholarly hindsight and is not how American business leaders viewed the war as it unfolded.

Debates over whether, and how, the United States should become involved in World War I started immediately after the war began.[93] American business leaders like J.P. Morgan, Jr. took the time to update President Woodrow Wilson personally on how the war was affecting their business operations in its opening days, and this flow of information from business leaders continued throughout the conflict.[94] American businesses' preferences about World War I therefore represent a suitable test of business war preferences because these businesses had no way of knowing whether or when the United States might ultimately enter the conflict. Neutrality does not bias empirical tests of theories of business war preferences as long as those businesses confront a relatively high probability of the state they are based out of entering the conflict. Indeed, testing theories of business war preferences in neutral states may actually be less biased than tests in belligerent states if censorship laws might preclude businesses voicing opposition to war. Finally, setting generalizability concerns aside, the case of the United States during World War I is also an important case for studying business war preferences given long standing historiographical disagreement about the role of business pressure in driving the United States' involvement.[95]

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[90] Jason Seawright and John Gerring, "Case Selection Techniques in Case Study Research: A Menu of Qualitative and Quantitative Options." *Political Research Quarterly* 61, no. 2 (2008): 299.

[91] Sean Gailmard refers to this phenomenon as "causal generalization." Sean Gailmard, "Theory, History, and Political Economy." *Journal of Historical Political Economy* 1, no. 1 (2021): 69–104.

[92] For a more detailed discussion of the assumptions behind transportability claims see Judea Pearl and Elias Bareinboim, "External Validity: From Do-Calculus to Transportability Across Populations." *Statistical Science* 29, no. 4 (November 2014): 579–95.

[93] M. Ryan Floyd, *Abandoning American Neutrality: Woodrow Wilson and the Beginning of the Great War, August 1914 – December 1915* (New York: Palgrave Macmillan, 2013).

[94] J. P. Morgan, Jr. to Woodrow Wilson, July 29, 1914, Woodrow Wilson Papers, Library of Congress, Series 2, Reel 60, pp. 64705.

[95] Benjamin O. Fordham, "Revisionism Reconsidered: Exports and American Intervention in World War I," *International Organization*, Vol. 61, No. 2 (Spring 2007), pp. 277-310; Galen Jackson, "The Offshore

In the second step of the case selection strategy I selected "most likely" business cases for trade preference theory from the broader case universe of American businesses during World War I. Jack Levy refers to the logic underpinning a most likely case decision as "the inverse Sinatra inference—if I cannot make it there, I cannot make it anywhere."[96] In other words, if trade preference theory does a poor job of predicting business war preferences in cases where it should do a good job of predicting those preferences then the theory's credibility greatly diminishes. Moreover, demonstrating that hypothesized causal mechanisms aren't operating as a theory predicts in "extreme" or "most likely" cases for a given theoretical explanation can provide strong contradictory evidence vis-à-vis that explanation.

Businesses that have an extremely internationalist or domestic-oriented trade orientation are most likely cases for trade preference theory. These businesses should be, respectively, the businesses that are the most and least likely to oppose interstate wars. We should call the validity of trade preference theory into question if extremely internationalist businesses don't oppose interstate wars, or if extremely domestic-oriented businesses oppose interstate wars.

I used a "nested analysis" approach to select these most likely cases. A nested analysis approach uses quantitative information about cases in order to guide the selection of qualitative cases.[97] In this instance I used quantitative measures of American industries' annual export-import ratio, import value, and export value in order to conduct this nested analysis. I select industry rather than individual business cases since I assume trade orientation and war utility primarily vary at the industry rather than individual business level.

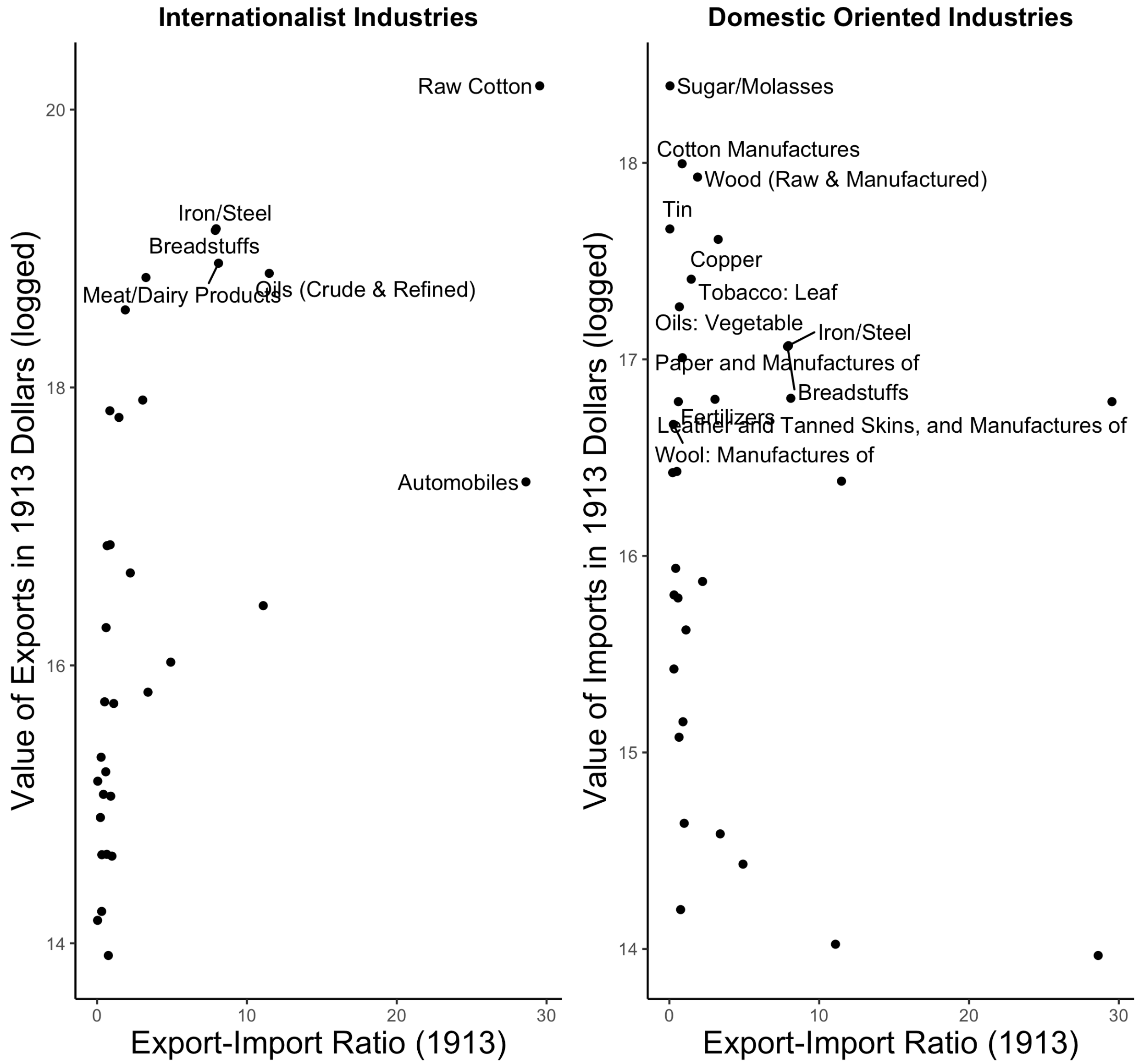
Figure 2.1 plots the annual export-import ratio, export value, and import value of major American industries in 1913 prior to the start of World War I. The left-hand panel plots industries' export-import ratio on the x-axis versus the logged value of their exports on the y-axis. Extreme internationalist businesses are clustered in the top right-hand corner. They have a high export-import ratio and high export value. The right-hand panel plots industries' export-import ratio on the x-axis versus their logged import value on the y-axis. Extreme domestic oriented businesses are clustered in the top left-hand corner. They have a low export-import ratio and high import value.

Balancing Thesis Reconsidered: Realism, the Balance of Power in Europe, and America's Decision for War in 1917," *Security Studies*, Vol. 21, No. 3 (2012), pp. 455-489; Justus D. Doenecke, "American Diplomacy, Politics, Military Strategy, and Opinion-Making, 1914-18: Recent Research and Fresh Assignments," *The Historian*, Vol. 80, No. 3 (Fall 2018), pp. 509-532.

[96] Levy, "Case Studies," 12.

[97] Evan S. Lieberman, "Nested Analysis as a Mixed-Method Strategy for Comparative Research." *American Political Science Review* 99, no. 3 (August 2005): 435–52.

Figure 2.1: Export-Import Ratios of pre-World War I U.S. Industries



Source: Department of Commerce 1914

But what about these industries' conflict relevance? Conceptually, an industry has conflict relevance if it sells, or can easily convert to selling, goods that increase military effectiveness. The types of goods that increase military effectiveness, however, are historically contingent given the changing nature of warfare over time. As Hans Morgenthau put it, "the absolute and relative importance which natural resources in the form of raw materials have for the power of a nation depends necessarily upon the technology of warfare which is practiced in a particular period of history."[98] An industry's conflict relevance can therefore be most accurately coded based on the contemporaneous opinions of business leaders, politicians, and other observers.

[98] Hans J. Morgenthau, *Politics Among Nations*, 1st ed (New York: Alfred A. Knopf, 1948): 83.

Table 2.1 reports the results of this coding exercise. I first categorized an industry as having high conflict relevance based whether World War I-era political leaders considered the goods an industry dealt in to be either conditional or absolute contraband of war, and therefore subject to search and seizure during wartime. Although it remained unratified at the start of the war, most World War I belligerents had agreed on which types of goods should be considered contraband during pre-war negotiations that led to the first international legal agreement on contraband, the 1909 Declaration of London.[99] Matching the goods on these contraband lists to individual industries is a good first cut at separating industries with high war utility from those with low war utility. Second, and more generally, I coded an industry as having high conflict relevance if it largely contributed to the feeding, clothing, or equipping of World War I era armies. This means that food industries, particularly in durable foods such as canning, industries that made uniforms, namely the woolen trade, and industries needed for war production, such as the metal, coal, and manufacturing industries, all have war utility. When confronted with borderline cases, where it was hard to determine an industry's conflict relevance deductively, I relied on historical sources from the World War I era to inductively determine how observers at the time thought about an industry's conflict relevance.

Table 2.1: World War I-Era American Industries' War Utility

	Internationalist	**Domestic Oriented**
War Utility	• Automobile • Breadstuffs • Iron/Steel • Meat/Dairy Products • Oils (Crude & Refines)	• Copper • Fertilizers • Leathers and Tanned Skins, and Manufactures • Tin • Wool Manufactures
Little War Utility	• Raw Cotton • Sugar/Molasses	• Cotton Manufactures • Oils: Vegetable • Paper and Manufactures of • Tobacco: Leaf • Wood (Raw & Manufactured)

I selected four industries from this set, one of each type, for my comparative case study analysis. As an exemplary internationalist industry with high conflict relevance I selected the breadstuffs, or wheat industry. In 1913 the United States exported $95,098,838 of raw wheat while only importing $670,931 (all trade values unadjusted for inflation), making it the third largest American export industry that year, behind the cotton production and iron/steel industries. The wheat industry also has clear conflict relevance. The 1909 Declaration of London explicitly notes wheat should be considered conditional contraband because it could be used to feed either civilians or military personnel.[100] Industry observers agreed with this categorization, and foresaw heavy military need for wheat during the

[99] Isabel V. Hull, *A Scrap of Paper: Breaking and Making International Law during the Great War*. Ithaca, NY: Cornell University Press, 2014.
[100] Hull, *A Scrap of Paper.*

conflict. “Naturally the man who raises wheat, corn and oats knows that a general war in Europe means heavy army demands for grain,” a correspondent for the *American Elevator and Grain Trade* (AEGT), an industry publication, noted soon after World War I began.[101]

Importantly, the breadstuffs industry represents a slightly better case for testing my additive theory of business war preferences than the iron and steel industry, another similarly sized internationalist industry with conflict relevance, because the breadstuffs industry arguably has less conflict relevance than the iron and steel industry. Both civilians and military personnel require wheat and other breadstuffs during war, making it a dual-use industry, while the iron and steel industry, and other heavy manufacturing industries, will generally be requisitioned primarily—if not exclusively—for wartime military production. Evidence that the American breadstuffs industry didn’t oppose World War I, or indeed supported the war, is therefore stronger evidence for my theory than similar evidence from the iron and steel industry because of a stronger intuition that the iron and steel industry should support, or not oppose, the war.[102]

I selected the raw cotton production industry as an exemplary internationalist industry with low conflict relevance because it was far and away the largest American export industry in the World War I era. In 1913, the year prior to the war, the United States exported $575,495,653 of raw cotton while only importing $19,479,571. Although raw cotton certainly had some wartime uses in the early 20th century, for instance in bandages, clothing, and—in small amounts—for ammunition production, I contend that raw cotton should be considered as having low conflict relevance for two main reasons. First, the 1909 Declaration of London clearly declared cotton as a “free” good that had little to no military purpose.[103] Second, the raw cotton industry at the time consistently bemoaned the fact that raw cotton wasn’t needed in large quantities by armies during the war. Most army uniforms at the time were primarily made of wool, not cotton, and only limited amounts of cotton were used to produce ammunition.[104] As a local Georgia newspaper sadly reported soon after the war broke out, “Food and everything used in warfare will be in such demand that prices will naturally rise, but there will be no appreciable demand for anything in Europe which people can live without. Cotton, lumber, etc. will be affected to an appreciable extent by this lack of demand.”[105]

I selected the cotton and wool manufacturing industry’s due to their shared domestic oriented trade orientation and differing conflict relevance. In 1913 the United States imported $65,359,542 of manufactured cotton goods while exporting only $55,536,267. There was a similarly low export-import ratio in the wool manufacturing industry. The United States imported $17,351,423 of manufactured woolen goods in 1913 while exporting only $4,589,896. These low ratios indicate that both industry were domestic oriented rather than internationalist. The cotton manufacturing industry, however,

[101] Ralph O. Johnson, “A War-Time Diagnosis.” *American Elevator and Grain Trade* 33, no. 3 (September 15, 1914): 170.
[102] This logic is similar to that of recent methodological advances in the Bayesian process tracing method for case studies. I do not explicitly adopt this method, however, for my empirical tests. For more on the tradeoffs associated with Bayesian process tracing see Sherry Zaks, “Updating Bayesian(s): A Critical Evaluation of Bayesian Process Tracing.” *Political Analysis* 29, no. 1 (January 2021): 58–74.
[103] Hull, *A Scrap of Paper.*
[104] An industry publication noted, for instance, that “the influence of the use of cotton for guncotton has been exaggerated,” *American Wool and Cotton Reporter* 1915, 672.
[105] “The Effect of War on Commerce in U.S.,” *Daily Times-Enterprise* (August 6, 1914), Afternoon edition.

had low conflict relevance while the wool manufacturing industry had high conflict relevance. Addressing a meeting of the National Association of Cotton Manufacturers in late September 1914, William P. G. Harding of the Federal Reserve Board noted that "while cotton is classed as a staple crop, and goods manufactured from it are necessities, they are not as supremely and immediately necessary as food stuffs."[106] The cotton manufacturing industry did not benefit from increased war orders after the start of World War I while the wool manufacturing industry did.

2.4.3 Measuring Business War Preferences

Given the cases I selected for my comparative case analysis, how can we assess these industries' relative levels of support/opposition to World War I? In other words, how can we measure business war preferences? There are unfortunate, yet well known, empirical difficulties with measuring any form of policy preferences, to include a business's war preferences. Specifically, since an actor's preferences are innate, and therefore only known to them, we cannot measure them directly but rather must infer them from an actor's behavior.[107] This is true even in circumstances where an actor is asked directly about their preferences, such as in survey research. Political scientists studying public opinion have long argued that individual survey responses are a behavioral response to a number of factors, including not just an actors' preferences but also the salience of these preferences, the survey setting, and question wording amongst others.[108]

I confront this methodological challenge a number of ways. First, I transparently report the pieces of behavioral evidence that I am using to measure business war preferences, and the sources from which they come. Second, I measure business war preferences at multiple points in time, which ensures that the behavior from which I am inferring these preferences is broadly representative of these preferences and not idiosyncratic. Third, I infer business war preferences from behaviors where businesses have little strategic incentive to misrepresent their preferences. Specifically, I primarily rely on businesses' public statements regarding their opinions about World War I, interspersed when possible with the observations of contemporary observers with privileged access to the opinions of business leaders and representatives, such as journalists.

Some readers might wonder why I turn first to the public statements of business leaders and representatives to measure business war preferences rather than their private opinions and sentiment. Wouldn't business leaders feel more comfortable revealing their true opinions about wars in a private setting amongst their peers rather than in public? Although this logic might seem compelling at first glance, it is misleading in subtle, yet important ways. Namely, if we believe that businesses are strategic actors, that is they can weigh the costs and benefits of their actions and act in order to maximize their benefits, then they have very good reasons to accurately inform other strategic actors, such as politicians, other businesses, and the general public, of their preferences. All else equal,

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[106] National Association of Cotton Manufacturers, *Transactions of the National Association of Cotton Manufacturers* 97 (1915): 254.

[107] Hausman, "Mistakes About Preferences."

[108] Modern research along these lines can be generally traced to the seminal work of John Zaller and Stanley Feldman. See John R. Zaller and Stanley Feldman, "A Simple Theory of the Survey Response: Answering Questions versus Revealing Preferences." *American Journal of Political Science* 36, no. 3 (August 1992): 579–616.

concealing or misrepresenting their preferences will lower the probability of their preferences being listened to and acted upon. There certainly may be special cases where this doesn't hold, for instance if businesses have no chance of their preferences being enacted, meaning that there is no benefit to voicing them and potential costs. Generally speaking, however, businesses should act according to their preferences. This will particularly be true in a highly strategic environment like domestic politics.

Given this measurement strategy, I rely primarily on historical industry publications and newspapers to measure business war preferences. The early 20th century was, in many respects, a golden age for periodicals and other printed materials that aimed to capture and inform a targeted readership. Technical advances in a number of areas, including paper-making and printing, as well as the expansion and standardization of the national mail network, meant that the number of literary and trade journals exploded in the United States in the second half of the 19th century.[109] On the eve of World War I, therefore, even relatively narrow segments of the American business community had multiple printed options available for reading trade-related news and gossip. A midwestern grain merchant or farmer, for instance, could choose from publications like the *American Elevator and Grain Trade*, the *American Co-Operative Journal*, and the *Grain Dealers Journal*, all published in Chicago, or the *Grain and Feed Review* and *Milling and Grain News* out of Minneapolis and Kansas City, respectively. Textile manufacturers had a similarly large array of publications, including the *American Wool and Cotton Reporter*, *Fibre & Fabric*, and the *Textile World Record* published in Boston and New York. Daily newspapers in major cities similarly tracked sentiment and events in these sorts of industries, with correspondents tasked with tracking the daily movements in commodity prices and other industry news.

These types of publications therefore offer an incredibly detailed and rich view of the opinions that industries and industry members held about national and world events. Articles often directly quoted the views of prominent business leaders and, even when summarizing, provide a credible interpretation of industry sentiment due to correspondents' deep embedding inside individual industries. Even as their primary focus admittedly remained domestic economic and political developments, both newspapers and industry periodicals captured industry reactions to both pre-war and wartime shocks. As a result, they contain the opinion and sentiment needed to accurately and convincingly measure business war preferences.

The early 20th century also saw the growth and consolidation of a number of major industry associations in the United States that, among other activities, helped develop, teach and enforce industry standards, while enhancing firm productivity.[110] These industry associations also served as central nodes in the social network of individual industries, tying together otherwise disparate industry members through regular meetings and other activities.[111] The activities of these organizations are another important set of behaviors for measuring business war preferences since, by their very nature, industry organizations

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[109] Kenneth M. Price and Susan Belasco Smith, eds., *Periodical Literature in Nineteenth-Century America* (Charlottesville, VA: University Press of Virginia, 1995).

[110] Gerald Berk and Marc Schneiberg. "Varieties in Capitalism, Varieties of Association: Collaborative Learning in American Industry, 1900 to 1925." *Politics & Society* 33, no. 1 (2005): 46–87.

[111] Francesca Carnevali, "Social Capital and Trade Associations in America, c. 1860–1914: A Microhistory Approach." *The Economic History Review* 64, no. 3 (2011): 905–28.

reflect the collective, if not necessarily majoritarian, opinions of industry members. Industry association activities were not only reported in newspapers and trade periodicals, but also by the associations themselves through meeting reports and other publications. Given the unfortunately low "survival rate" for archival materials from individual firms and businesses, the records of industry associations are an additional important source of material for analyzing business war preferences.[112]

Finally, as I discuss further in future chapters, I also use survey data to measure business war preferences when possible. Even if surveys aren't a direct measure of policy preferences, they remain one of the better behavioral responses from which to infer an actor's preferences. Unfortunately, there are incredibly few historical surveys of American business leaders about wartime events or their war preferences. Large scale national polling in the United States only began in earnest with the Gallup organization in the mid-1930s, and although Gallup surveys around World War II, the Korean, and Vietnam Wars do indicate which survey respondents are business leaders, they don't denote which industries respondents are from.[113] Even in the contemporary era, representative cross-industry survey samples of business leaders, particularly when assessing policy preferences, are incredibly difficult to assemble.[114] Somewhat incredibly, however, data from two World War I-era surveys of American business leaders does exist. These surveys were both conducted by the New York-based investment firm of Harris, Winthrop, & Co. in 1915 and 1916 respectively.[115] Unfortunately, the 1915 survey didn't ask respondents their opinions about the ongoing conflict, but the 1916 survey did. The data from this survey forms the core of the analysis in Chapter 7.

2.4.4 Additional Approaches and Evidence

For all of the merits and benefits of utilizing comparative case studies to test my additive theory of business war preferences against trade preference theory, as noted above, there are also shortcomings to this approach. First, there are potential concerns about the external validity of the findings from my comparative case studies across a broader swath of the American business community. Second, there are temporal validity concerns regarding these findings since there are any number of potential shifts in the nature of warfare or the domestic and international economy that might have affected contemporary

[112] On the practical and ethical difficulties of acquiring and managing business archives see Michael Gasson, "Business Archives: Some Principles and Practices." *Journal of the Society of Archivists* 18, no. 2 (1997): 141–49; Stephen Freeth, "Business Archives at Guildhall Library: New Developments." *Journal of the Society of Archivists* 21, no. 2 (2000): 183–97; and Andrew Hull and Peter Scott. "The 'Value' of Business Archives: Assessing the Academic Importance of Corporate Archival Collections." *Management & Organizational History* 15, no. 1 (2020): 1–21.

[113] See Russett and Hanson, *Interest and Ideology*; Adam J. Berinsky, *In Time of War: Understanding American Public Opinion from World War II to Iraq*. Chicago, IL: University of Chicago Press, 2009.

[114] See, for instance, the discussion in David E. Broockman, Gregory Ferenstein, and Neil Malhotra. "Predispositions and the Political Behavior of American Economic Elites: Evidence from Technology Entrepreneurs." *American Journal of Political Science* 63, no. 1 (2019): 212–33.

[115] Harris, Winthrop & Co. *The Present and the Future of American Business*. New York, 1915; Harris, Winthrop & Co. *American Business as Affected by Peace and Preparedness*. New York, 1916. https://catalog.hathitrust.org/Record/100511581.

patterns of business war preferences.[116] Turning to alternate research methods and data sources can mitigate, if not wholly eliminate these shortcomings.

In particular, analyzing survey data of business leaders can allow me to test both trade preference theory and my additive theory of business war preferences across a broader set of cases than possible with comparative case studies alone. As noted above, few such surveys exist, yet I leverage two for analysis in Chapters 7 and 8. I describe my research design for the analysis of each survey in their respective chapter.

[116] Stephen G. Brooks, "Economic Actors' Lobbying Influence on the Prospects for War and Peace." *International Organization* 67, no. 4 (2013): 863–88.