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Gambling on War: Confidence, Fear and the Tragedy of the First World War

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Roger L. Ransom, *Gambling on War: Confidence, Fear and the Tragedy of the First World War*. Cambridge: Cambridge University Press, 2018. x + 338 pp. \$28 (paperback), ISBN: 978-1-108-45435-3.

Reviewed for EH.Net by Victor Gay, Toulouse School of Economics (TSE) and Institute for Advanced Study in Toulouse (IAST), University of Toulouse Capitole, Toulouse.

The centenary of the First World War has sparked renewed interest in the causes and consequences of the war.[1] Despite decades of scholarship, many questions remain unanswered: Was the war an outcome of rational decisions? What was the role of the economic front in ending the war? What were the consequences of peace treaties negotiated after the war? Roger L. Ransom, an economist and historian, and former president of the Economic History Association, tackles all these issues (and more) in his new book, *Gambling on War: Confidence, Fear and the Tragedy of the First World War*. [2] The main merit of the book is to shed light on the “series of enigmatic tragedies” (p. 270) that characterize this conflict through a clear yet nuanced synthesis of the complex events that transpired throughout this period, from the origins of the war to its aftermath. Ransom is successful in this endeavor through an analytical narratives approach, which helps make sense of a “thick and messy” reality by keeping the sequence of events at the core of the analysis — an approach particularly suited to analyze historical questions for which constructing counterfactuals is difficult. [3] Another distinctive feature of this history of World War I is the constant use of the “quantitative and theoretical tools of a cliometrician” to support the argument, or what Ransom calls, a “cliometric narrative” (p. 2).

The main argument of the book is that leaders who made the decision to enter the war were affected by animal spirits (a spontaneous urge to action rather than inaction), making them vulnerable to three types of biases: overconfidence, fear, and the propensity to gamble. The interplay of all three elements eventually turned “rational decisions into very irrational outcomes” (p. 22). Using prospect theory to support his analysis, Ransom argues that in a risky and uncertain environment such as wartime Europe, decision makers constantly misinterpreted information available to them and took unnecessarily risky gambles to avoid defeat, eventually leading to a catastrophe. Although he concedes that no “quantitative variable [might allow] us to unequivocally determine how much of the action was due to animal spirits” (p. 24), Ransom shows how the preceding century of European warfare led the major powers of Europe to engage in an arms race that exacerbated animal spirits, with a paroxysm reached in 1914. While the decision to enter the war is systematically analyzed in this perspective in the first three chapters, the reader can be slightly frustrated that the argument is only used sporadically throughout the rest of the book (except perhaps toward the end). Economists are also left wanting by

the absence of comparison with the standard Von Neumann-Morgenstern framework of rational choice under uncertainty. Using standard tools from game theory might have been useful.[4]

But the richness of the book also lies elsewhere. It lies in the insightful synthesis of the infinite complexity a world-wide conflict entails. The general interest reader learns a lot, and about many things. Among other episodes, the book details how the entrance of Greece in the war started a “National Schism that would dominate Greek politics for the next four decades” (p. 194), how progress in military technology (artillery, tanks, and airplanes) slowly changed the way to conduct warfare, how the “British distant blockade was [...] far more effective than the German U-boat campaign” (p. 150), and how the Sykes-Picot Agreement signed in secrecy in 1916 “formed the foundation for the reshaping of the Middle East in 1919” (p. 96). Another argument developed throughout the book is the notion that the outcome of the war was eventually dictated by the ability of belligerent economies to support the shock of industrial warfare. Beyond the specific chapter dedicated to “Economies at War” Ransom convincingly supports the idea that the war ended because “Germany’s economy was exhausted” and “could no longer carry on the fight” (p. 268). Despite all these details, the reading is never tedious as the analytical narrative helps in making sense of all the moving parts.

Overall, this book is a great read for general interest readers with a standard background in economics who want a concise yet nuanced treatment of the significant events that characterized the First World War from a cliometric perspective. It should also have its place as a core reading for an undergraduate course on the economics of war.[5] World War I history fanatics who are already familiar with comprehensive treatments such as Barbara Tuchman’s *Guns of August* (New York: Macmillan, 1962) or Christopher Clark’s *The Sleepwalkers* (New York: HarperCollins, 2012) might prefer to pass on the book and focus on a recent article by Ransom in *Social Science History* (“Confidence, Fear, and a Propensity to Gamble: The Puzzle of War and Economics in an Age of Catastrophe, 1914-45” (2016)). Of course, this type of book has the shortcomings of its qualities: many aspects could have been explored in more detail and some omissions might leave some readers wanting. Being more familiar with the French context, and in particular with female wartime employment, I was for instance frustrated by the lack of depth in the treatment of this topic (pp. 131-133). Reassuringly, the bibliography is rich enough for the reader to delve into the relevant literature.

Notes:

1. Of specific interest to economic historians, CEPR has recently published an eBook: Steven Broadberry and Mark Harrison, editors (2018), *The Economics of the Great War: A Centennial Perspective*, CEPR Press.
2. Hear Ransom talk about his book on the blog of Cambridge University Press at <http://www.cambridgeblog.org/2018/11/gambling-on-war-confidence-fear-and-the-tragedy-of-the-first-world-war/>.
3. Mark Koyama provides an overview of the use of analytical narratives in economic history in Matthias Blum and Christopher L. Colvin, editors, *An Economist’s Guide to Economic History*, London: Palgrave Macmillan (2018).

4. In that vein, in a recent working paper (in French), Alain Trannoy is convincing in using a dynamic Stackelberg model to analyze the decision to enter the war (“De l’Influence des Causes Profondes sur les Origines Immédiates de la Guerre de 14: Guerre ou Paix, le Dilemme des Décideurs Allemands et Français”). See <https://afse2017.sciencesconf.org/140229/document>.

5. For instance, it would nicely complement Mark Harrison’s reading list for his undergraduate course War and Economy in the Twentieth Century. See http://eh.net/wp-content/uploads/2013/10/Harrison_Warwick_undergrad_US+EU20th_2012.pdf.

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