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## CONCLUDING NEUTRALITY AND WAR: BICYCLES IN THE RUSH HOUR

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This anthology probes one of the fundamental questions of human history: how have wars affected societies? Wartime economies and businesses have recently attracted more attention among researchers<sup>1</sup>. In historiography, however, the focus is usually on the great powers directly involved in the conflicts<sup>2</sup>. Without a doubt, great powers have contributed to the history of the world and they have also been the main parties to global conflicts. Nevertheless, we should not ignore the role of small and medium-sized states which have also played an important role in human history: global history cannot be written without taking their roles into consideration. This book deals with two meta-themes, as suggested by Patrick K. O'Brien in the foreword: small neutral states and their economies during (and after) great wars.

In the global economy today – and also in history – small and weak countries are important. The world has always been networked together between human actors, civilizations, trade, diplomacy, culture, religion and so on.<sup>3</sup> Different continents, states and regions have utilised their comparative and competitive advantages in this global network, contributing their resources and products. Together small states do play a role in these networks of the world economy. For example, their growth rates have been fairly high, as suggested by Joel Mokyr<sup>4</sup>.

Small and medium-sized states have also been involved in wars – voluntarily or involuntarily. There are a number of examples where, especially during major wars (like the Napoleonic and Crimean Wars, or World War I and II) they have maintained, or at least tried to maintain their neutrality. In wartime the role played by the neutral states may be pronounced as the demand for various products and resources may increase, and at the same time the warring parties may not necessarily be able to engage in trade. Thus, small and neutral countries are like bicycles during the rush hour: navigating the traffic jams which big cars cannot get through.

What is neutrality, especially for small and medium-sized countries? Neutrality as a concept is well defined in the introduction of this volume (!!!). Namely, neutrality is first and foremost a concept of politics and diplomacy, but it does also affect economic affairs, primarily trade and international transport. Eric Golson presents an overview of the evolution of the concept in his article.<sup>5</sup> Neutrality, according to Golson, is to remain "outside the conflict and exploit the situation for their [neutral states'] own benefit". Nevertheless, neutrality is a broad and perhaps ill-defined concept, as Golson suggests in his essay. The content of the concept has also changed over time, as we will discuss below.

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<sup>1</sup> For an overview of the most recent research see especially: Lakomaa, E. (2017). The history of business and war: introduction. *Scandinavian Economic History Review* 65 (3), 224-230; Jari Eloranta, Golson, E., Markevich, A., & Wolf, N. (Eds.). (2016). *Economic History of Warfare and State Formation*. Springer; Jari Eloranta (2007). From the great illusion to the Great War: Military spending behaviour of the Great Powers, 1870–1913. *European Review of Economic History*, 11(2), 255-283.

<sup>2</sup> See especially: Paul Kennedy (1989), *The Rise and Fall of Great Powers*. New York: Penguin Books.

<sup>3</sup> For example: McNeill, J. R., & McNeill, W. H. (2003). *The human web: A bird's-eye view of world history*. WW Norton & Company.

<sup>4</sup> Joel Mokyr (2006). Successful small open economies and the importance of good institutions. In Jari Ojala & al. (eds.) *The road to prosperity: an economic history of Finland*. Helsinki: SKS.

<sup>5</sup> See also especially Leos Müller (2016). Swedish merchant shipping in troubled times: The French Revolutionary Wars and Sweden's neutrality 1793–1801. *International Journal of Maritime History*, 28(1), 147-164.

Was, then, neutrality beneficial for the weak countries during and after the war? A number of studies have previously suggested that those affected by wars may experience high growth figures due to reconstruction - as can be seen, for example, in Japan and Finland after the Second World War<sup>6</sup>. However, the articles in this compilation do show that neutrality may be beneficial even during and especially after a war. Indeed, the article by Jason Lennard and Eric Golson shows that in all the Nordic countries GDP actually declined during both the First and Second World Wars – regardless of whether these countries remained neutral or not – but immediately after the war the growth rates were high. Thus the reconstruction in devastated countries after the war increased demand for products produced in countries that were not exposed to the war in the first place.

Moreover, neutrality was certainly beneficial for several Western countries during the French Revolutionary and Napoleonic Wars in terms of an increase in demand for their products and (shipping) services. However, these conflicts were also detrimental to the businesses of neutrals in many ways. However, if the neutrals had been involved in the war their economies would most probably have been harmed even more devastatingly than those of major powers.

Five partly overlapping arguments can be summarized as the outcomes of this anthology. The first argument is obvious: the role played by the small and medium-sized neutral states during wars has changed. The small neutral states had only limited potential to enhance trade and transport during the early modern era, for example, by establishing consular networks, signing trade agreements, and promoting overall diplomatic relationships. During this time, the individual merchants played a more important role – as suggested by Silvia Marzagalli in her article in this volume. Nevertheless, small and medium-sized states could still play an active role in promoting their commercial interests by providing commercial information to individual merchants. During and after industrialization this commercial information was not enough, as businesses desired protection and public goods (like infrastructure). The cost of such infrastructure was higher than the information costs during the era of merchant capitalism, and thus more challenging for small and medium-sized countries to provide – whether they were neutral or not during the war. In wartime this was even more pronounced for neutral states as economic activities as a whole became more expensive – and also the gains and possible losses caused by the war may have been huge. Moreover, after the wars new coalitions and trade agreements may be created. This was the case after the First World War, for example, with the Norwegian-American Trade Agreement (Knut Ola Naastad Ström in this volume), in CoCom restrictions during the Cold War (Niklas Jensen-Eriksen), and in the free trade agreements and emergence of the European integration after the Second World War. Even more extreme cases emerged due the war, as witnessed in the move of the Portuguese Court to Brazil in 1807 just before Napoleonic forces invaded Lisbon, as discussed in this volume by Rodrigo da Costa Dominguez and Angelo Alves Carrara.

Secondly, international payment mechanisms did not necessarily change even though commodity transfers changed during the wars. Maria Cristina Moreira, Rita Martins de Sousa and Werner Scheltjens in their article show how the financial market of Amsterdam remained the key operator for the neutral countries throughout the tempestuous times from the mid-18<sup>th</sup> to the mid 19<sup>th</sup>

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<sup>6</sup> See especially: Yasushi Tanaka, Toshiaki Tamaki, Jari Ojala, Jari Eloranta (eds., 2015), *Comparing Post War Japanese and Finnish Economies and Societies. Longitudinal perspectives*. Routledge Studies in the Modern World Economy. Abingdon: Routledge.

century. Similarly, Hamburg was able to retain its position as a financial centre throughout the troubled decades<sup>7</sup>.

The third major contribution of the volume is related to trade flows, which during wars may change temporarily or permanently. These changes may be especially beneficial for small neutral countries. War creates demands of which small neutral countries can take advantage. Sweden is a primary example of this, both during the Napoleonic era, during the Crimean War and during the First and Second World Wars. This is witnessed in the articles by Peter Hedberg and Henric Häggqvist and in the case of SKF by Eric Golson. SKF, for example, increased its exports due to wartime demand. The investments in production capacity during wartime, however, may belong-lasting and lucrative even after the war, and enable market control and pricing power. Similarly Finnish and Swedish tar overtook American tar in British markets during the American War of Independence, as previous providers of this product (the American colonies) were out of the markets. However, the Finns (and Swedes) were able to remain in these growing markets even after the war.<sup>8</sup>

The fourth argument concerns the prospects for neutral countries to participate in transportation. Freight rates in wartime are usually higher due to the high demand of transport capacity and the high risks involved. This was shown especially during the French Revolutionary and Napoleonic Wars, when the price of transport (freight) could double the price of the cargo. Thus many entrepreneurs from neutral countries made fortunes during wartime – but also huge losses, as neutral ships were also captured or sunk by the belligerents. This happened both in early modern and modern times, as shown by Naastad Ström in the case of Norwegian shipping during the First World War.<sup>9</sup> For example, US vessels became important players in European markets, especially during the French Revolutionary and Napoleonic Wars - as is shown in the articles by Jeremy Land, Jari Eloranta and Maria Cristina Moreira, and Silvia Marzagalli. This may have been important for the economic growth of the USA<sup>10</sup>.

The fifth argument is the changing nature of neutrality: this concept created during the 17<sup>th</sup> century gained new meaning during the French Revolutionary and Napoleonic Wars as a number of neutral countries were able to benefit from trade and shipping at the time. These issues are studied in this volume by Land, Eloranta and Moreira; Marzagalli and Schletjens, de Sousa and Moreira. Neutrality, however, was still a rather a matter of practice. As noted by Golson, the Hague and Geneva Conventions provided legal justification for neutrality during the late nineteenth and early twentieth centuries. This legally based neutrality was, in turn, disrupted during the First and Second World War which both impeded or made it impossible even for neutral states to engage in trade. Thus neutrality arose as an act of necessity during the Napoleonic era; it gained legal status during the late 19<sup>th</sup> century, was challenged by the global wars of the early 20<sup>th</sup> century, and has re-emerged ever since in international politics disturbed by series of conflicts. Furthermore, in the overwhelming

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<sup>7</sup> See, for example, Kurt Samuelson (1951), *De stora köpmannahusen i Stockholm 1730–1815. En studie i den svenska handelskapitalismens historia*. Stockholm.

<sup>8</sup> Especially Kustaa Hautala (1963). *European and American tar in the English market during the eighteenth and early nineteenth centuries*. Helsinki: Suomalainen tiedeakatemia; Mikko Airaksinen (1996). Tar Production in Colonial North America. *Environment and History*, 2(1), 115-125.

<sup>9</sup> On profits see especially Jari Ojala(1999), *Tehokasta liiketoimintaa Pohjanmaan pikkukaupungeissa. Purjemerenkulun kannattavuus ja tuottavuus 1700–1800-luvulla*. [Efficient business activities in small Ostrobothnian towns. Productivity and profitability of shipping by sail during the 18th and 19th Century]. Helsinki: SHS; and on neutrality of shipping see: Leos Müller (2016). Swedish merchant shipping in troubled times: The French Revolutionary Wars and Sweden's neutrality 1793–1801. *International Journal of Maritime History*, 28(1), 147-164.

<sup>10</sup> Douglass C. North (1961) *The Economic Growth of the United States 1790–1860*. New York: W.W. Norton.

shadow of the Cold War the great powers (the USA and the USSR) aimed to engulf neutral and weak states into their spheres of interest.

The countries analysed in this volume may be small or medium-sized, but they are also large enough. Moreover, they may belong to larger units, such as the EU, the OECD, NATO, ASEAN or OPEC. In these larger units even small states may collectively possess enough political and even economic power to have an effect in world politics. Nevertheless, the state is usually the unit for analysing the current and historical world. We are now, however, entering a different world, where the unit of analysis is not necessarily a state but a community or union. Even so, studies of small and medium-sized states are still useful and important to draw an overall picture of global history; they were part of the connections of both the early modern and the modern world<sup>11</sup>. Therefore this book helps readers to understand history also from a non-major power perspective. We would like to emphasise that our world consists of small, medium and large states. The relationships between these three types of states will bring about new perspectives in historical studies. Small and neutral states may have benefitted in wartime, but it is not an entirely easy task for small countries to remain neutral during massive wars, as seen during the Second World War.

In global history neutrality is a complex issue, as the whole concept of “neutrality” is Eurocentric. This relates to the fact that the idea of neutral (nation) states was created during the Napoleonic era in the European context. In Asia, in turn, there were no similar conflicts, and thus no need for neutrality to emerge in practise. However, the global conflicts of the early twentieth century transformed neutrality into a global concept. Moreover, after numerous colonies gained independence in the aftermath of the Second World War, many of these newly independent states preferred to remain neutral in the emerging Cold War. An example of this was the Non-Aligned Movement, initiated by India (Jawaharlal Nehru), Egypt (Gamal Abdul Nasser), and Yugoslavia (Josip Broz Tito) during the 1950s.

In this volume, one country is especially noted as the one that benefitted from neutrality, namely Sweden. But is Sweden a typical or rather exceptional case in the global history of neutrality? The articles in this collection show that even similar neutral states (like the Nordic countries) did have different experiences during wartime. This collection of essays may open discussion for future studies to evaluate the role played by neutrality in long-term growth. If a link between growth and neutrality does indeed exist – or the idea that war is bad for business - it may motivate countries today to avoid conflicts. This, in turn, would make the world a better place to live. What a marvellous result for historical research.

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<sup>11</sup> See especially: Patrick K. O’Brien(2006). Historiographical traditions and modern imperatives for the restoration of global history. *Journal of Global History*, 1(1), 3-39.