# SELECTED READINGS

## Liberalism and World Politics

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*In this article, the author makes a major contribution to the literature on the "democratic peace" by re-examining the traditional liberal claim that governments founded on a respect for individual liberty exercise restraint and peaceful intentions in their foreign policy. He looks at three distinct theoretical traditions of liberalism, attributable to three theorists: Schumpeter, Machiavelli, and Kant. Despite the contradictions of liberal pacifism and liberal inperialism, Professor Doyle finds, with Kant and other democratic republicans, that liberalism does leave a coherent legacy on foreign affairs. Liberal states are different and indeed peaceful, yet they are also prone at times to make war. Building upon Doyle's work and the theorists he cites, scholars in recent years have conceptually developed and empirically tested some of the arguments presented in this article, which is an excellent introduction to the "democratic peace" literature.*

I look at three distinct theoretical traditions of liberalism, attributable to three theorists: Schumpeter, a brilliant explicator of . . . liberal pacifism . . . ; Machiavelli, a classical republican whose glory is an imperialism we often practice; and Kant.

Despite the contradictions of liberal pacifism and liberal imperialism, I find, with Kant and other liberal republicans, that liberalism does leave a coherent legacy on foreign affairs. Liberal states are different. They are indeed peaceful, yet they are also prone to make war. . . . Liberal states have created a separate peace, as Kant argued they would, and have also discovered liberal reasons for aggression, as he feared they might. I conclude by arguing that the differences among liberal pacifism, liberal imperialism, and Kant's liberal internationalism are not arbitrary but rooted in differing conceptions of the citizen and the state.

### Liberal Pacifism

There is no canonical description of liberalism. What we tend to call *liberal* resembles a family portrait of principles and institutions, recognizable by certain characteristics—for example, individual freedom, political participation, private property, and equality of opportunity—that most liberal states share, although none has perfected them all. Joseph Schumpeter clearly fits within this family when he considers the international effects of capitalism and democracy.

Schumpeter's "Sociology of Imperialisms," published in 1919, made a coherent and sustained argument concerning the pacifying (in the sense of nonaggressive) effects of liberal institutions and principles (Schumpeter, 1955; see also Doyle, 1986, pp. 155–59). Unlike some of the earlier liberal theorists who focused on a single feature such as trade or failed to examine critically the arguments they were advancing, Schumpeter saw the interaction of capitalism and democracy as the foundation of liberal pacifism, and he tested his arguments in a sociology of historical imperialisms.

He defines *imperialism* as "an objectless disposition on the part of a state to unlimited forcible expansion" (Schumpeter, 1955, p. 6). Excluding imperialisms that were mere "catchwords" and those that were "objectful" (e.g., defensive imperialism), he traces the roots of objectless imperialism to three sources, each an atavism. Modern imperialism,

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according to Schumpeter, resulted from the combined impact of a "war machine," warlike instincts, and export monopolism.

Once necessary, the war machine later developed a life of its own and took control of a state's foreign policy: "Created by the wars that required it, the machine now created the wars it required" (Schumpeter, 1995, p. 25). Thus, Schumpeter tells us that the army of ancient Egypt, created to drive the Hyksos out of Egypt, took over the state and pursued militaristic imperialism. Like the later armies of the courts of absolutist Europe, it fought wars for the sake of glory and booty, for the sake of warriors and monarchs—wars *gratia* warriors.

A warlike disposition, elsewhere called "instinctual elements of bloody primitivism," is the natural ideology of a war machine. It also exists independently; the Persians, says Schumpeter (1955, pp. 25–32), were a warrior nation from the outset.

Under modern capitalism, export monopolists, the third source of modern imperialism, push for imperialist expansion as a way to expand their closed markets. The absolute monarchies were the last clear-cut imperialisms. Nineteenth-century imperialisms merely represent the vestiges of the imperialisms created by Louis XIV and Catherine the Great. Thus, the export monopolists are an atavism of the absolute monarchies, for they depend completely on the tariffs imposed by the monarchs and their militaristic successors for revenue (Schumpeter, 1955, pp. 82–83). Without tariffs, monopolies would be eliminated by foreign competition.

Modern (nineteenth-century) imperialism, therefore, rests on a atavistic war machine, militaristic attitudes left over from the days of monarchical wars, and export monopolism, which is nothing more than the economic residue of monarchical finance. In the modern era, imperialists gratify their private interests. From the national perspective, their imperialistic wars are objectless.

Schumpeter's theme now emerges. Capitalism and democracy are forces for peace. Indeed, they are antithetical to imperialism. For Schumpeter, the further development of capitalism and democracy means that imperialism will inevitably disappear. He maintains that capitalism produces an unwarlike disposition; its populace is "democratized, individualized, rationalized" (Schumpeter, 1955, p. 68). The people's energies are daily absorbed in production. The disciplines of industry and the market train people in "economic rationalism"; the instability of industrial life necessitates calculation. Capitalism also "individualizes"; "subjective opportunities" replace the "immutable factors" of traditional, hierarchical society. Rational individuals demand democratic governance.

Democratic capitalism leads to peace. As evidence, Schumpeter claims that throughout the capitalist world an opposition has arisen to "war, expansion, cabinet diplomacy"; that contemporary capitalism is associated with peace parties; and that the industrial worker of capitalism is "vigorously anti-imperialist." In addition, he points out that the capitalist world has developed means of preventing war, such as the Hague Court and that the least feudal, most capitalist society—the United States—has demonstrated the least imperialistic tendencies (Schumpeter, 1955, pp. 95–96). An example of the lack of imperialistic tendencies in the U.S., Schumpeter thought, was our leaving over half of Mexico unconquered in the war of 1846–48.

Schumpeter's explanation for liberal pacifism is quite simple: Only war profiteers and military aristocrats gain from wars. No democracy would pursue a minority interest and tolerate the high costs of imperialism. When free trade prevails, "no class" gains from forcible expansion because

> raw materials and food stuffs are as accessible to each nation as though they were in its own territory. Where the cultural backwardness of a region makes normal economic intercourse dependent on colonization it does not matter, assuming free trade, which of the "civilized" nations undertakes the task of colonization. (Schumpeter, 1955, pp. 75–76)

Schumpeter's arguments are difficult to evaluate. In partial tests of quasi-Schumpeterian propositions, Michael Haas (1974, pp. 464–65) discovered a cluster that associates democracy, development, and sustained modernization with peaceful conditions. However, M. Small and J. D. Singer (1976) have discovered that there is no clearly negative correlation between democracy and war in the period 1816–1965—the period that would be central to Schumpeter's argument.

Later in his career, in *Capitalism, Socialism, and Democracy,* Schumpeter (1950, pp. 127–28) acknowledged that "almost purely bourgeois commonwealths were often aggressive when it seemed to pay—like the

Athenian or the Venetian commonwealths." Yet he stuck to his pacifistic guns, restating the view that capitalist democracy "steadily tells . . . against the use of military force and for peaceful arrangements, even when the balance of pecuniary advantage is clearly on the side of war which, under modern circumstances, is not in general very likely" (Schumpeter, 1950, p. 128). A . . . study by R. J. Rummel (1983) of "libertarianism" and international violence is the closest test Schumpeterian pacifism has received. "Free" states (those enjoying political and economic freedom) were shown to have considerably less conflict at or above the level of economic sanctions than "nonfree" states. The free states, the partly free states (including the democratic socialist countries such as Sweden), and the nonfree states accounted for 24%, 26%, and 61%, respectively, of the international violence during the period examined.

These effects are impressive but not conclusive for the Schumpeterian thesis. The data are limited, in this test, to the period 1976 to 1980. It includes, for example, the Russo-Afghan War, the Vietnamese invasion of Cambodia, China's invasion of Vietnam, and Tanzania's invasion of Uganda but just misses the U.S., quasi-covert intervention in Angola (1975) and our not so covert war against Nicaragua. More importantly, it excludes the cold war period, with its numerous interventions, and the long history of colonial wars (the Boer War, the Spanish-American War, the Mexican Intervention, etc.) that marked the history of liberal, including democratic capitalist, states.

The discrepancy between the warlike history of liberal states and Schumpeter's pacifistic expectations highlights three extreme assumptions. First, his "materialistic monism" leaves little room for noneconomic objectives, whether espoused by states or individuals. Neither glory, nor prestige, nor ideological justification, nor the pure power of ruling shapes policy. These nonmaterial goals leave little room for positive-sum gains, such as the comparative advantages of trade. Second, and relatedly, the same is true for his states. The political life of individuals seems to have been homogenized at the same time as the individuals were "rationalized, individualized, and democratized." Citizens—capitalists and workers, rural and urban—seek material welfare. Schumpeter seems to presume that ruling makes no difference. He also presumes that no one is prepared to take those measures (such as stirring up foreign quarrels to preserve a domestic ruling coalition) that enhance one's political power, despite detrimental effects on mass welfare. Third, like domestic politics, world politics are homogenized. Materially monistic and democratically capitalist, all states evolve toward free trade and liberty together. Countries differently constituted seem to disappear from Schumpeter's analysis. "Civilized" nations govern "culturally backward" *regions*. These assumptions are not shared by Machiavelli's theory of liberalism.

## Liberal Imperialism

Machiavelli argues, not only that republics are not pacifistic, but that they are the best form of state for imperial expansion. Establishing a republic fit for imperial expansion is, moreover, the best way to guarantee the survival of a state.

Machiavelli's republic is a classical mixed republic. It is not a democracy—which he thought would quickly degenerate into a tyranny—but is characterized by social equality, popular liberty, and political participation (Machiavelli, 1950, bk. 1, chap. 2, p. 112). The consuls serve as "kings," the senate as an aristocracy managing the state, and the people in the assembly as the source of strength.

Liberty results from "disunion"—the competition and necessity for compromise required by the division of powers among senate, consuls, and tribunes (the last representing the common people). Liberty also results from the popular veto. The powerful few threaten the rest with tyranny Machiavelli says because they seek to dominate. The mass demands not to be dominated, and their veto thus preserves the liberties of the state (Machiavelli, 1950, bk. 1, chap. 5, p. 122). However, since the people and the rulers have different social characters, the people need to be "managed" by the few to avoid having their recklessness overturn or their fecklessness undermine the ability of the state to expand (Machiavelli, 1950, bk. 1, chap. 53, pp. 249–50). Thus the senate and the consuls plan expansion, consult oracles, and employ religion to manage the resources that the energy of the people supplies.

Strength, and then imperial expansion, results from the way liberty encourages increased population and property, which grow when the citizens know their lives and goods are secure from arbitrary seizure. Free citizens equip large armies and provide soldiers who fight for public glory and the common good because these are, in fact, their own (Machiavelli,

1950, bk. 2, chap. 2, pp. 287–90). If you seek the honor of having your state expand, Machiavelli advises, you should organize it as a free and popular republic like Rome, rather than as an aristocratic republic like Sparta or Venice. Expansion thus calls for a free republic.

"Necessity"—political survival—calls for expansion. If a stable aristocratic republic is forced by foreign conflict "to extend her territory, in such a case we shall see her foundations give way and herself quickly brought to ruin"; if, on the other hand, domestic security prevails, "the continued tranquility would enervate her, or provoke internal dissensions, which together, or either of them separately, will apt to prove her ruin" (Machiavelli, 1950, bk. 1, chap. 6, p. 129). Machiavelli therefore believes it is necessary to take the constitution of Rome, rather than that of Sparta or Venice, as our model.

Hence, this belief leads to liberal imperialism. We are lovers of glory, Machiavelli announces. We seek to rule or, at least, to avoid being oppressed. In either case, we want more for ourselves and our states than just material welfare (materialistic monism). Because other states with similar aims thereby threaten us, we prepare ourselves for expansion. Because our fellow citizens threaten us if we do not allow them either to satisfy their ambition or to release their political energies through imperial expansion, we expand.

There is considerable historical evidence for liberal imperialism. Machiavelli's (Polybius's) Rome and Thucydides' Athens both were imperial republics in the Machiavellian sense (Thucydides, 1954, bk. 6). The historical record of numerous U.S. interventions in the postwar period supports Machiavelli's argument, but the current record of liberal pacifism, weak as it is, calls some of his insights into question. To the extent that the modern populace actually controls (and thus unbalances) the mixed republic, its diffidence may outweigh elite ("senatorial") aggressiveness.

We can conclude either that (1) liberal pacifism has at least taken over with the further development of capitalist democracy, as Schumpeter predicted it would or that (2) the mixed record of liberalism—pacifism and imperialism—indicates that some liberal states are Schumpeterian democracies while others are Machiavellian republics. Before we accept either conclusion, however, we must consider a third apparent regularity of modern world politics.

## Liberal Internationalism

Modern liberalism carries with it two legacies. They do not affect liberal states separately, according to whether they are pacifistic or imperialistic, but simultaneously.

The first of these legacies is the pacification of foreign relations among liberal states.[1] During the nineteenth century, the United States and Great Britain engaged in nearly continual strife; however, after the Reform Act of 1832 defined actual representation as the formal source of the sovereignty of the British parliament, Britain and the United States negotiated their disputes. They negotiated despite, for example, British grievances during the Civil War against the North's blockade of the South, with which Britain had close economic ties. Despite severe Anglo-French colonial rivalry, liberal France and liberal Britain formed an entente against illiberal Germany before World War I. And from 1914 to 1915, Italy, the liberal member of the Triple Alliance with Germany and Austria, chose not to fulfill its obligations under that treaty to support its allies. Instead, Italy joined in an alliance with Britain and France, which prevented it from having to fight other liberal states and then declared war on Germany and Austria. Despite generations of Anglo-American tension and Britain's wartime restrictions on American trade with Germany, the United States leaned toward Britain and France from 1914 to 1917 before entering World War I on their side.

Beginning in the eighteenth century and slowly growing since then, a zone of peace, which Kant called the "pacific federation" or "pacific union," has begun to be established among liberal societies. More than 40 liberal states currently make up the union. Most are in Europe and North America, but they can be found on every continent.

Here the predictions of liberal pacifists (and President Reagan) are borne out: liberal states do exercise peaceful restraint, and a separate peace exists among them. This separate peace provides a solid foundation for the United States' crucial alliances with the liberal powers, e.g., the North Atlantic Treaty Organization and our Japanese alliance. This foundation appears to be impervious to the quarrels with our allies that bedeviled the Carter and Reagan administrations. It also offers the promise of a continuing peace among liberal states, and as the number of liberal states increases, it announces the

possibility of global peace this side of the grave or world conquest.

Of course, the probability of the outbreak of war in any given year between any two given states is low. The occurrence of a war between any two adjacent states, considered over a long period of time, would be more probable. The apparent absence of war between liberal states, whether adjacent or not, for almost 200 years thus may have significance. Similar claims cannot be made for feudal, fascist, communist, authoritarian, or totalitarian forms of rule (Doyle, 1983a, pp. 222), nor for pluralistic or merely similar societies. More significant perhaps is that when states are forced to decide on which side of an impending world war they will fight, liberal states all wind up on the same side despite the complexity of the paths that take them there. These characteristics do not prove that the peace among liberals is statistically significant nor that liberalism is the sole valid explanation for the peace.[2] They do suggest that we consider the possibility that liberals have indeed established a separate peace—but only among themselves.

Liberalism also carries with it a second legacy: international "imprudence" (Hume, 1963, pp. 346–47). Peaceful restraint only seems to work in liberals' relations with other liberals. Liberal states have fought numerous wars with non-liberal states.

Many of these wars have been defensive and thus prudent by necessity. Liberal states have been attacked and threatened by nonliberal states that do not exercise any special restraint in their dealings with the liberal states. Authoritarian rulers both stimulate and respond to an international political environment in which conflicts of prestige, interest, and pure fear of what other states might do all lead states toward war. War and conquest have thus characterized the careers of many authoritarian rulers and ruling parties, from Louis XIV and Napoleon to Mussolini's fascists, Hitler's Nazis, and Stalin's communists.

Yet we cannot simply blame warfare on the authoritarians or totalitarians, as many of our more enthusiastic politicians would have us do. Most wars arise out of calculations and miscalculations of interest, misunderstandings, and mutual suspicions, such as those that characterized the origins of World War I. However, aggression by the liberal state has also characterized a large number of wars. Both France and Britain fought expansionist colonial wars throughout the nineteenth century. The United States fought a similar war with Mexico from 1846 to 1848, waged a war of annihilation against the American Indians, and intervened militarily against sovereign states many times before and after World War II. Liberal states invade weak nonliberal states and display striking distrust in dealings with powerful nonliberal states (Doyle, 1983b).

Neither realist (statist) nor Marxist theory accounts well for these two legacies. While they can account for aspects of certain periods of international stability, neither the logic of the balance of power nor the logic of international hegemony explains the separate peace maintained for more than 150 years among states sharing one particular form of governance—liberal principles and institutions. Balance-of-power theory expects—indeed is premised upon—flexible arrangements of geostrategic rivalry that include preventive war. Hegemonies wax and wane, but the liberal peace holds. Marxist "ultra-imperialists" expect a form of peaceful rivalry among capitalists, but only liberal capitalists maintain peace. Leninists expect liberal capitalists to be aggressive toward nonliberal states, but they also (and especially) expect them to be imperialistic toward fellow liberal capitalists.

Kant's theory of liberal internationalism helps us understand these two legacies. The importance of Immanuel Kant as a theorist of international ethics has been well appreciated, but Kant also has an important analytical theory of international politics. *Perpetual Peace,* written in 1795 (Kant, 1970, pp. 93–130), helps us understand the interactive nature of international relations. Kant tries to teach us methodologically that we can study neither the systemic relations of states nor the varieties of state behavior in isolation from each other. Substantively, he anticipates for use the ever-widening pacification of a liberal pacific union, explains this pacification, and at the same time suggests why liberal states are not pacific in their relations with nonliberal states. Kant argues that perpetual peace will be guaranteed by the ever-widening acceptance of three "definitive articles" of peace. When all nations have accepted the definitive articles in a metaphorical "treaty" of perpetual peace he asks them to sign, perpetual peace will have been established.

The First Definitive Article requires the civil constitution of the state to be republican. By *republican* Kant means a political society that has solved the problem of combining moral autonomy,

individualism, and social order. A private property and market-oriented economy partially addressed that dilemma in the private sphere. The public, or political, sphere was more troubling. His answer was a republic that preserved juridical freedom—the legal equality of citizens as subjects—on the basis of a representative government with a separation of powers. Juridical freedom is preserved because the morally autonomous individual is by means of representation a self-legislator making laws that apply to all citizens equally, including himself or herself. Tyranny is avoided because the individual is subject to laws he or she does not also administer (Kant, *PP*, pp. 99–102).[3]

Liberal republics will progressively establish peace among themselves by means of the pacific federation, or union (*foedus pacificum*), described in Kant's Second Definitive Article. The pacific union will establish peace within a federation of free states and securely maintain the rights of each state. The world will not have achieved the "perpetual peace" that provides the ultimate guarantor of republican freedom until "a late stage and after many unsuccessful attempts" (Kant, *UH*, p. 47). At that time, all nations will have learned the lessons of peace through right conceptions of the appropriate constitution, great and sad experience, and good will. Only then will individuals enjoy perfect republican rights or the full guarantee of a global and just peace. In the meantime, the "pacific federation" of liberal republics—"an enduring and gradually expanding federation likely to prevent war"—brings within it more and more republics—despite republican collapses, backsliding, and disastrous wars—creating an ever-expanding separate peace (Kant, *PP*, p. 105).[4] Kant emphasizes that

> it can be shown that this idea of federalism, extending gradually to encompass all states and thus leading to perpetual peace, is practicable and has objective reality. For if by good fortune one powerful and enlightened nation can form a republic (which is by nature inclined to seek peace), this will provide a focal point for federal association among other states. These will join up with the first one, thus securing the freedom of each state in accordance with the idea of international right, and the whole will gradually spread further and further by a series of alliances of this kind. (Kant, *PP*, p. 104)

The pacific union is not a single peace treaty ending one war, a world state, nor a state of nations. Kant finds the first insufficient. The second and third are impossible or potentially tyrannical. National sovereignty precludes reliable subservience to a state of nations; a world state destroys the civic freedom on which the development of human capacities rests (Kant, *UH*, p. 50). Although Kant obliquely refers to various classical interstate confederations and modern diplomatic congresses, he develops no systematic organizational embodiment of this treaty and presumably does not find institutionalization necessary. He appears to have in mind a mutual non-aggression pact, perhaps a collective security agreement, and the cosmopolitan law set forth in the Third Definitive Article.[5]

The Third Definitive Article establishes a cosmopolitan law to operate in conjunction with the pacific union. The cosmopolitan law "shall be limited to conditions of universal hospitality." In this Kant calls for the recognition of the "right of a foreigner not to be treated with hostility when he arrives on someone else's territory." This "does not extend beyond those conditions which make it possible for them [foreigners] to attempt to enter into relations [commerce] with the native inhabitants" (Kant, *PP*, p. 106). Hospitality does not require extending to foreigners either the right to citizenship or the right to settlement, unless the foreign visitors would perish if they were expelled. Foreign conquest and plunder also find no justification under this right. Hospitality does appear to include the right of access and the obligation of maintaining the opportunity for citizens to exchange goods and ideas without imposing the obligation to trade (a voluntary act in all cases under liberal constitutions).

Perpetual peace, for Kant, is an epistemology, a condition for ethical action, and, most importantly, an explanation of how the "mechanical process of nature visibly exhibits the purposive plan of producing concord among men, even against their will and indeed by means of their very discord" (Kant, *PP*, p. 108; *UH*, pp. 44–45). Understanding history requires an epistemological foundation, for without a teleology, such as the promise of perpetual peace, the complexity of history would overwhelm human understanding (Kant, *UH*, pp. 51–53). Perpetual peace, however, is not merely a heuristic device with which to interpret history. It is guaranteed, Kant explains in the "First Addition" to *Perpetual Peace*

("On the Guarantee of Perpetual Peace"), to result from men fulfilling their ethical duty or, failing that, from a hidden plan.[6] Peace is an ethical duty because it is only under conditions of peace that all men can treat each other as ends, rather than means to an end (Kant, *UH*, p. 50). In order for this duty to be practical, Kant needs, of course, to show that peace is in fact possible. The widespread sentiment of approbation that he saw aroused by the early success of the French revolutionaries showed him that we can indeed be moved by ethical sentiments with a cosmopolitan reach (Kant, *CF*, pp. 181–82). This does not mean, however, that perpetual peace is certain ("prophesiable"). Even the scientifically regular course of the planets could be changed by a wayward comet striking them out of orbit. Human freedom requires that we allow for much greater reversals in the course of history. We must, in fact, anticipate the possibility of backsliding and destructive wars—though these will serve to educate nations to the importance of peace (Kant, *UH*, pp. 47–48).

In the end, however, our guarantee of perpetual peace does not rest on ethical conduct. As Kant emphasizes.

> we now come to the essential question regarding the prospect of perpetual peace. What does nature do in relation to the end which man's own reason prescribes to him as a duty, i.e., how does nature help to promote his *moral purpose?* And how does nature guarantee that what man ought to do by the laws of his freedom (but does not do) will in fact be done through nature's compulsion, without prejudice to the free agency of man? . . . This does not mean that nature imposes on us a *duty* to do it, for duties can only be imposed by practical reason. On the contrary, nature does it herself, whether we are willing or not: *facta volentem ducunt, nolentem tradunt.* (*PP*, p. 112)

The guarantee thus rests, Kant argues, not on the probable behavior of moral angels, but on that of "devils, so long as they possess understanding" (*PP*, p. 112). In explaining the sources of each of the three definitive articles of the perpetual peace, Kant then tells us how we (as free and intelligent devils) could be motivated by fear, force, and calculated advantage to undertake a course of action whose outcome we could reasonably anticipate to be perpetual peace. Yet while it is possible to conceive of the Kantian road to peace in these terms, Kant himself recognizes and argues that social evolution also makes the conditions of moral behavior less onerous and hence more likely (*CF*, pp. 187–89). In tracing the effects of both political and moral development, he builds an account of why liberal states do maintain peace among themselves and of how it will (by implication, has) come about that the pacific union will expand. He also explains how these republics would engage in wars with nonrepublics and therefore suffer the "sad experience" of wars that an ethical policy might have avoided.

The first source of the three definitive articles derives from a political evolution—from a constitutional law. Nature (providence) has seen to it that human beings can live in all the regions where they have been driven to settle by wars. (Kant, who once taught geography, reports on the Lapps, the Samoyeds, the Pescheras.) "Asocial sociability" draws men together to fulfill needs for security and material welfare as it drives them into conflicts over the distribution and control of social products (Kant, *UH*, pp. 44–45; *PP*, pp. 110–11). This violent natural evolution tends towards the liberal peace because "asocial sociability" inevitably leads toward republican governments, and republican governments are a source of the liberal peace.

Republican representation and separation of powers are produced because they are the means by which the state is "organized well" to prepare for and meet foreign threats (by unity) and to tame the ambitions of selfish and aggressive individuals (by authority derived from representation, by general laws, and by nondespotic administration) (Kant, *PP*, pp. 112–13). States that are not organized in this fashion fail. Monarchs thus encourage commerce and private property in order to increase national wealth. They cede rights of representation to their subjects in order to strengthen their political support or to obtain willing grants of tax revenue.

Kant shows how republics, once established, lead to peaceful relations. He argues that once the aggressive interests of absolutist monarchies are tamed and the habit of respect for individual rights engrained by republican government, wars would appear as the disaster to the people's welfare that he and the other liberals thought them to be. The fundamental reason is this:

> If, as is inevitably the case under this constitution, the consent of the citizens is required to

> decide whether or not war should be declared, it is very natural that they will have a great hesitation in embarking on so dangerous an enterprise. For this would mean calling down on themselves all the miseries of war, such as doing the fighting themselves, supplying the costs of the war from their own resources, painfully making good the ensuing devastation, and, as the crowning evil, having to take upon themselves a burden of debts which will embitter peace itself and which can never be paid off on account of the constant threat of new wars. But under a constitution where the subject is not a citizen, and which is therefore not republican, it is the simplest thing in the world to go to war. For the head of state is not a fellow citizen, but the owner of the state, and war will not force him to make the slightest sacrifice so far as his banquets, hunts, pleasure palaces and court festivals are concerned. He can thus decide on war, without any significant reason, as a kind of amusement, and unconcernedly leave it to the diplomatic corps (who are always ready for such purposes) to justify the war for the sake of propriety. (Kant, *PP*, p. 100)

Yet these domestic republican restraints do not end war. If they did, liberal states would not be warlike, which is far from the case. They do introduce republican caution—Kant's "hesitation"—in place of monarchical caprice. Liberal wars are only fought for popular, liberal purposes. The historical liberal legacy is laden with popular wars fought to promote freedom, to protect private property, or to support liberal allies against nonliberal enemies. Kant's position is ambiguous. He regards these wars as unjust and warns liberals of their susceptibility to them (Kant, *PP*, p. 106). At the same time, Kant argues that each nation "can and ought to" demand that its neighboring nations enter into the pacific union of liberal states (*PP*, p. 102). Thus to see how the pacific union removes the occasion of wars among liberal states and not wars between liberal and nonliberal states, we need to shift our attention from constitutional law to international law, Kant's second source.

Complementing the constitutional guarantee of caution, international law adds a second source for the definitive articles: a guarantee of respect. The separation of nations that a social sociability encourages is reinforced by the development of separate languages and religions. These further guarantee a world of separate states—an essential condition needed to avoid a "global, soul-less despotism." Yet, at the same time, they also morally integrate liberal states: "as culture grows and men gradually move towards greater agreement over their principles, they lead to mutual understanding and peace" (Kant, *PP*, p. 114). As republics emerge (the first source) and as culture progresses, an understanding of the legitimate rights of all citizens and of all republics comes into play; and this, now that caution characterizes policy, sets up the moral foundations for the liberal peace. Correspondingly, international law highlights the importance of Kantian publicity. Domestically, publicity helps ensure that the officials of republics act according to the principles they profess to hold just and according to the interests of the electors they claim to represent. Internationally, free speech and the effective communication of accurate conceptions of the political life of foreign peoples is essential to establishing and preserving the understanding on which the guarantee of respect depends. Domestically just republics, which rest on consent, then presume foreign republics also to be consensual, just, and therefore deserving of accommodation. The experience of cooperation helps engender further cooperative behavior when the consequences of state policy are unclear but (potentially) mutually beneficial. At the same time, liberal states assume that nonliberal states, which do not rest on free consent, are not just. Because nonliberal governments are in a state of aggression with their own people, their foreign relations become for liberal governments deeply suspect. In short, fellow liberals benefit from a presumption of amity; nonliberals suffer from a presumption of enmity. Both presumptions may be accurate; each, however, may also be self-confirming.

Lastly, cosmopolitan law adds material incentives to moral commitments. The cosmopolitan right to hospitality permits the "spirit of commerce" sooner or later to take hold of every nation, thus impelling states to promote peace and to try to avert war. Liberal economic theory holds that these cosmopolitan ties derive from a cooperative international division of labor and free trade according to comparative advantage. Each economy is said to be better off than it would have been under autarky; each thus acquires an incentive to avoid policies that would lead the other to break these economic ties. Because keeping open markets rests upon the

assumption that the next set of transactions will also be determined by prices rather than coercion, a sense of mutual security is vital to avoid security-motivated searches for economic autarky. Thus, avoiding a challenge to another liberal state's security or even enhancing each others' security by means of alliance naturally follows economic interdependence.

A further cosmopolitan source of liberal peace is the international market's removal of difficult decisions of production and distribution from the direct sphere of state policy. A foreign state thus does not appear directly responsible for these outcomes, and states can stand aside from, and to some degree above, these contentious market rivalries and be ready to step in to resolve crises. The interdependence of commerce and the international contacts of state officials help create crosscutting transnational ties that serve as lobbies for mutual accommodation. According to modern liberal scholars, international financiers and transnational and transgovernmental organizations create interests in favor of accommodation. Moreover, their variety has ensured that no single conflict sours an entire relationship by setting off a spiral of reciprocated retaliation (Brzezinski and Huntington, 1963, chap. 9; Keohane and Nye, 1977, chap. 7; Neustadt, 1970; Polanyi, 1944, chaps. 1–2). Conversely, a sense of suspicion, such as that characterizing relations between liberal and nonliberal governments, can lead to restrictions on the range of contacts between societies, and this can increase the prospect that a single conflict will determine an entire relationship.

No single constitutional, international, or cosmopolitan source is alone sufficient, but together (and only together) they plausibly connect the characteristics of liberal polities and economies with sustained liberal peace. Alliances founded on mutual strategic interest among liberal and nonliberal states have been broken; economic ties between liberal and nonliberal states have proven fragile; but the political bonds of liberal rights and interests have proven a remarkably firm foundation for mutual nonaggression. A separate peace exists among liberal states.

In their relations with nonliberal states, however, liberal states have not escaped from the insecurity caused by anarchy in the world political system considered as a whole. Moreover, the very constitutional restraint, international respect for individual rights, and shared commercial interests that establish grounds for peace among liberal states establish grounds for additional conflict in relations between liberal and nonliberal societies.

## Conclusion

Kant's liberal internationalism, Machiavelli's liberal imperialism, and Schumpeter's liberal pacifism rest on fundamentally different views of the nature of the human being, the state, and international relations.[7] Schumpeter's humans are rationalized, individualized, and democratized. They are also homogenized, pursuing material interests "monistically." Because their material interests lie in peaceful trade, they and the democratic state that these fellow citizens control are pacifistic. Machiavelli's citizens are splendidly diverse in their goals but fundamentally unequal in them as well, seeking to rule or fearing being dominated. Extending the rule of the dominant elite or avoiding the political collapse of their state, each calls for imperial expansion.

Kant's citizens, too, are diverse in their goals and individualized and rationalized, but most importantly, they are capable of appreciating the moral equality of all individuals and of treating other individuals as ends rather than as means. The Kantian state thus is governed publicly according to law, as a republic. Kant's is the state that solves the problem of governing individualized equals, whether they are the "rational devils" he says we often find ourselves to be or the ethical agents we can and should become. Republics tell us that

> in order to organize a group of rational beings who together require universal laws for their survival, but of whom each separate individual is secretly inclined to exempt himself from them, the constitution must be so designed so that, although the citizens are opposed to one another in their private attitudes, these opposing views may inhibit one another in such a way that the public conduct of the citizens will be the same as if they did not have such evil attitudes. (Kant, *PP*, p. 113)

Unlike Machiavelli's republics, Kant's republics are capable of achieving peace among themselves because they exercise democratic caution and are capable of appreciating the international rights of foreign republics. These international rights of republics

derive from the representation of foreign individuals who are our moral equals. Unlike Schumpeter's capitalist democracies, Kant's republics—including our own—remain in a state of war with nonrepublics. Liberal republics see themselves as threatened by aggression from nonrepublics that are not constrained by representation. Even though wars often cost more than the economic return they generate, liberal republics also are prepared to protect and promote—sometimes forcibly—democracy, private property, and the rights of individuals overseas against nonrepublics, which, because they do not authentically represent the rights of individuals, have no rights to noninterference. These wars may liberate oppressed individuals overseas; they also can generate enormous suffering.

Preserving the legacy of the liberal peace without succumbing to the legacy of liberal imprudence is both a moral and a strategic challenge. The bipolar stability of the international system, and the near certainty of mutual devastation resulting from a nuclear war between the superpowers, have created a "crystal ball effect" that has helped to constrain the tendency toward miscalculation present at the outbreak of so many wars in the past (Carnesale, Doty, Hoffmann, Huntington, Nye, and Sagan, 1983, p. 44; Waltz, 1964). However, this "nuclear peace" appears to be limited to the super-powers. It has not curbed military interventions in the Third World. Moreover, it is subject to a desperate technological race designed to overcome its constraints and to crises that have pushed even the super-powers to the brink of war. We must still reckon with the war fevers and moods of appeasement that have almost alternately swept liberal democracies.

Yet restraining liberal imprudence, whether aggressive or passive, may not be possible without threatening liberal pacification. Improving the strategic acumen of our foreign policy calls for introducing steadier strategic calculations of the national interest in the long run and more flexible responses to changes in the international political environment. Constraining the indiscriminate meddling of our foreign interventions calls for a deeper appreciation of the "particularism of history, culture, and membership" (Walzer, 1983, p. 5), but both the improvement in strategy and the constraint on intervention seem, in turn, to require an executive freed from the restraints of a representative legislature in the management of foreign policy and a political culture indifferent to the universal rights of individuals. These conditions, in their turn, could break the chain of constitutional guarantees, the respect for representative government, and the web of transnational contact that have sustained the pacific union of liberal states.

Perpetual peace, Kant says, is the end point of the hard journey his republics will take. The promise of perpetual peace, the violent lessons of war, and the experience of a partial peace are proof of the need for and the possibility of world peace. They are also the grounds for moral citizens and statesmen to assume the duty of striving for peace.

## Notes

1. Clarence Streit (1938, pp. 88, 90–92) seems to have been the first to point out (in contemporary foreign relations) the empirical tendency of democracies to maintain peace among themselves, and he made this the foundation of his proposal for a (non-Kantian) federal union of the 15 leading democracies of the 1930s. . . . I use the term *liberal* in a. . . . Kantian sense. . . . (Doyle, 1983a). In that essay, I survey the period from 1790 to the present and find no war among liberal states.

2. Babst (1972) did make a preliminary test of the significance of the distribution of alliance partners in World War I. He found that the possibility that the actual distribution of alliance partners could have occurred by chance was less than 1% (Babst, 1972, p. 56). However, this assumes that there was an equal possibility that any two nations could have gone to war with each other, and this is a strong assumption. Rummel (1983) has a further discussion of the issue of statistical significance as it applies to his libertarian thesis.

3. All citations from Kant are from *Kant's Political Writings* (Kant, 1970), the H. B. Nisbet translation edited by Hans Reiss. The works discussed and the abbreviations by which they are identified in the text are as follows:

*PP* *Perpetual Peace* (1795)
*UH* *The Idea for a Universal History with a Cosmopolitan Purpose* (1784)
*CF* *The Contest of Faculties* (1798)
*MM* *The Metaphysics of Morals* (1797)

4. I think Kant meant that the peace would be established among liberal regimes and would expand by ordinary political and legal means as new liberal regimes appeared. By a process of gradual extension the peace would become global and then perpetual; the occasion

for wars with nonliberals would disappear as nonliberal regimes disappeared.

5. Kant's *foedus pacificum* is thus neither a *pactum pacis* (a single peace treaty) nor a *civitas gentium* (a world state). He appears to have anticipated something like a less formally institutionalized League of Nations or United Nations. One could argue that in practice, these two institutions worked for liberal states and only for liberal states, but no specifically liberal "pacific union" was institutionalized. Instead, liberal states have behaved for the past 180 years as if such a Kantian pacific union and treaty of perpetual peace had been signed.

6. In the *Metaphysics of Morals* (the *Rechtslehre*) Kant seems to write as if perpetual peace is only an epistemological device and, while an ethical duty, is empirically merely a "pious hope" (*MM*, pp. 164–75)—though even here he finds that the pacific union is not "impracticable" (*MM*, p. 171). In the *Universal History* (*UH*), Kant writes as if the brute force of physical nature drives men toward inevitable peace. . . .

7. For a comparative discussion of the political foundations of Kant's ideas, see Shklar (1984, pp. 232–38).

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# From Interdependence and Institutions to Globalization and Governance

ROBERT O. KEOHANE

*The author provides his understanding of how the world works that is "both individualist and institutionalist." He summarizes much of his earlier work on interdependence and subsequently on institutions and ideas rooted in liberalism. With increasing globalization (albeit in a still only partially globalized world), he sees greater institutionalization as the world becomes more like a polity with governance essential to trade, finance, environment, security, and other matters of global import. Devising better, more effective global institutions to serve the needs of humankind is an imperative.*

The . . . conception . . . of how the world works is both individualist and institutionalist, regarding institutions both as created by human action and as structuring that action.[1] The principal motor of action in this view is self-interest, guided by rationality, which translates structural and institutional conditions into payoffs and probabilities, and therefore incentives. But my conceptions of self-interest and rationality are broad ones. Self-interest is not simply material; on the contrary, it encompasses one's interest in being thought well of, and in thinking well of oneself. One's self-interest is not divorced from one's principled ideas or identity but closely connected with them. Furthermore, not all action is necessarily self-interested: actions such as those of firemen rushing into the burning World Trade Center on September 11, 2001, reflect commitment and courage rather than interest.

The resulting conception of how the world works is complex, seeking to take into account subjectivity as well as objectivity, primal urges for power as well as institutional constraints, principled beliefs and worldviews that cannot be validated as well as rational calculation. It therefore lacks parsimony. The core of my contribution to this view of the world has been to explore how international institutions operate, in the context of interdependence. But my exploration of institutions and interdependence has taken place in the context of an awareness of how they are affected by other, broader factors. Hence, I do not assume that institutions and interdependence are the most important aspects of contemporary world politics, that they somehow contain the unique key to history. Indeed, they only make sense if they are fit into the larger puzzle. . . .

## From Interdependence to Institutional Theory

Over thirty years ago, astute observers of the world political economy began to comment on striking increases in economic connections among societies and the growing role of multinational corporations. Meanwhile, the literature on the European Community, pioneered by Ernst B. Haas, focused on how economic interdependence affected arrangements for governance. Nye and I picked up on these themes, beginning with our edited special issue of *International Organization* on transnational relations (1972), a term that we did not invent but that we did insert into the literature on world politics.

At that time the buzzword for these changes was "interdependence." In the 1970s, Nye and I built a theory elucidating the notion of "complex interdependence," an ideal type for analyzing situations of multiple transnational issues and contacts in which force is not a useful instrument of policy. We defined interdependence itself more broadly, to encompass strategic issues involving force as well as economic ones. In our analysis, interdependence is frequently asymmetrical and highly political: indeed, asymmetries in interdependence generate power resources for states, as well as for non-state actors. *Power and Interdependence,* published first in 1977, elaborated this theory and applied it to fifty years of history (1920–1970) in two issue-areas (oceans and money) and two country relationships (US–Australia and US–Canada). There were a number of gaps in our analysis, some of which we acknowledged a decade later,[2] but the analysis of the relationship between asymmetrical interdependence and power continues to be useful. . . .

*Power and Interdependence* contained an incipient theory of institutions, in the form of what Nye and I called an international organization model of regime change (1977). But this theory was not well-developed. What preoccupied me for seven years after the publication of *Power and Interdependence* was the puzzle of why states establish international regimes—rule-oriented institutions that limit their Members' legal freedom of action. In *After Hegemony: Cooperation and Discord in the World Political Economy* (1984), I presented a theory of international institutions based on rationalist theory, in particular economic theories of the firm and of imperfect markets. I argued that institutions perform important tasks for states, enabling them to cooperate. In particular, institutions reduce the costs of making, monitoring, and enforcing rules—transaction costs—provide information, and facilitate the making of credible commitments. In this theory, the principal guarantors of compliance with commitments are reciprocity (including both threats of retaliation and promises of reciprocal cooperation) and reputation. . . .

My formulation of institutional theory has often been referred to as "liberal institutionalism" or "neo-liberal institutionalism." These labels do not appeal to me, not just because they are awkward. My theory does have its roots in liberalism . . . , but the

connotations of liberalism are multiple and misleading. My theory has nothing to do with the view that commerce leads necessarily to peace; that people are basically good; or that progress in human history is inevitable—all propositions sometimes associated with liberalism. Nor is it connected with the view that liberty should have priority over equality and social justice, much less with the "neoliberalism" of the past decade: the so-called "Washington Consensus" that dictated the dismantling of much governmental regulation of markets in developing countries. My liberalism is more pessimistic about human nature and more cautious about causal connections running from economics to politics than some versions of classical liberalism; and I have never been a supporter of the "Washington Consensus" in its strong neo-liberal form. Since attaching a "liberal label" to my perspective generates such a need for explication, it seems better to leave it off entirely.

"Institutionalist" is descriptive of my work, since it emphasizes the significance of institutions and seeks to explain them. Using this term is not meant as a claim to intellectual hegemony. Indeed, there are many other institutionalist theories, often with quite different concepts, and implications, than my own. However, I regard my own formulation as having as good a claim to the adjective "institutionalist" as any of its competitors. When I refer below to "institutionalist theory," I refer to my own version of institutionalism.

The theory in *After Hegemony* was rather stylized: as in *Power and Interdependence,* differences in domestic politics were deliberately overlooked for purposes of simplification. This is not to say that the importance of domestic politics was denied: quite the contrary. But the theory did not encompass domestic politics. Indeed, the theoretical gap created by the omission from the theory of domestic politics was sufficiently wide to drive many dissertations through it. Some of my former students have been leaders in this effort. They have analyzed the impact of domestic politics on world politics, in the context of a sophisticated understanding of interstate politics and the roles played by international institutions and non-state actors.[3]

The fact that my former students have written over a dozen books linking domestic politics and international relations is not only gratifying to me personally; it illustrates a broader aspect of American graduate education that is often overlooked. The resumés of scholars normally include only their own work. But the puzzles that they recognize but fail to address may be as important to their own students, and to their field as a whole, as their own contributions. Paths that lead through open doors may beckon more strongly to aspiring scholars than imposing intellectual edifices, no matter how impressive. And the explorations of graduate students instruct their professors. Graduate education is a process of interchange, not merely of transmission.

The theory developed in *After Hegemony* and closely related writings was strongly affected by my research on trade, monetary, and energy issues—all questions of material self-interest in which reciprocity played a substantial role. On the whole, the same framework fits environmental issues quite well. Perhaps this congruity should not be surprising, since similar questions arise of cross-border externalities and economic competition. On both sets of issues, monitoring of agreements is important and is carried out largely under the auspices of international institutions, while enforcement takes place through state action, legitimated through such institutions.

Environmental issues do have a moral dimension that is largely missing from the economic questions emphasized in *After Hegemony.* Principled ideas, concerned with right and wrong, play a significant role in mobilizing publics on issues such as ozone depletion, pollution of the oceans, and global warming. Such principled ideas play an even more prominent role on questions of human rights. And causal ideas, specifying connections between cause and effect, are important in policy debates in both issue-areas, as well as in other arenas of world politics.

Intrigued by the role of ideas, and their connections to rationalistic frameworks of analysis, Judith Goldstein and I began to explore the role of ideas on policy in the early 1990s. The role of ideas, of course, has been a long-standing theme in the work of a number of distinguished students of international relations, including my own mentor, Stanley Hoffmann, Hedley Bull, and Martin Wight. Goldstein and I, however, were particularly interested in reconciling theories of rational choice, with which we were sympathetic, with our view that ideas are significant in world politics. We distinguished among three types of beliefs: worldviews, principled beliefs, and causal beliefs. Worldviews are illustrated by religion, principled beliefs by doctrines of human rights, and causal beliefs by Keynesian or monetarist

theories of macroeconomics. All three types of belief affect policy, but they do so differently.

Goldstein and I went on to suggest that ideas exert effects along three causal pathways: (1) as "roadmaps," (2) as focal points where there is no unique equilibrium, and (3) as embedded elements of institutions. Our essay is not reprinted here both because it is well-known and easily accessible, and because it forms an integral part of an edited volume to which it served as an introduction. But my thinking since the early 1990s has been deeply affected by my appreciation, heightened by work on this project, of the role of ideas in world politics. As noted below, my recent work on international law seeks to explore how the ideas incorporated in legal thinking affect persuasion and practice in world politics.

As these remarks imply, I disagree with the frequently-heard criticism that the role of ideas is necessarily de-emphasized by a view of the world that is based on an individualist ontology and a neo-positivist epistemology. It is individuals who have beliefs, although of course these beliefs are formed through social processes, and are perpetuated through societies that outlive individuals. As social scientists, we can investigate the impact of these beliefs through theoretical and empirical work, exploring how variations in ideas—between individuals and between groups—help to account for variations in behavior. Of course we have to be alert to the operation of social norms and practices, and shared memories—so we should not adopt an unsocialized, atomistic notion of human beings. Man, as Aristotle pointed out, is a social animal. But in my view we should focus on individuals as the principal unit of analysis, as long as we keep in mind their interactions in society, and the historical and cultural contexts within which they live. This means that the analyst goes back and forth between individual and society, regarding both seriously, but always seeking to explain individual behavior, and aggregate it upward, rather than to theorize about society without considering whether the resulting propositions are consistent with patterns of individual behavior. In this way, we can give our theories micro-foundations and avoid the reification of abstract concepts or the positing of a collective consciousness for which there seems to be little scientific evidence.

The most important work on the role of ideas in world politics has been done not by me but others. The politics of human rights are not well-explained by the reciprocity-based logic of institutionalist theory: states do not retaliate for human rights violations by others by abridging human rights themselves. On other issues, such as the use of weapons of mass destruction, principled ideas and organizational cultures seem to have played an important a role in accounting for behavior. "Constructivist" writing on world politics has emphasized, as did work drawing on psychology earlier, the importance of subjectivity: the beliefs by which our images of the world are constructed in shaping world politics. Major work on the role of ideas has also been done by such scholars as Goldstein, Martha Finnemore, Margaret Keck, Friedrich Kratochwil, Henry R. Nau, my former student Daniel Philpott, Thomas Risse, John Gerard Ruggie, and Kathryn Sikkink.

## Institutional and Realist Theory

It should be clear from this discussion that I do not claim that institutional theory is a comprehensive theory of world politics. I still believe it to be superior to a crude realism that fails to incorporate international institutions as important entities. But as Peter Katzenstein, Stephan Krasner and I have argued, a stylized competition between realism and institutionalism is not particularly conducive to new insights, now, in our field. Sophisticated versions of realism—both of the classical and structural varieties—share a great deal with my version of institutionalism, epistemologically and ontologically. They are all concerned with issues of power, including state power. Indeed, it is one of the silliest criticisms of my own work that it ignores power, as the titles of my major works from the 1970s and 1980s make clear.[4] Realism and institutionalism, in my formulation, are actor-oriented, individualist theories whose practitioners follow neo-positivist standards of evidence. They are by no means incommensurate paradigms; rather they are labels for loosely grouped interpretations that differ along a variety of dimensions. These dimensions include the intensity of competition in world politics, the role of rules and norms, the nature of information available to actors, and the linkages and separations between issue-areas.

Realism is a useful "first cut" at understanding world politics, but its vision of the field is too limited to make it a good comprehensive doctrine. Too much is left out: not only institutions, but also

transnational relations, domestic politics and the role of ideas. Realism is long on structure, short on process.

Due to its limitations, realism is a poor candidate to correct the flaws in much institutionalist work that have been noted above: failure to theorize domestic politics, and an under-emphasis on the role of ideas. Realists cannot correct these flaws because it shares them, even in a more pronounced way. Waltz's *Theory of International Politics* (1979) abstracts away from domestic politics, just as my own book of the mid-1980s, *After Hegemony* (1984) does. This is not to say that either Professor Waltz or I were unaware of its importance: Waltz, for instance, wrote a whole book on the subject before developing his system-oriented theory (Waltz 1967). But it is difficult to construct a theory that simultaneously takes into account relations between states and relations within them, and that remains parsimonious.[5]

Classical realism—as in the hands of Carr and Morgenthau—has discussed the role of ideas, but more recent structural realism, as notably developed by Waltz and Robert Gilpin, has omitted it. The lack of extensive and sophisticated understanding of the role of ideas in world politics—which would have to include Nazism, communism and fundamentalism as well as human rights thinking and environmental awareness—hampers us particularly now in the wake of the September 11, 2001 attacks on the United States. These attacks illustrate the role of religion—overlooked by both of these secular approaches—in world politics. What Nye labeled "soft power" in the 1990s is not a monopoly of secular society, much less of the United States. . . .

The implication of these remarks is that two major trends in the study of world politics during the 1990s need to be continued and extended: the analysis of how domestic and world politics interact, and the investigation of the role of ideas in world politics. The brand of liberalism represented by the work of Andrew Moravcsik and Anne-Marie Slaughter is a valuable way to analyze the former; constructivist theory offers promise in understanding how ideas matter.

In breaking into the theoretically complacent world of realist thinking, it was expedient to emphasize the distinctive value of institutionalist theory, even while recognizing the contributions of realism. And in the heat of subsequent controversy, it has been all too easy to overstate differences between institutional and realist theory, and perhaps to over-emphasize the superiority of the former. No perspective has a monopoly on wisdom: realism, theories focusing on domestic politics, and theories emphasizing subjective beliefs all have a role to play. Contestation between different approaches can play a positive role in social science scholarship, pushing advocates to sharpen their theories and to test them in more convincing ways. But if the contending approaches become conflicting schools of warring scholars, with graduate students signed up as in one camp or another, they become what Albert Hirschman once called "paradigms as hindrances to understanding."[6]

## Institutionalism and the Puzzle of Compliance

The institutionalist theory that I developed in *After Hegemony* created only a promissory note on a major issue: that of compliance. In a world without centralized government, why should states comply with obligations that had become inconvenient? One set of problems might arise from deliberate deception, although prudence on the part of others could limit those dangers. A more pervasive set of problems could arise as a result of time: events may adversely change the cost-benefit calculus of state compliance. Why, one asks, should states guided by rational self-interest comply with obligations that have become inconvenient?

I sought in the late 1980s and 1990s to explore these questions in an historically oriented inquiry focused on United States foreign policy. I learned a great deal in the process, but failed to come up with either a comprehensive theory or satisfactory systematic evidence. On the theoretical side, my initial hunch was that concerns about reputation would ensure fairly regular compliance. In the record of United States foreign policy I did indeed find much concern with reputation, but I also found a consistent pattern, when commitments were inconvenient, of ingenious attempts to design policies to avoid reputational constraints. . . .

Although I am naturally somewhat chagrined by my own failure to solve the puzzle of compliance with commitments, I gain considerable satisfaction

from the fact that at least for some issues it is being analyzed successfully within the framework of a rational-institutionalist theory. What matters for the fruitfulness of a theory is not the work of an individual, but the effort of a research community that is sufficiently intrigued or inspired by the theory to develop it creatively and test its implications systematically. There emerges a division of labor within this community among those who create the original theoretical intuitions, who specify the theory, who test it systematically, and who explore the wider implications of the findings that emerge. Since these capabilities are rarely all found in a single person, it is shortsighted to make any one of them the litmus test for productive scholarship. It is clear from my career that I am better at proposing new explanations, beginning to specify them as a theory, and exploring their wider implications, than at formalizing or testing hypotheses systematically. In a sense, then, my contributions can only be validated by others, which makes me very grateful to them for their creativity, intelligence, and effort. The fact that many of the major contributors to the institutionalist research program are former students of mine, naturally imbues this gratitude with feelings of pride.

If pride in one's own accomplishments and those of one's colleagues increases over time, even more does humility. Humility is probably not a positive attribute for a young scholar: one has to believe that one's own ideas are superior to conventional wisdom in certain areas, which requires, for an untested scholar, a certain arrogance. Certainly few colleagues who encountered me during my 30s would have listed humility as one of my virtues. Over time, however, one's personal failure to solve certain problems or keep up with certain technical advances does induce humility. So does the broader recognition that one's own theory—in my case, institutional theory—is only a partial approach to world politics, which needs to be combined with other perspectives.

## Liberalism, Sovereignty and Security

One way of thinking about institutions and interdependence is to view interdependence as the context within which international institutions operate. Institutions are, in this view, a response to interdependence. The tradition of modern thought that is most conducive to this framing of the issue is that of liberalism. . . . Liberalism as an approach to international relations emphasizes individuals, seeks to understand collective decisions, and, in an ethical sense, promotes human rights and validates attempts to ameliorate the human condition. Sophisticated liberalism combines strands of commercialism, republicanism and regulatory politics. Attempts to regulate transnational activity occur as a response to economic interdependence, in the context of pluralistic democracy. Liberalism reaffirms the attempt of institutionalists to seek to understand politics for the sake of designing institutions that will promote cooperation, welfare, and human rights.

As I indicated above, liberalism has many variants, not all of which are consistent with one another. Hence as a general perspective, it does not offer specific normative guidance. My own form of liberalism . . . emphasizes that interdependence among human beings produces discord, which generates a need for institutions. But it also stresses that institutions can be oppressive. My brand of liberalism is therefore hardly the naively overoptimistic doctrine caricatured by Voltaire in *Candide,* whose hero goes from disaster to disaster proclaiming that he is in "the best of all possible worlds." My liberalism recognizes the arguments of Judith Shklar's "liberalism of fear," while still holding out hope for progress. My intellectual heroes include James Madison, for his recognition that institutions must be designed to check one another, and John Rawls, for his construction of a moral theory based on adopting a standpoint of impartiality. I believe that institutions, including international institutions, should be accountable to those they govern. It is also desirable that they rest insofar as possible on honest persuasion rather than on coercion or bargaining based on asymmetrical resources; and that they encourage public participation. My own liberalism, while resolutely anti-utopian, nevertheless offers normative as well as positive guidance for public policy.

Sovereignty is important from this perspective because it illuminates a central tension in contemporary liberalism. Commercial liberalism emphasizes the benefits of the division of labor, hence favors greater openness and the institutions needed to assure openness. Republican liberalism, on the contrary, stresses the importance of self-determination

and democracy within well defined boundaries, so that the public can exercise effective control over self-seeking private actors. From the standpoint of commercial liberalism, sovereignty is a problem; from the standpoint of republican liberalism, it is an essential guarantee. It is therefore not surprising that contemporary debates about openness often pit proponents of sovereignty against opponents of it, and divide the traditional right as well as the traditional left.

During the 1980s, theories of world politics were rather sharply subdivided into those dealing with security and those concerned with issues of political economy. In fact, the field virtually bifurcated into two specialties, which were often seen as having little relationship to one another. In *After Hegemony* I even defended "abstracting from military issues" as a way of focusing more clearly on "the economic origins of change."

Even during the Cold War, this view was quite problematic, as the impact of Ronald Reagan's military buildup on Soviet power, and indirectly on the world economy, was soon to demonstrate. The end of the Cold War made this separation between political-military issues and political-economic ones even more untenable. In *Bound to Lead,* Nye developed a persuasive argument about the centrality of American power, which linked security tightly to political economy. Some work I did with colleagues at Harvard on international institutions after the Cold War reinforced my interest in explaining how institutional theory could illuminate security issues. . . .

The transaction costs–informational theories of international institutions developed in *After Hegemony* also pertain to security issues in which the participants have common or complementary interests. States that seek to cooperate on security issues also need to devise institutions that facilitate cooperation by making promises credible, providing information, and reducing other costs of agreement. Once successful institutions have been developed, it is easier to adapt them to respond to change than to create entirely new ones, particularly if the institutions have a "hybrid" quality, with practices that can be transferred at relatively low cost to new situations. . . .

## From Institutions to Law

In the later 1980s and early 1990s a few innovative legal scholars began to use institutionalist theory. Kenneth Abbott systematically reviewed and commented on institutionalist theory in a major law review article. Anne-Marie Slaughter, writing under her former name of Burley, essentially argued that political scientists were speaking legal prose without recognizing it: that we were theorizing about institutions that generations of legal scholars had described, though not explained. Both in the world of ideas and in the real world of international institutions, the separation between institutions and law seemed more and more tenuous.

My own aversion to international law had been forged in graduate school, when the "world peace through world law" work of Louis Sohn and Grenville Clark had seemed utterly divorced from Cold War reality. More influential in my own training were the critiques of legalism by the realists E.H. Carr and George F. Kennan. Perhaps as a reaction to my own tendency toward personal moralism, I have always been allergic to preaching as a substitute for analysis. But by the early 1990s I had recognized that international law did not have to be textual, formalistic and separated from real political problems and ethnical dilemmas. . . .

I think that the analysis of legalization undertaken by my colleagues and myself is consistent with my overall framework for the analysis of world politics. I begin with actors—individuals and organizations—pursuing their interests as they see them, and guided by the values they internalize. These actors use resources at their disposal, including force, material capabilities, and persuasive ideas, to seek to achieve their objectives. The actors are located in structures of power that provide incentives for action, by affecting the payoffs of various strategies; they are also located within organizations, which delegate authority to various agents. Individuals respond to incentives in a broadly rational way; organizations may do so also, depending on how they are structured. Rationality does not mean full information, or the ability to calculate perfectly; instead, it is the "bounded rationality" of Herbert Simon. In contemporary world politics, states are usually the most important actors, although they are by no means alone. They have to contend with transnational actors, and with structures of transnational as well as interstate relationships. Both sets of actors, state and nonstate, also deal with institutions in two important senses: as inherited patterns of rules and relationships that can affect beliefs and expectations,

and as potential tools for the pursuit of their own objectives.

To understand politics within this framework, one first looks for the key bargains that create policies and establish coalitions. One can think of these bargains as reflecting the equilibria of games, which create institutions, which then, in turn, establish or solidify equilibria so that these institutions, and particular policies, persist. The viability of these institutionalized agreements, however, depends not merely on the interests, capacities, and beliefs of the participants, and on the nominal rules of the institutions, but also on their consistency with broader sets of beliefs and expectations held by other actors or coalitions that control political resources.

Legalized institutions, with precise obligations interpreted by third parties, often impose particularly strong constraints on political actors, as well as providing opportunities for innovative strategies that involve legal action. The success of these strategies is frequently dependent on whether implicit coalitions can be formed, and bargains made, among actors playing well-defined legal roles, including judges. Strategic interaction is central both to politics and to law. Beliefs and institutions, as well as material capabilities, are crucial to strategic interaction. Indeed, the outcomes of strategic interactions may depend as much on how rules are interpreted—a key focus of international legal scholarship—as on the wording of the rules themselves. World politics and the processes of international law can only be understood, therefore, from multiple perspectives, which encompass issues of state power, non-state action, domestic politics, institutions, processes of interpretation, coalitions and bargaining, and the persuasiveness of competing sets of ideas. Understanding how international legal scholars work helps one see issues of interpretation and persuasion in a more subtle way.

## From Interdependence to Globalism

. . . When a new buzzword comes to our faddish field, it is more effective to redefine and reinterpret it than to ignore it. Interdependence was the buzzword of the 1970s, but it had been used in sloppy ways that limited thought. In *Power and Interdependence,* Nye and I sought to redefine and reinterpret it as an analytically useful concept. We disparaged "rhetorical" uses of the phrase and defined interdependence as referring to situations characterized by reciprocal costly effects among actors. We explicitly rejected the view that interdependence was necessarily benign and declared our skepticism about the naïve view that "rising interdependence is creating a brave new world of cooperation to replace the bad old world of international conflict." We therefore sought to make interdependence into a useful analytical tool that did not prejudge conclusions.

When globalization became the buzzword of the 1990s, my first reaction was to regard it as journalistic hype: interdependence in flashier but less revealing garb. Indeed, Helen Milner and I entitled a book that we edited in 1996, "internationalization and domestic politics," rather than "globalization and domestic politics," since "globalization" seemed to imply an answer to the question we were asking about convergence or divergence of national policies. But it is frustrating to try to row against a strong tide, or to sail directly into the wind. To be heard, the scholar has to speak to the concerns of his era in the language of his era. Doing so gets people hooked; then one can proceed to the analysis that may increase their understanding, or at least raise questions about their preconceptions.

At one level, then, "interdependence" was simply overtaken by "globalization" as the fashionable language to describe increases in economic openness and integration. But at a deeper level, changes in terminology reflect changes in reality. The most comprehensive work on globalization of which I am aware defines it as a set of processes that embody "a transformation in the spatial organization of social relations and transactions" generating transcontinental flows and networks, . . . four aspects of globalization [being] extensity (the stretching of space), intensity, velocity, and impact. Globalization moves beyond linkages between separate societies to the reorganization of social life on a transnational basis. As John Ruggie [once] commented . . . : globalization is to interdependence as Federal Express is to the exchange of letters between separate national post offices.

We should notice, however, the semantic differences between these two terms. Interdependence refers to a *state of the world,* whereas globalization describes a *trend* of increasing transnational flows and increasingly thick networks of interdependence. For the terms to be comparable, we need to use a

different term: "globalism," which describes a state of the world. Both interdependence and globalism can be viewed as matters of degree; both can increase or decline over time. Globalization, by contrast, implies increases in globalism. It makes more sense to speak of a "decline in globalism" (as, for instance, with economic globalism between 1914 and 1945) than a "decline in globalization."

Despite the differences, the complexities of interdependence, as Nye and I and others had worked them out in the 1970s, are crucial to a coherent and realistic understanding of globalism and globalization. In particular, interdependence was not just economic, but also strategic, environmental, and ideational. Globalism, . . . is also multidimensional. We differentiate economic, social, environmental and military globalization, each of which has political dimensions. Globalism involves thick networks of interdependence, organized on a transnational basis. Each strand of interdependence involves specific actors, whereas globalism refers to the aggregate pattern produced by all of these strands, and by their organization on a global scale.

## From Institutions to Governance

Finally, how does "governance" enter this picture? . . . What explains the apparent shift in my emphasis from institutions to governance? The answer to this question parallels my answer to the last one. As networks of interdependence intensify, they become more important to domestic publics. And as they thicken into globalism, the connections between them also become more intense. It is less and less feasible to regard issues of trade, finance, environment, and security as separable, each with its own institution devoted to it. The world system looks more and more like a polity. Successful polities have governance structures in which the institutions are well-articulated with one another; but the world polity, if one can call it that, has disarticulated and fragmented institutions. Hence the problem arises of governance, which is defined . . . as "the processes and institutions, both formal and informal, that guide and restrain the collective activities of a group." Globally, the question of governance is one of how the various institutions and processes of global society could be meshed more effectively, in a way that would be regarded as legitimate by attentive publics controlling access to key resources.

In this context, what Nye and I . . . call the "club model" of international organizations becomes less and less tenable. In the half-century after World War II, a practice developed by which a limited set of elites from different countries came together within the confines of an international organization to bargain over a limited set of issues. These clubs were not very transparent and they kept outsiders at arms' length, but they often succeeded, as in trade or in the European Union, in negotiating important agreements that promoted openness. Yet with the growth in sophistication and activism of both developing countries and non-governmental actors, and in the context of a democratic political culture in their leading members, the club model has lost legitimacy. In particular, demands have been raised for accountability within the organizations—demands that are inconsistent with club practices, as well as with the interests of the developing countries as they perceive them. Legitimacy in terms of outputs—liberalized trade, widely beneficial to all, including the poor—may be inconsistent with legitimacy in terms of inputs, involving transparency and accountability. It is still unclear what form of governance on issues related to trade could be developed that would be sufficiently transparent and participatory to be legitimate, yet effective enough to solve pressing problems of inefficiency and the poverty that is accentuated by inefficiency.

The key issues, in my view, involve governance in a partially globalized world. . . . A partially globalized world is a world of thick networks of interdependence, in which boundaries, and states, nevertheless matter a great deal. Even the quite open US–Canadian border has a strong impact on economic activity. And as much work has demonstrated, globalization has not produced convergence of national welfare-state policies.

To understand governance in such a world, we have to understand institutions, which arise in the first instance from demands by political actors and from bargaining. To an extent they are the product of rational egoism; but simple functional theories that derive outcomes from need or purpose over-look both a variety of perverse incentives that often stand in the way, and the potential for public-spirited action. Institutions have paradoxical effects: they are

essential for the good life, but they may also institutionalize bias in ways that make the good life impossible to attain for many people.

One response is to recognize that even if most people behave in self-interested ways most of the time, self-interest can be defined in more or less enlightened ways, and many people are not purely egotistical. Another response is to stress the role of prevailing expectations and beliefs in structuring even self-interested behavior. If just principles are generally accepted in a society, even self-interested people may have more incentives to act justly. Normatively, thinking about institutionalized governance raises issues of institutional design: in particular, fostering accountability, participation and persuasion by providing incentives for those practices to flourish. In the face of globalization, the essay concludes, our challenge is similar to that of the founders of the United States: "to design working institutions for a polity of unprecedented size and diversity."

Such institutions can only operate smoothly in a world free from threats of terror, just as threats of terror are only likely to be minimized in a world of well-functioning global institutions. What Nye and I referred to as "complex interdependence" in 1977—a world of multiple interactions in which recourse to force is excluded—is a condition for deep cooperation, which creates potential vulnerabilities as societies become intertwined. Relationships in which terror is employed involve interdependence, but are obviously not relationships of "complex interdependence." Hence, the attacks on the United States of September 11, 2001, reinforce the caution that Nye and I have consistently expressed about the spread of complex interdependence. As Nye likes to say, "security is like oxygen." You are only aware of it when it is absent. Global governance during the next decades will have to deal with threats of force as well as with economic interdependence. . . .

The attacks on the United States of September 11 [2001] did not focus on the world political economy, nor were international institutions directly involved. Perspectives from realism and political philosophy shed light on these events, but so do approaches with their origins in the study of interdependence and institutions. I do not claim that my perspectives on these issues are more important than other perspectives, but I do believe that theories linking asymmetrical interdependence to power, and institutional analysis, both contribute productively to the analysis of the globalization of informal violence.

We students of world politics did not choose our subject because it is aesthetically pleasing, nor because clear propositions about it can be developed and tested easily, using scientific methods. We should aspire to be scientific in the best sense; but neither the experimental nor statistical methods are easy to apply to a world of strategic interactions, by a limited number of players, that are not subject to our control. We choose our subject because it is vitally important: a matter of life and death, wealth and poverty. Surely the events of September 11 indicate anew its crucial significance. We face a moral imperative to understand world politics better. Better understanding should enable people to design better policies and institutions, although it is no guarantee of such improvements. Better institutions would enable ordinary human beings to live lives of their own choosing, free from fear. Under such conditions, people could devise their own ways to love and respect other people and to value the natural world on which we all depend.

## Notes

1. I am indebted to Nannerl O. Keohane, Joseph S. Nye, and John Gerard Ruggie for comments on an earlier version of this introduction, and to my editor, Craig Fowlie, both for encouraging me to write this introduction and for comments on an earlier draft.

2. See Keohane and Nye (1987), reprinted in the second and third editions of *Power and Interdependence*, 1989 and 2001.

3. I have had so many able students that I would hesitate to create an exhaustive list, for fear of omitting some important work by people I respect very much.

4. *Power and Interdependence* (1977), *After Hegemony* (1984), *International Institutions and State Power* (1989).

5. See Kenneth N. Waltz, *Foreign Policy and Democratic Politics* (Boston: Little Brown, 1967).

6. The volume that I edited in 1986a, *Neorealism and Its Critics*, has been widely used and is still in print, but I have mixed feelings about it. It helpfully brought together Kenneth Waltz's seminal statements of neo-realist thinking, together with some of the major early critiques of his work. But it probably contributed to the "us versus them" tone of the discussion for much of the following decade.

# Producing Security

STEPHEN G. BROOKS

*Brooks observes that the issue of the relation between international commerce and war and peace goes back several thousands of years. The traditional focus and debate has been on economic interdependence defined in terms of trade between states. In an era of economic globalization, however, the key focus of analysis should be the impact of the globalization of production, in particular the international production strategies of multinational corporations. The issue is to what extent the globalization of production acts as a significant force for stability among great powers, between great powers and other states, and among states with secondary international power capabilities. He directly takes on John Mearsheimer's pessimistic view of international relations among great powers.*

Scholars and statesmen have debated the influence of international commerce on war and peace for thousands of years. Around A.D. 100, Plutarch maintained that international commerce brought about "cooperation and friendship" and that the cessation of commercial exchange would cause the life of man to be "savage and destitute."[1] This line of reasoning became particularly prominent in the eighteenth and nineteenth centuries with the writings of philosophers such as Adam Smith, Jeremy Bentham, Immanuel Kant, Thomas Paine, Jean-Jacques Rousseau, Montesquieu, and John Stuart Mill.[2] These men were united in their belief that enhanced international commerce made war among states more costly and, thus, that "the natural effect of commerce is to lead to peace,"[3] as Montesquieu maintained in 1748. Many of them also believed that commerce was a dynamic force having a progressively stronger stabilizing effect over time. In the eyes of Kant, "the spirit of commerce, which is incompatible with war, sooner or later gains the upper hand in every state."[4]

This sanguine view of commerce as having a strong, positive effect on interstate relations has not been universally embraced. Indeed, many have argued the opposite is true. Perhaps the most prominent early pessimistic statement in this regard was advanced by Alexander Hamilton. Writing in 1787, he devotes most of Federalist 6 to critiquing the notion that the "spirit of commerce has a tendency to soften the manners of men and to extinguish those inflammable humors which have so often kindled into wars." After running through a series of historical examples. Hamilton ultimately concludes that numerous wars were "founded upon commercial motives" and that "spirit of commerce in many instances administered new incentives" for conflict.[5] Another prominent early pessimist is Frederick List, who argued during the middle of the nineteenth century that reducing participation in international commerce is, in the absence of a universal republic, the surest route to enhancing a state's security.[6] At the dawn of the twentieth century, John Hobson famously maintained that the business activities of firms led to imperialism; a few years later, Lenin then took one step further, emphasizing that not just imperialism but eventually war among capitalist states would be the inevitable result of capitalism.[7]

The belief that international commerce can strongly shape security relations is reflected not just in the writings of scholars over the centuries, but in policy discussions and governmental decisions. Over the years, the optimistic perspective on commerce and security has most strongly and directly shaped policy. David Lloyd George, Cordell Hull, Woodrow Wilson, Richard Cobden, William Gladstone, and Bill Clinton are prominent examples of politicians who have advanced policies premised on the notion

that international commerce can promote peace.[8] As we move into the twenty-first century, this view continues to significantly influence important aspects of policy. In the United States, the decision to push for China's entry into the World Trade Organization is the most prominent recent example. In his 28 January 2000 State of Union Address, President Bill Clinton exhorted: "Congress should support the agreement we negotiated to bring China into the WTO, by passing Permanent Normal Trade Relations with China as soon as possible . . . [because] it will plainly advance the cause of peace in Asia." While the foreign policy approaches of the Clinton and George W. Bush administrations differ greatly on many issues, a key common theme is the notion that promoting economic globalization throughout the world can foster a stable security environment.[9]

Despite the prominence of the view among scholars and policymakers that international commerce significantly influences security relations, up until the 1990s essentially no empirical analysis of this issue existed.[10] In the final phase of the Cold War, prominent scholars such as Richard Rosecrance and Kenneth Waltz continued the centuries-old debate on the effects of commerce on peace, but this discussion was confined to the level of theory.[11] The rapidly growing scope of international economic integration, termed "globalization," has over the past decade led international relations scholars to renew their attention to how shifts in the international economy affect states' security behavior. Unlike almost all previous scholarship on this general subject, the most recent wave of investigations was empirically focused.[12] The general finding emerging from this literature—that trade linkages between states reduce the likelihood of conflict—is important in its own right and, more generally, indicates that the centuries-old contention that the business activities of firms can significantly shape security affairs is, in fact, valid.[13]

## Bringing in the Globalization of Production

Given the great importance of economic globalization in the international environment, it is crucial to carefully evaluate its influence on security. The recent literature examining how the international economy influences security has produced important new insights, but it suffers from a major limitation: it neglects the most significant feature of today's global economy. Over the centuries, scholars have generally treated the questions "Does international commerce influence security?" and "Do trade flows influence security?" as synonymous. Not surprisingly, virtually all studies in this recent wave of scholarship examine the security repercussions of international trade flows.[14] In the past, such an overarching focus on the security implications of trade made sense. It no longer does. Until recently, trade was "the primary means of organizing international economic transactions."[15] Today, however, trade is a second-order phenomenon: where and how multinational corporations (MNCs) organize their production activities is now the key integrating force in global commerce.[16]

MNC international production strategies have changed in a variety of fundamental ways over the past three decades. These new strategies are characterized by an increased cross-border dispersion of production. For this reason, analysts commonly use the short-hand term *globalization of production* as a descriptor of these recent changes in MNC production—a practice I will also adopt here.[17] As will be shown, MNCs are geographically dispersing production activities both internally and externally—that is, within the firm itself as well as through the development of more extensive interfirm linkages across borders. More specifically, MNCs have greatly enhanced the intrafirm international division of the production process through a new role for foreign affiliates: at the same time, they have pursued deeper relationships with foreign suppliers and cooperative partners located abroad through international subcontracting and international interfirm alliances.

Although analysts use the language of globalization in describing these shifts, the geographic dispersion of MNC production activities is not truly global in scope. These shifts in MNC production have had powerful effects on some states, but have largely bypassed many others. Specifically, it is among the economically most advanced states that the geographic dispersion of MNC production has been most prominent; the rise of international interfirm alliances, for example, is a trend largely restricted to North America, Western Europe, and Japan. It is also important to recognize that the geographic dispersion of MNC production is not occurring equally across all industries. . . . [I]nternationalization strategies have become prominent only in certain sectors.

The unprecedented nature of the globalization of production is a key feature distinguishing it from international trade. Many analysts argue that what we call economic globalization resembles the international economy during the "golden age" of capitalism from 1870 to 1914. However, this similarity is strong only if we treat economic globalization as an aggregate; when we break economic globalization into its constituent parts, we reach a very different answer. The globalization of production clearly represents an ongoing qualitative change in the international economy; trying to advance the same claim about the other two economic globalization trends—of international trade and international financial markets, respectively—is more problematic. In the end, the geographic dispersion of MNC production is the most historically novel aspect of contemporary economic globalization.

Despite the substantive significance and historical novelty of the globalization of production, there has so far been no systematic empirical analysis of its implications for security relations among states. The last detailed empirical examination of how international production by MNCs can influence security affairs was written in 1935.[18] A number of prominent analysts have recently noted that changes in MNC production strategies may have significant repercussions for security affairs, but this is not a primary focus of their analysis, and they do not empirically evaluate the notions they advance.[19] Because systematic data on the geographic dispersion of MNC production does not exist, there is a dearth of quantitative studies of international conflict that use measures of this global production shift.[20] A significant literature did develop in the middle and late 1980s that analyzed the United States' increased reliance upon foreign suppliers for parts and components of military weapons systems.[21] However, this literature, as well as the studies following in its wake, focuses almost exclusively on the consequences of the globalization of production for U.S. defense policy or the structure of the U.S. economy rather than upon the repercussions for international security more generally. This literature also centers upon increases in international subcontracting, which is only one element of the geographic dispersion of MNC production.

Empirical analyses of the security repercussions of trade flows can no longer eclipse examinations of how the globalization of production affects security relations. This book is the first systematic study of how this unprecedented change in the global economy influences international security. Since the geographic dispersion of MNC production is a novel and dramatic shift in the international environment, it is critical to know how it changes the prospects for peace. This analysis shows that the globalization of production has led to major changes in the global security environment that collectively improve the security climate in some regions while decreasing it in others.

## The Globalization of Production Leads to Changes in Capabilities, Incentives, and Actors

Within the literature that examines how the international economy can influence security, scholars outline a wide variety of arguments. In practice, these disparate arguments can be boiled down to three general mechanisms: the global economy can influence security by changing capabilities, incentives, and the nature of the actors. This book shows that the globalization of production has reshaped the global security environment via each of these three general mechanisms.

Regarding capabilities, the key puzzle is whether the globalization of production has fundamentally changed the parameters of weapons production. As Richard Bitzinger notes, throughout history, "most countries traditionally have preferred to be self-sufficient in arms production."[22] The reasons are straight-forward: "going it alone" in defense production makes it possible to guard against vulnerability to supply interruptions and to ensure that strategic competitors do not have easy access to the same vital military technologies. States continue to have a preference for relying on their own resources for weapons production; the key question is how capable they are of pursuing this strategy. Analysts agree that going it alone has become harder in defense production in recent years.[23] Until now, however, we have lacked an understanding of exactly how much more difficult it has become. The analysis in this book reveals that the scales have decisively shifted against a strategy of autarkic defense production: no state, including the great powers, can now effectively remain on the cutting edge in military technology if it does not pursue significant internationalization in the production of weaponry.

Concerning incentives, the key unanswered question is whether the geographic dispersion of MNC production has changed the economic benefits of conquest. Economic gain has historically been a significant motivating force for conflict, and wars of conquest unfortunately still occur, as is demonstrated by Iraq's 1991 invasion of Kuwait and the occupation of western Congo by Uganda, Burundi, and Rwanda from 1998 to 2002. Irrespective of the motivation for war, the prospects for stability—that is, peacefulness—will decrease if aggressors are able to extract significant economic resources from newly occupied territory. The current benchmark study of the economic benefits of conquest concludes that conquerors are still in a position to effectively extract economic resources from vanquished wealthy countries.[24] In order to determine whether this is truly the case, we need to investigate how recent economic transformations within the most advanced countries affect the economic benefits of conquest. Until now, this key issue has been neglected in the literature. This analysis reveals that while conquerors are still in a position to effectively extract economic resources from a subset of wealthy countries, they can no longer do so from most. Specifically, I find that the globalization of production has greatly reduced the economic benefits of military conquest among the most advanced countries.

With respect to shifts in the nature of the actors, the primary puzzle is whether the geographic dispersion of MNC production can reshape security by influencing the prospects for regional economic integration. Because regional integration can alter the interests of the group's respective members, scholars conclude that such institutions can play a significant role in the development of stable, peaceful security relationships.[25] Although this line of argument is compelling, a key question remains: under what conditions will states with security tensions be able to consolidate integration in the first place? All the theory we have indicates that it is the consolidation of deep regional economic integration, and not simply the formation of an agreement, that has significant positive security repercussions. And yet, scholars who study international co-operation generally agree that states with security tensions will be least likely to engage in deep economic cooperation.[26] We need to examine whether the globalization of production can exert sufficient pressure to induce even those states with a history of security rivalry to consolidate regional integration. The analysis here shows that it can. I find that this global production shift can, under certain conditions, enhance the prospects for peace by contributing to the consolidation of deep regional economic integration among long-standing security rivals.

The globalization of production has significant ramifications for security affairs by virtue of the fact that it has altered the parameters of weapons development, the economic benefits of conquest, and the prospects for regional economic integration among security rivals. These three mechanisms are the focus of this book both because of their significance in the literature and because they can be directly examined empirically. However, these mechanisms are not the only means by which the geographic dispersion of MNC production can potentially influence security; in total, there are *five other mechanisms, all of which I analyze in this book. . . . [T]hese five other mechanisms are all prospective in nature: they have the potential to influence security relations in the future, but do not appear to have yet played a role. The bottom line is that the globalization of production has already reshaped the international security environment in dramatic ways and may have an even greater influence in the years ahead.

## The Globalization of Production Acts as a Significant Force for Great Power Stability

The influence of the globalization of production on security is clearest and also most consequential with respect to great power relations. A massive amount of literature within international relations is devoted to examining the most dangerous potential outcome in the system: a great power that attempts to fundamentally upset the territorial status quo and is successful in doing so because the gains of military conquest are cumulative. The possibility of this outcome has cast a long shadow over researchers working within every different approach and method in the field.[27] This focus is not surprising. Although great power war is not an everyday occurrence, it is one that holds great peril: in World War II, over 50 million were killed, and the possibility that the nature of the system could be transformed by the Axis powers was far from remote. Moreover, the mere threat of great power revisionism is grave and consequential: the U.S. effort to contain the Soviet threat

to the system during the Cold War was incredibly expensive in economic terms (for decades America committed between 5 and 14 percent of its GDP to defense spending), and U.S presidents repeatedly engaged in brinkmanship that ran the risk of escalation to global thermonuclear destruction.

Many different factors influence the prospects for great power stability.[28] What is crucial is to identify which factors are important and whether they are likely to have a positive or negative influence. The findings of this book collectively indicate that the globalization of production now acts as a force for stability among the great powers. Put most precisely, the conclusion of this study is that the increased geographic dispersion of MNC production will, ceteris paribus, increase the stability of great power relations.

Of course, some say that the rise of what we now call economic globalization is partly due to the "long peace" that emerged among the great powers after 1945.[29] This is true. There are many different sources of this long peace, which, in turn, provided a favorable environment for the onset and acceleration of economic globalization. This book is not about the causes of the long peace, nor the genesis of economic globalization. Instead, the motivation for this study is to understand the repercussions of the globalization of production for security relations throughout the world in recent years and in the years to come. With the fading of Cold War security structures, a number of prominent analysts now see an increased threat of security competition among great powers.[30] This is where the geographic dispersion of MNC production enters in. As this study will show, now that the globalization of production is here, it works independently to reinforce stability among the great powers in a positive feedback loop via a specific set of mechanisms.

This analysis, in short, greatly strengthens the argument that international commerce now acts as a force for peace among the great powers. This book's conclusion—that the production activities of MNCs contributes to stability in a way that is different from and stronger than trade—undercuts those who advance pessimistic projections about the great powers in the years ahead. Significantly, these analysts all maintain that international commerce now provides no reason for optimism about the future. The most forceful proponent of this gloomy perspective, John Mearsheimer, certainly does recognize that economic globalization is a significant force in world politics that has the potential to dramatically influence security affairs, but ultimately concludes that it does not reduce the force of his pessimistic predictions. Mearsheimer asserts there is essentially no difference between the nature and extent of international commerce in today's global economy and that of the pre-1914 era; he then reasons that if extensive international commerce did not prevent World War I, "a highly interdependent world economy does not make great-power war more or less likely" and that we ultimately have no reason to think that the current wave of economic globalization will act as a significant constraint on the severity of conflict among the great powers in the years ahead.[31]

Mearsheimer's treatment of economic globalization suffers from the standard problem in the security field at large: an overly narrow and static conceptualization of international commerce. Trade linkages before World War I were very extensive, to be sure. But trade comprises only one part of what international commerce now consists of, a minority portion at that. Before World War I, there was nothing like the geographic dispersion of MNC production that exists today. Given that the globalization of production is historically novel and is now the pivotal driver of international commerce, analyses such as Mearsheimer's that dismiss the current security repercussions of economic globalization of parallels with pre–World War I trade make no sense. Indeed, they are biased.

It turns out that once we factor in the globalization of production, Mearsheimer's pessimistic argument concerning the future of great power security relations loses steam. In his analysis, whether substantial power gains can be accrued through military conquest has a fundamental influence on the prospects for great power conflict.[32] Much of the basis for Mearsheimer's overall pessimism is a reflection of this in combination with his assessment that great power conquerors can, in fact, still effectively extract the economic wealth of those societies they vanquish on the battlefield and forcibly occupy.[33] As recently as World War II, it appears that great powers were in a position to conquer other great powers and effectively extract economic benefits from occupation.[34] This is no longer the case: a key finding of this book is that the globalization of production has greatly lowered the economic benefits of conquest in the most economically advanced states, and hence among all of the current and future great powers. This alone significantly

undercuts Mearsheimer's pessimistic portrait of great power security relations in the years ahead.

The reasons why Mearsheimer places great stress on the economic benefits of conquest as an influence on great power stability are, of course, particular to his specific analysis. However, we need not agree with his particular theory of world politics to appreciate why the reduction in the economic benefits of conquest among the most advanced countries caused by the globalization of production significantly enhances stability among the great powers. Numerous other scholars employing approaches very different from Mearsheimer's similarly emphasize the economic benefits of conquest as a key influence on great power stability.[35] Irrespective of why a state seizes territory beyond its borders, the prospects for stability are greatly reduced when a great power can use one military conquest as a springboard for the next. During World War II, for example, the Nazis achieved great initial success and were hard to defeat in large part because they were able to effectively extract economic resources from the territory they occupied; these resources provided capacity that the Nazis could use to protect captured territory and acquire more. Had the Nazis been unable to effectively extract economic resources from vanquished territory, then their strategic vulnerability would have increased as they extended themselves militarily. This example makes it evident why a reduction in the economic benefits of conquest among the most advanced countries would enhance stability among the great powers.

Through its influence on the economic benefits of conquest, the geographic dispersion of MNC production acts as a force for continued peacefulness among the great powers. Although significant, this is not the only reason why this global production shift promotes great power stability. This study's finding that great powers can no longer effectively go it alone in defense-related production points in the same direction. While the consequences of a change in the benefits of conquest for great power stability has received extensive scholarly treatment, the potential significance of a shift in the ability of states to pursue an autarkic defense production strategy has not yet been examined. There is good reason for this, since until very recently great powers retained the ability to be self-sufficient in defense production.

To put it simply for now, this book's finding that an autarkic defense production strategy has been fundamentally undermined augurs well for peaceful security relations among the great powers for two basic reasons.[36] First, consider what would happen if a great power were to go it alone in defense production in the current environment. Any state that pursues this course will not have leading-edge military equipment and will thus be in a weaker position to pursue revisionist aims. Modern history makes clear the significance of this development: the three main revisionist great powers from the past 75 years (imperial Japan and Nazi Germany in World War II, and the Soviet Union during the Cold War) were largely closed off from the international economy at the time they challenged the status quo.

Second, the finding that states can no longer effectively produce leading-edge military technologies on their own means that any great power that makes a fundamental challenge to the territorial status quo will be easier to subdue; this is the case irrespective of which defense production strategy is pursued. The great powers that have made fundamental challenges to the status quo over the past century all acted largely on their own and provoked a counterbalancing coalition that imposed a supply cutoff upon them. The problem is that these supply cutoffs were far from effective in reducing the ability of the revisionist great power to develop and produce competitive military weaponry.[37] The world of today is much less threatening in this regard: the globalization of production greatly magnifies the degree to which a supply cutoff like those imposed in World War II would degrade the military capacity of a revisionist great power that acts alone.

The marked reduction in the benefits of conquest among the most advanced countries and the change in the parameters of weapons development caused by the globalization of production are both stabilizing for security relations among the great powers on their own. Of key importance, however, is that these changes overlap and reinforce each other: as chapter 7 shows, these two shifts in combination make less acute the most dangerous threat in the system. Significantly, this is true regardless of what motivates great powers. No matter whether the ultimate goal is power, security, prestige, or wealth, the geographic dispersion of MNC production has structurally shifted the scales against any great power that tries to overturn the fundamental nature of the system through force. Given that the globalization of production is a major, historically novel

shift in the international environment, we are fortunate that it has a stabilizing influence on great power relations.

## Is the Globalization of Production Leading to Universal Peace?

The view that economic shifts can influence the political world is one of the most enduring notions within political science and the social sciences more generally. Although sometimes viewed as being exclusively associated with Marxist theory, it is an intellectual project of incredible diversity. Unfortunately, many analysts go so far as to advance economic determinist arguments.[38] A prominent example of this tendency with respect to international security is John Stuart Mill's argument in 1848: "It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it. . . . [Commerce is] the principal guarantee of the peace of the world."[39]

Mill's optimistic forecast that international commerce was rendering war obsolete, like many similar predictions that followed in its wake, proved to be greatly in error.[40] His understanding was not simply wrong at the time; it necessarily will always be wrong.[41] The simple reason is that international commerce is only one of the variables that influences the likelihood of war. This study is motivated by the need to better understand whether international commerce now has a positive or negative influence on security relations; in pursuing this goal, I recognize that it does not serve as a master variable.

Although the globalization of production does not provide any guarantee of peace among the great powers, it does act as a force for stability among them. This raises a key question: does this global production shift have beneficial repercussions for security throughout the world or only in certain regions? For many, the term *globalization* connotes a system or process that encompasses all countries and industries. As stressed above, the globalization of production is not, in fact, 'global' but instead remains bounded in important respects: it is an ongoing process, not an end point.[42] It is, consequently, vital to examine the nature of this production change in its current form rather than to speculate about some hypothetical future international economy that is perfectly globalized.[43] Once we do so, it becomes clear that there is no reason to expect that the geographic dispersion of MNC production will have a uniform effect on security relations throughout the world.

The unfortunate conclusion of this book is that while the geographic dispersion of MNC production is stabilizing among the great powers, it will not promote peace elsewhere in the world. Indeed, the analysis in the concluding section of the book shows that this global production shift is likely to have a net negative influence on security relations among developing countries. As will be seen, this is partly because developing countries have not yet participated in the globalization of production to nearly the same extent that the great powers have. Far from acting as a general force for improved security relations, as some prominent analysts aver is the case, the positive influence of the globalization of production. I conclude, will be geographically circumscribed for the foreseeable future.

## Notes

1. Irwin 1996, 11.
2. See the discussion in Silberner 1946; and Doyle 1997. chap. 7.
3. Montesquieu 1989, 338.
4. Kant 1957, 32.
5. Hamilton 1961, 56, 57.
6. See Silberner 1946, chaps. 8 and 9.
7. Hobson 1902; and Lenin 1917.
8. See Way 1998, chap. 1.
9. On this point, see Rose 2003.
10. On this point, see, for example, Levy 1989, 261–62.
11. Rosecrance (1986) argues that commerce promotes stability, whereas Waltz (1979, esp. 138) advances the opposite position.
12. For useful reviews of this recent literature, see McMillan 1997; Barbieri and Schneider 1999; and Mansfield and Pollins 2001.
13. This is not to say that there is uniform agreement concerning how trade linkages influence security behavior. The prevailing view is that higher levels of trade interdependence lower the likelihood of conflict (on this point, see, for example, the discussion in Mansfield and Pollins 2001).
14. A partial list of these studies includes Oneal and Russett 1997, 1999; Russett and Oneal 2000; Oneal et al. 1996. For a full set of citations, see the bibliographies in Barbieri and Schneider 1999; McMillan 1997; and Mansfield and Pollins 2001.
15. Kobrin 1995, 26.

16. A multinational corporation is a firm that owns, coordinates, or controls value-adding activities in more than one country.
17. See, for example, Dunning 1992, 128–32. The "geographic dispersion of MNC production" is a more accurate, but also more cumbersome, short-hand descriptor that I will also sometimes use.
18. See Staley 1935.
19. See, for example, Rosecrance 1999.
20. For useful discussions of the limitations of data on the International production activities of MNCs, see OECD: Economic Outlook 71, 2002, 159.
21. Much of this literature is discussed in Moran 1990.
22. Bitzinger 1994, 172.
23. See, for example, Moran 1990; Bitzinger 1994.
24. See Liberman 1996.
25. See, for example, Wendt 1994; Deutsch et al. 1957; Nye 1971; and Russett and Oneal 2000. chap. 5.
26. See, for example, Grieco, Powell, and Snidal 1993.
27. Mearsheimer 2001; Rosecrance 1999; and Stam and Smith 2001 are recent examples.
28. The most significant recent empirical analysis emphasizing this point is Bennett and Stam 2003.
29. For this argument, see, for example, Buzan 1984. On the long peace, see Gaddis 1987.
30. See Mearsheimer 2001; Kupchan 2002; Waltz 2000; and Huntington 1993.
31. See Mearsheimer 2001, 371. This is the same line of argument advanced in Waltz 2000; and Kupchan 2002, esp. 103. Huntington goes one step further, arguing that commerce is now destabilizing among the great powers; see Huntington 1993, 25–27.
32. Of the four strategies Mearsheimer identifies for states to enhance their power, it is conquest that plays by far the most significant role in his account and in the historical record: see Mearsheimer 2001, esp. 147–55.
33. Mearsheimer 2001, esp. 148–50.
34. See Liberman 1996, chap. 3.
35. Three of the strongest recent statements in this regard are Van Evera 1999, chap. 5; Stam and Smith 2001; and Rosecrance 1999, esp. 17, 81.
36. A more detailed version of this argument is presented in chapter 7 of the book.
37. For a useful overview, see Mearsheimer 2001, 90–96.
38. Here, economic determinism is taken to mean that "the tendencies, forces, and outcomes of economic processes exert an independent, determining influence on other aspects of social development, such as political organization and cultural beliefs" (Bimber 1994, 91).
39. Mill 1920, 582.
40. The most famous of these forecasts was advanced by Norman Angell; Angell 1910.
41. See the discussion in Keohane and Nye 1998, 81.
42. On this point, see Dicken 1998, 5.
43. Some globalization proponents are more extreme in this respect; see, for example, Reich 1991; and Ohmae 1995.

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