

# Power and Interdependence

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Fourth Edition

Robert O. Keohane  
*Princeton University*

Joseph S. Nye  
*Harvard University*

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And our children, with hope.

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# Understanding Interdependence

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# Interdependence in World Politics

We live in an era of interdependence. This vague phrase expresses a poorly understood but widespread feeling that the very nature of world politics is changing. The power of nations—that age-old touchstone of analysts and statesmen—has become more elusive: “calculations of power are even more delicate and deceptive than in previous ages.”<sup>1</sup> Henry Kissinger, though deeply rooted in the classical tradition, has stated that “the traditional agenda of international affairs—the balance among major powers, the security of nations—no longer defines our perils or our possibilities. . . . Now we are entering a new era. Old international patterns are crumbling; old slogans are uninformative; old solutions are unavailing. The world has become interdependent in economics, in communications, in human aspirations.”<sup>2</sup>

How profound are the changes? A modernist school sees telecommunications and jet travel as creating a “global village” and believes that burgeoning social and economic transactions are creating a “world without borders.”<sup>3</sup> To a greater or lesser extent, a number of scholars see our era as one in which the territorial actors such as multinational corporations, transnational social movements, and international organizations. As one economist put it, “the state is about through as an economic unit.”<sup>4</sup>

Traditionalists call these assertions unfounded “globaloney.” They point to the continuity in world politics. Military interdependence has always existed, and military power is still important in world politics—witness nuclear deterrence; the Vietnam, Middle East, and India-Pakistan wars; and China’s military threats toward Taiwan or American intervention in the Caribbean. Moreover, as the Soviet Union has showed, authoritarian states could, at least until recently, control telecommunications and social transactions that they considered disruptive. Even poor and weak countries have been able to nationalize multinational corporations, and the prevalence of nationalism casts doubt on the proposition that the nation-state is fading away.

Neither the modernists nor the traditionalists have an adequate framework for understanding the politics of global interdependence.<sup>5</sup> Modernists point correctly to the fundamental changes now taking place, but they often assume without sufficient analysis that advances in technology and increases in social and economic transactions will lead to a new world in which states, and their control of force, will no longer be important.<sup>6</sup> Traditionalists are adept at showing flaws in the modernist vision by pointing out how military interdependence continues, but find it very difficult to interpret accurately today's multidimensional economic, social, and ecological interdependence.

Our task in this book is not to argue either the modernist or traditionalist position. Because our era is marked by both continuity and change, this would be fruitless. Rather, our task is to provide a means of distilling and blending the wisdom in both positions by developing a coherent theoretical framework for the political analysis of interdependence. We shall develop several different but potentially complementary models, or intellectual tools, for grasping the reality of interdependence in contemporary world politics. Equally important, we shall attempt to explore the *conditions* under which each model will be most likely to produce accurate predictions and satisfactory explanations. Contemporary world politics is not a seamless web; it is a tapestry of diverse relationships. In such a world, one model cannot explain all situations. The secret of understanding lies in knowing which approach or combination of approaches to use in analyzing a situation. There will never be a substitute for careful analysis of actual situations.

Yet theory is inescapable; all empirical or practical analysis rests on it. Pragmatic policymakers might think they need pay no more heed to theoretical disputes over the nature of the world than they pay to medieval scholastic disputes over how many angels can dance on the head of a pin. Academic pens, however, leave marks in the minds of statesmen with profound results for policy. Not only are "practical men who believe themselves to be quite exempt from any intellectual influences" unconscious captives of conceptions created by "some academic scribbler of a few years back," but increasingly the scribblers have been playing a direct role in forming foreign policy.<sup>7</sup> Inappropriate images and ill-conceived perceptions of world politics can lead directly to inappropriate or even disastrous national policies.

Rationale and rationalization, systemic presentation and symbolism, become so intertwined that it is difficult, even for policymakers themselves, to disentangle reality from rhetoric. Traditionally, classical theories of world politics have portrayed a potential "state of war" in which states' behavior was dominated by the constant danger of military conflict. During the Cold War, especially the first decade after World War II, this conception, labeled "political realism" by its proponents, became widely accepted by students and practitioners of international relations in Europe and the United States.<sup>8</sup> During the 1960s, many otherwise keen observers who accepted realist approaches were slow to perceive the development of new issues that did not center on military-security concerns.\* The same dominant image in the

\*In *The Troubled Partnership* (New York: McGraw-Hill for the Council of Foreign Relations, 1965) Henry A. Kissinger discussed alliance problems with hardly a reference to economic issues, although economic issues were beginning seriously to divide the NATO allies.

late 1970s or 1980s would be likely to lead to even more unrealistic expectations. Yet to exchange it for an equally simple view—for instance, that military force is obsolete and economic interdependence benign—would condemn one to equally grave, though different, errors.

What are the major features of world politics when interdependence, particularly economic interdependence, is extensive?<sup>9</sup> This is one of the two major questions we address in this book. In Chapter 2 we explore this question in general terms; in Chapter 5 and part of Chapter 7 we investigate it further in four case studies; and Chapter 8 examines the implications for American foreign policy. To lay the groundwork for these analyses, in the rest of this chapter we define what we mean by interdependence, differentiate its major types, and relate them to the concept of power, which remains fundamental to the analysis of world politics.

Interdependence affects world politics and the behavior of states; but governmental actions also influence patterns of interdependence. By creating or accepting procedures, rules, or institutions for certain kinds of activity, governments regulate and control transnational and interstate relations. We refer to these governing arrangements as *international regimes*. The second major question of this book is, How and why do international regimes change? Chapter 3 develops a set of explanations for the development of international regimes, and their eventual decline. In Chapter 6 we apply these explanations to issues of oceans and money, and in Chapter 7 we use them to understand some features of Canadian-American and Australian-American relationships.

But interdependence is not simply an analytical concept. It is also a rhetorical device employed by publicists and statesmen. For the statesman, eager to increase the number of people marching beneath his banner, vague words with broad appeal are useful. For the analyst, such vagueness is the path to a swamp of confusion. Before we can construct usable concepts, much less increase our understanding of interdependence and regime change, we must clear a way through the rhetorical jungle. Our task is to analyze the politics of interdependence, not to celebrate it.

## THE NEW RHETORIC OF INTERDEPENDENCE

During the Cold War, “national security” was a slogan American political leaders used to generate support for their policies. The rhetoric of national security justified strategies designed, at considerable cost, to bolster the economic, military, and political structure of the “free world.” It also provided a rationale for international cooperation and support for the United Nations, as well as justifications for alliances, foreign aid, and extensive military involvements.

National security became the favorite symbol of the internationalists who favored increased American involvement in world affairs. The key foreign policy coordinating unit in the White House was named the National Security Council. The Truman administration used the alleged Soviet threat to American security to push the loan to the British and then the Marshall Plan through Congress. The Kennedy administration employed the security argument to promote the 1962 Trade



Expansion Act. Presidents invoked national security to control certain sectoral economic interests in Congress, particularly those favoring protectionist trade policies. Congressmen who protested adverse economic effects on their districts or increased taxes were assured—and in turn explained to constituents—that the “national security interest” required their sacrifice. At the same time, special interests frequently manipulated the symbolism of national security for their own purposes, as in the case of petroleum import quotas, promoted particularly by domestic oil producers and their political allies.<sup>10</sup>

National security symbolism was largely a product of the Cold War and the severe threat Americans then felt. Its persuasiveness was increased by realist analysis, which insisted that national security is the primary national goal and that in international politics security threats are permanent. National security symbolism, and the realist mode of analysis that supported it, not only epitomized a certain way of reacting to events, but helped to codify a perspective in which some changes, particularly those toward radical regimes in Third World countries, seemed inimical to national security, while fundamental changes in the economic relations among advanced industrialized countries seemed insignificant.

As the Cold War sense of security threat slackened, foreign economic competition and domestic distributional conflict increased. The intellectual ambiguity of “national security” became more pronounced as varied and often contradictory forms of involvement took shelter under a single rhetorical umbrella.<sup>11</sup> In his imagery of a world balance of power among five major centers (the United States, the Soviet Union, China, Europe, Japan), President Nixon tried unsuccessfully to extend traditional realist concepts to apply to the economic challenge posed by America’s postwar allies, as well as the political and military actions of the Soviet Union and China.

As the descriptive accuracy of a view of national security dominated by military concerns declined, so did the term’s symbolic power. This decline reflected not only the increased ambiguity of the concept, but also American reaction to the Vietnam imbroglio, to the less hostile relationship with Russia and China summed up by the word *detente*, and to the misuse of national security rhetoric by President Nixon in the Watergate affair. National security had to share its position as the prime symbol in the internationalists’ lexicon with *interdependence*.

Political leaders often use interdependence rhetoric to portray interdependence as a natural necessity, as a fact to which policy (and domestic interest groups) must adjust, rather than as a situation partially created by policy itself. They usually argue that conflicts of interest are reduced by interdependence, and that cooperation alone holds the answer to world problems.

“We are all engaged in a common enterprise. No nation or group of nations can gain by pushing beyond the limits that sustain world economic growth. No one benefits from basing progress on tests of strength.”<sup>12</sup> These words clearly belong to a statesman intending to limit demands from the Third World and influence public attitudes at home, rather than to analyze contemporary reality. For those who wish the United States to retain world leadership, interdependence has become part of the new rhetoric, to be used against both economic nationalism at home and

assertive challenges abroad. Although the connotations of interdependence rhetoric may seem quite different from those of national security symbolism each has often been used to legitimize American presidential leadership in world affairs.

Yet interdependence rhetoric and national security symbolism coexist only uneasily. In its extreme formulation, the former suggests that conflicts of interest are passé, whereas the latter argues that they are, and will remain, fundamental, and potentially violent. The confusion in knowing what analytical models to apply to world politics (as we noted earlier) is thus paralleled by confusion about the policies that should be employed by the United States. Neither interdependence rhetoric nor national security symbolism provides reliable guidelines for problems of extensive interdependence.

Rhetoricians of interdependence often claim that since the survival of the human race is threatened by environmental as well as military dangers, conflicts of interest among states and peoples no longer exist. This conclusion would only follow if three conditions were met: an international economic system on which everyone depended on our basic life-supporting ecological system were in danger; all countries were significantly vulnerable to such a catastrophe; *and* there were only one solution to the problem (leaving no room for conflict about how to solve it and who should bear the costs). Obviously these conditions are rarely all present.

Yet balance of power theories and national security imagery are also poorly adapted to analyzing problems of economic or ecological interdependence. Security, in traditional terms, is not likely to be the principal issue facing governments. Insofar as military force is ineffective on certain issues, the conventional notion of power lacks precision. In particular, different power resources may be needed to deal with different issues. Finally, in the politics of interdependence, domestic and transnational as well as governmental interests are involved. Domestic and foreign policy become closely linked. The notion of national interest—the traditionalists' lodestar—becomes increasingly difficult to use effectively. Traditional maxims of international politics—that states will act in their national interests or that they will attempt to maximize their power—become ambiguous.

We are not suggesting that international conflict disappears when interdependence prevails. On the contrary, conflict will take new forms, and may even increase. But the traditional approaches to understanding conflict in world politics will not explain interdependence conflict particularly well. Applying the wrong image and the wrong rhetoric to problems will lead to erroneous analysis and bad policy.

## INTERDEPENDENCE AS AN ANALYTIC CONCEPT

In common parlance, *dependence* means a state of being determined or significantly affected by external forces. *Interdependence*, most simply defined, means *mutual* dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries.

These effects often result from international transactions—flows of money, goods, people, and messages across international boundaries. Such transactions have

increased dramatically since World War II: “Recent decades reveal a general tendency for many forms of human interconnectedness across national boundaries to be doubling every ten years.”<sup>13</sup> Yet this interconnectedness is not the same as interdependence. The effects of transactions on interdependence will depend on the constraints, or costs, associated with them. A country that imports all of its oil is likely to be more dependent on a continual flow of petroleum than a country importing furs, jewelry, and perfume (even of equivalent monetary value) will be on uninterrupted access to these luxury goods. Where there are reciprocal (although not necessarily symmetrical) costly effects of transactions, there is interdependence. Where interactions do not have significant costly effects, there is simply interconnectedness. The distinction is vital if we are to understand the *politics* of interdependence.

Costly effects may be imposed directly and intentionally by another actor—as in Soviet-American strategic interdependence, which derived from the mutual threat of nuclear destruction. But some costly effects do not come directly or intentionally from other sectors. For example, collective action may be necessary to prevent disaster for an alliance (the members of which are interdependent), for an international economic system (which may face chaos because of the absence of coordination, rather than through the malevolence of any actor), or for an ecological system threatened by a gradual increase of industrial effluents.

We do not limit the term *interdependence* to situations of mutual benefit. Such a definition would assume that the concept is only useful analytically where the modernist view of the world prevails: where threats of military force are few and levels of conflict low. It would exclude from interdependence cases of mutual dependence, such as the former strategic interdependence between the United States and the Soviet Union. Furthermore, it would make it very ambiguous whether relations between industrialized countries and less developed countries should be considered interdependent or not. Their inclusion would depend on an inherently subjective judgment about whether the relationships were “mutually beneficial.”

Because we wish to avoid sterile arguments about whether a given set of relationships is characterized by interdependence or not, and because we seek to use the concept of interdependence to integrate rather than further to divide modernist and traditional approaches, we choose a broader definition. Our perspective implies that interdependent relationships will always involve costs, since interdependence restricts autonomy; but it is impossible to specify *a priori* whether the benefits of a relationship will exceed the costs. This will depend on the values of the actors as well as on the nature of the relationship. Nothing guarantees that relationships that we designate as “interdependent” will be characterized by mutual benefit.

Two different perspectives can be adopted for analyzing the costs and benefits of an interdependent relationship. The first focuses on the joint gains or joint losses to the parties involved. The other stresses *relative* gains and distributional issues. Classical economists adopted the first approach in formulating their powerful insight about comparative advantage: that undistorted international trade will provide overall net benefits. Unfortunately, an exclusive focus on joint gain may obscure the second key issue: how those gains are divided. Many of the crucial political issues of interdependence revolve around the old question of politics, “who gets what?”

It is important to guard against the assumption that measures that increase joint gain from a relationship will somehow be free of distributional conflict. Governments and nongovernmental organizations will strive to increase their shares of gains from transactions, even when they both profit enormously from the relationship. Oil-exporting governments and multinational oil companies, for instance, share an interest in high prices for petroleum; but they have also been in conflict over shares of the profits involved.

We must therefore be cautious about the prospect that rising interdependence is creating a brave new world of cooperation to replace the bad old world of international conflict. As every parent of small children knows, baking a larger pie does not stop disputes over the size of the slices. An optimistic approach would overlook the uses of economic and even ecological interdependence in competitive international politics.

The difference between traditional international politics and the politics of economic and ecological interdependence is *not* the difference between a world of “zero-sum” (where one side’s gain is the other side’s loss) and “non-zero sum” games. Military interdependence need not be zero-sum. Indeed, military allies actively seek interdependence to provide enhanced security for all. Even balance of power situations need not be zero-sum. If one side seeks to upset the status quo, then its gain is at the expense of the other. But if most or all participants want a stable status quo, they can jointly gain by preserving the balance of power among them. Conversely, the politics of economic and ecological interdependence involve competition even when large net benefits can be expected from cooperation. There are important continuities, as well as marked differences, between the traditional politics of military security and the politics of economic and ecological interdependence.

We must also be careful not to define interdependence entirely in terms of situations of *evenly balanced* mutual dependence. It is *asymmetries* in dependence that are most likely to provide sources of influence for actors in their dealings with one another. Less dependent actors can often use the interdependent relationship as a source of power in bargaining over an issue and perhaps to affect other issues. At the other extreme from pure symmetry is pure dependence (sometimes disguised by calling the situation interdependence); but it too is rare. Most cases lie between these two extremes. And that is where the heart of the political bargaining process of interdependence lies.

## POWER AND INTERDEPENDENCE

Power has always been an elusive concept for statesmen and analysts of international politics; now it is even more slippery. The traditional view was that military power dominated other forms, and that states with the most military power controlled world affairs. But the resources that produce power capabilities have become more complex. In the eyes of one astute observer, “the postwar era has witnessed radical transformations in the elements, the uses, and the achievements of power.”<sup>14</sup> And Hans Morgenthau, author of the leading realist text on international politics,

went so far in his reaction to the events of the early 1970s as to announce an historically unprecedented severing of the functional relationship between political, military, and economic power shown in the possession by militarily weak countries of “monopolistic or quasi-monopolistic control of raw materials essential to the operation of advanced economies.”<sup>15</sup>

Power can be thought of as the ability of an actor to get others to do something they otherwise would not do (and at an acceptable cost to the actor). Power can be conceived in terms of control over outcomes. In either case, measurement is not simple.<sup>16</sup> We can look at the initial power resources that give an actor a potential ability; or we can look at that actor’s actual influence over patterns of outcomes. When we say that asymmetrical interdependence can be a source of power we are thinking of power as control over resources, or the *potential* to affect outcomes. A less dependent actor in a relationship often has a significant political resource, because changes in the relationship (which the actor may be able to initiate or threaten) will be less costly to that actor than to its partners. This advantage does not guarantee, however, that the political resources provided by favorable asymmetries in interdependence will lead to similar patterns of control over outcomes. There is rarely a one-to-one relationship between power measured by any type of resources and power measured by effects on outcomes. Political bargaining is usually a means of translating potential into effects, and a lot is often lost in the translation.

To understand the role of power in interdependence, we must distinguish between two dimensions, *sensitivity* and *vulnerability*. Sensitivity involves degrees of responsiveness within a policy framework—how quickly do changes in one country bring costly changes in another, and how great are the costly effects? It is measured not merely by the volume of flows across borders but also by the costly effects of changes in transactions on the societies or governments. Sensitivity interdependence is created by interactions within a framework of policies. Sensitivity assumes that the framework remains unchanged. The fact that a set of policies remains constant may reflect the difficulty in formulating new policies within a short time, or it may reflect a commitment to a certain pattern of domestic and international rules.

An example of sensitivity interdependence is the way the United States, Japan, and Western Europe were affected by increased oil prices in 1971 and again in 1973–1974 and 1975. In the absence of new policies, which could take many years or decades to implement, the sensitivity of these economies was a function of the greater costs of foreign oil and proportion of petroleum they imported. The United States was less sensitive than Japan to petroleum price rises, because a smaller proportion of its petroleum requirements was accounted for by imports, but as rapid price increases and long lines at gasoline stations showed, the United States was indeed sensitive to the outside change. Another example of sensitivity interdependence is provided by the international monetary situation prior to August 15, 1971. Given the constraints on policy created by the rules of the International Monetary Fund (IMF), European governments were sensitive to changes in American monetary policy, and the United States was sensitive to European decisions regarding whether or not to demand the conversion of dollars into gold.

Sensitivity interdependence can be social or political as well as economic.\* For example, there are social “contagion effects,” such as the trivial but rapid spread of the fad of “streaking” from American to European society in 1974, or more significant, the way in which the development of radical student movements during the late 1960s was reinforced by knowledge of each other’s activities. The rapid growth of transnational communications has enhanced such sensitivity. Television, by vividly presenting starvation in South Asia to Europeans and Americans about to sit down to their dinners, is almost certain to increase attention to and concern about the issue in European and American societies. Sensitivity to such an issue may be reflected in demonstrations or other political action, even if no action is taken to alleviate the distress (and no economic sensitivity thereby results).

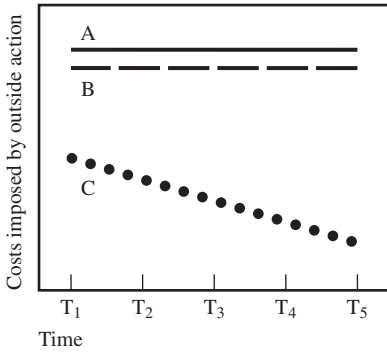
Using the word *interdependence*, however, to refer only to sensitivity obscures some of the most important political aspects of mutual dependence.<sup>17</sup> We must also consider what the situation would be if the framework of policies could be changed. If more alternatives were available, and new and very different policies were possible, what would be the costs of adjusting to the outside change? In petroleum, for instance, what matters is not only the proportion of one’s needs that is imported, but the alternatives to imported energy and the costs of pursuing those alternatives. Two countries, each importing 35 percent of their petroleum needs, may seem equally sensitive to price rises; but if one could shift to domestic sources at moderate cost, and the other had no such alternative, the second state would be more *vulnerable* than the first. The vulnerability dimension of interdependence rests on the relative availability and costliness of the alternatives that various actors face.

Under the Bretton Woods monetary regime during the late 1960s, both the United States and Great Britain were sensitive to decisions by foreign speculators or central banks to shift assets out of dollars or sterling, respectively. But the United States was less vulnerable than Britain because it had the option (which it exercised in August 1971) of changing the rules of the system at what it considered tolerable costs. The underlying capabilities of the United States reduced its vulnerability, and therefore made its sensitivity less serious politically.

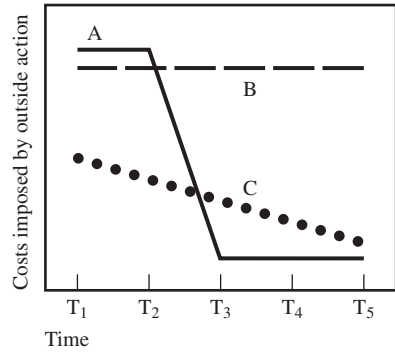
In terms of the cost of dependence, sensitivity means liability to costly effects imposed from outside before policies are altered to try to change the situation. Vulnerability can be defined as an actor’s liability to suffer costs imposed by external events even after policies have been altered. Since it is usually difficult to change policies quickly, immediate effects of external changes generally reflect sensitivity dependence. Vulnerability dependence can be measured only by the costliness of making effective adjustments to a changed environment over a period of time.

Let us illustrate this distinction graphically by imagining three countries faced simultaneously with an external event that imposes costs on them—for example, the situation that oil-consuming countries face when producers raise prices.

\*Since we are referring to the sensitivity of economies and polities to one another, not merely to price sensitivities or interest rate sensitivities as used by economists, our definition builds on, but differs from, that of Richard Cooper, *The Economics of Interdependence* (New York: McGraw-Hill, 1968).



**FIGURE 1.1** Sensitivity of three countries (assume policies unchanged)



**FIGURE 1.2** Vulnerability of three countries (assume policies unchanged)

Figure 1.1 indicates the sensitivity of the three countries to costs imposed by such an outside change. Initially, country A has somewhat higher sensitivity to the change than B and much higher sensitivity than C. Over time, furthermore, C's sensitivity falls *even without any policy changes*. This change might be caused by price rises in country C, which gradually reduce oil consumption, and therefore reduce imports. The total sensitivity of each country over the time covered by the graph is represented by the area under its respective line.\*

Suppose we now alter this picture by assuming that each country tries to change its policies in order to reduce the costs imposed by outside actions. In our oil example, this attempt might involve deciding to incur the high domestic costs of rationing or developing expensive internal energy sources. The extent of these costs and the political willingness to bear them would be the measure of vulnerability. The vulnerability of a country such as Japan is imposed primarily by that country's physical endowments and is virtually inescapable without drastic costs. For other countries, such as the United States, physical vulnerability is not so great. For instance, American efforts to formulate a new energy policy after 1973 were slowed by the lack of domestic consensus on the issue.

In Figure 1.2, depicting vulnerability, we can see that country A's vulnerability is much less than its sensitivity. A policy change at the beginning of the second time period allows that country, by the third period, to reduce costs imposed by external change almost to the vanishing point. Country A's diminished vulnerability would reflect an effective policy, to reduce costs imposed by external change almost to the vanishing point. Country A's diminished vulnerability would reflect an effective policy to become actually or potentially self-sufficient in petroleum. For instance, it might possess new sources of energy that could be developed by the government. B and C are less able to alter their situations by changing policy, thus remaining vulnerable to costs imposed by outside events.

\*Our example is deliberately simplified. Among other things, the costs of the situation at later points would, of course, have to be reduced by an appropriate discount rate.



The sensitivity dependence of the three countries at the time of the first external event is not, therefore, the same as their vulnerability dependence at that time. Measures of the immediate effects of changes will not precisely indicate long-term sensitivities (note that *C*'s sensitivity declines naturally over time), but they are likely to be even less accurate in measuring long-term vulnerabilities, which will depend on political will, governmental ability, and resource capabilities. In our example, although country *A* is more sensitive than country *B*, it is much less vulnerable.

Vulnerability is particularly important for understanding the political structure of interdependence relationships. In a sense, it focuses on which actors are "the definers of the *ceteris paribus* clause," or can set the rules of the game.<sup>18</sup> Vulnerability is clearly more relevant than sensitivity, for example, in analyzing the politics of raw materials such as the supposed transformation of power after 1973. All too often, a high percentage of imports of a material is taken as an index of vulnerability, when by itself it merely suggests that sensitivity may be high. The key question for determining vulnerability is how effectively altered policies could bring into being sufficient quantities of this, or a comparable, raw material, and at what cost. The fact that the United States imports approximately 85 percent of its bauxite supply does not indicate American vulnerability to actions by bauxite exporters, until we know what it would cost (in time as well as money) to obtain substitutes.

Vulnerability applies to sociopolitical as well as politico-economic relationships. The vulnerability of societies to transnational radical movements in the late 1960s depended on their abilities to adjust national policies to deal with the change and reduce the costs of disruption. When Sweden criticized American policy in Vietnam, its vulnerability to a possible American suspension of cultural contacts would have depended on how it could adjust policy to the new situation. Could exchange professors and tourists be attracted from elsewhere?<sup>19</sup>

Let us look again at the effects on the United States of a famine in South Asia. The vulnerability of an American administration to domestic protests over its lack of a food aid policy would depend on the ease with which it could adjust policy (for instance, by shipping more grain to India) without incurring other high political or economic costs.

How does this distinction help us understand the relationship between interdependence and power? Clearly, it indicates that sensitivity interdependence will be less important than vulnerability interdependence in providing power resources to actors. If one actor can reduce its costs by altering its policy, either domestically or internationally, the sensitivity patterns will not be a good guide to power resources.

Consider trade in agricultural products between the United States and the Soviet Union from 1972 to 1975. Initially, the American economy was highly sensitive to Soviet grain purchases: prices of grain rose dramatically in the United States. The Soviet Union was also sensitive to the availability of surplus American stocks, since its absence could have internal political as well as economic implications. The vulnerability asymmetries, however, ran strongly in favor of the United States, since its alternatives to selling grain to the USSR (Such as government storage, lower domestic prices, and more food aid abroad) were more attractive than the basic Soviet alternative to buying grain from the United States (slaughtering livestock and reducing meat consumption). Thus, as long as the United States government could retain coherent control of the policy—that is, as long as interest groups with a



stake in expanded trade did not control it—agricultural trade could be used as a tool in political bargaining with the Soviet Union.

Vulnerability interdependence includes the strategic dimension that sensitivity interdependence omits, but this does not mean that sensitivity is politically unimportant. Rapidly rising sensitivity often leads to complaints about interdependence and political efforts to alter it, particularly in countries with pluralistic political systems. Textile and steel workers and manufacturers, oil consumers, and conservatives suspicious of radical movements originating abroad are all likely to demand government policies to protect their interests. Policymakers and policy analysts, however, must examine underlying patterns of vulnerability interdependence when they decide on strategies. What can they do, at what cost? And what can other actors do, at what cost, in response? Although patterns of sensitivity interdependence may explain where the shoe pinches or the wheel squeaks, coherent policy must be based on an analysis of actual and potential vulnerabilities. An attempt to manipulate asymmetrical sensitivity interdependence without regard for underlying patterns of vulnerability is likely to fail.

Manipulating economic or sociopolitical vulnerabilities, however, also bears risk. Strategies of manipulating interdependence are likely to lead to counterstrategies. It must always be kept in mind, furthermore, that military power dominates economic power in the sense that economic means alone are likely to be ineffective against the serious use of military force. Thus, even effective manipulation of asymmetrical interdependence within a nonmilitary area can create risks of military counteraction. When the United States exploited Japanese vulnerability to economic embargo in 1940–41, Japan countered by attacking Pearl Harbor and the Philippines. Yet military actions are usually very costly; and for many types of actions, these costs have risen steeply during the last thirty years.

Table 1.1 shows the three types of asymmetrical interdependence that we have been discussing. The dominance ranking column indicates that the power resources provided by military interdependence dominate those provided by nonmilitary vulnerability, which in turn dominate those provided by asymmetries in sensitivity. Yet exercising more dominant forms of power brings higher costs. Thus, *relative to cost*, there is no guarantee that military means will be more effective than economic ones to achieve a given purpose. We can expect, however, that as the interests at stake become more important, actors will tend to use power resources that rank higher in both dominance and cost.

A movement from one power resource to a more effective, but more costly, resource, will be most likely where there is a substantial *incongruity* between the distribution of power resources on one dimension and those on another. In such a situation, the disadvantaged actor's power position would be improved by raising the level at which the controversy is conducted. For instance, in a concession agreement, a multinational oil company may seem to have a better bargaining position than the host government. The agreement may allow the company to set the level of output, and the price, of the petroleum produced, thus making government revenues to company decisions. Yet such a situation is inherently unstable, since the government may be stronger on the vulnerability dimension. Once the country has

**TABLE 1.1** Asymmetrical Interdependence and Its Uses

Source of independence	Dominance ranking	Cost ranking	Contemporary use
Military (costs of using military force)	1	1	Used in extreme situations or against weak foes when costs may be slight.
Nonmilitary vulnerability (costs of pursuing alternative policies)	2	2	Used when normative constraints are low, and international rules are not considered binding (including nonmilitary relations between adversaries, and situations of extremely high conflict between close partners and allies).
Nonmilitary sensitivity (costs of change under existing policies)	3	3	A power resource in the short run or when normative constraints are high and international rules are binding. Limited, since if high costs are imposed, disadvantaged actors may formulate new policies.

determined that it can afford to alter the agreement unilaterally, it may have the upper hand. Any attempt by the company to take advantage of its superior position on the sensitivity dimension, without recognizing its weakness at the vulnerability level (much less at the level of military force), is then likely to end in disaster.

We conclude that a useful beginning in the political analysis of international interdependence can be made by thinking of asymmetrical interdependencies as sources of power among actors. Such a framework can be applied to relations between transnational actors (such as multinational corporations) and governments as well as interstate relations. Different types of interdependence lead to potential political influence, but under different constraints. Sensitivity interdependence can provide the basis for significant political influence only when the rules and norms in effect can be taken for granted, or when it would be prohibitively costly for dissatisfied states to change their policies quickly. If one set of rules puts an actor in a disadvantageous position, that actor will probably try to change those rules if it can do so at a reasonable cost. Thus influence deriving from favorable asymmetries in sensitivity is very limited when the underlying asymmetries in vulnerability are unfavorable. Likewise, if a state chafes at its economic vulnerabilities, it may use military force to attempt to redress that situation as Japan did in 1941; or, it may subtly threaten to use force, as did the United States in 1975, when facing the possibility of future oil boycotts. But in many contemporary situations, the use of force is so costly, and its threat so difficult to make credible, that a military strategy is an act of desperation.

Yet this is not the whole story of power and interdependence. Just as important as understanding the way that manipulation of interdependence can be an instrument of power is an understanding of that instrument's limits. Asymmetrical interdependence by itself cannot explain bargaining outcomes, even in traditional relations among

states. As we said earlier, power measured in terms of resources or potential may look different from power measured in terms of influence over outcomes. We must also look at the “translation” in the political bargaining process. One of the most important reasons for this is that the commitment of a weaker state may be much greater than that of its stronger partner. The more dependent actor may be (or appear to be) more willing to suffer. At the politico-military level, the United States’ attempt to coerce North Vietnam provides an obvious example.

Yet the point holds even in more cooperative interstate relations. In the Canadian-American relationship, for example, the use or threat of force is virtually excluded from consideration by either side. The fact that Canada has less military strength than the United States is therefore not a major factor in the bargaining process. The Canadians can take advantage of their superior position on such economic issues as oil and natural gas exports without fearing military retaliation or threat by the United States. Moreover, other conditions of contemporary international interdependence tend to limit the abilities of statesmen to manipulate asymmetrical interdependence. In particular, the smaller state may have greater internal political unity than the larger one. Even though the more powerful state may be less dependent in aggregate terms, it may be more fragmented internally and its coherence reduced by conflicts of interest and difficulties of coordination within its own government.

We will explore this question further in Chapter 7 when discussing our findings on Canadian-American and Australian-American relations between 1920 and 1970. What we have said is sufficient to indicate that we do not expect a measure of potential power, such as asymmetrical interdependence, to predict perfectly actors’ successes or failures at influencing outcomes. It merely provides a first approximation of initial bargaining advantages available to either side. Where predictions based on patterns of asymmetrical interdependence are incorrect, one must look closely for the reasons. They will often be found in the bargaining process that translates power resources into power over outcomes.

## INTERNATIONAL REGIME CHANGE

Understanding the concept of interdependence and its relevance to the concept of power is necessary to answering the first major question of this book—what are the characteristics of world politics under conditions of extensive interdependence? Yet as we have indicated, relationships of interdependence often occur within, and may be affected by, networks of rules, norms, and procedures that regularize behavior and control its effects. We refer to the sets of governing arrangements that affect relationships of interdependence as *international regimes*. Although not so obvious as the political bargaining process, equally important to understanding power and interdependence is our second major question: How and why do regimes change?

In world politics rules and procedures are neither so complete nor so well enforced as in well-ordered domestic political systems, and the institutions are neither so powerful nor so autonomous. “The rules of the game include some

national rules, some international rules, some private rules—and large areas of no rules at all.”<sup>20</sup> The weakness of international organizations and the problems of enforcing international law sometimes mislead observers into thinking that international regimes are insignificant, or into ignoring them entirely. Yet although overall global integration is weak, specific international regimes often have important effects on interdependent relationships that involve a few countries, or involve many countries on a specific issue. Since World War II, for instance, specific sets of rules and procedures have been developed to guide states and transnational actors in a wide variety of areas, including aid to less developed countries, environmental protection, fisheries conservation, international food policy, international meteorological coordination, international monetary policy, regulation of multinational corporations, international shipping policies, international telecommunications policy, and international trade.<sup>21</sup> In some cases these regimes have been formal and comprehensive; in others informal and partial. Their effectiveness has varied from issue-area to issue-area and from time to time. On a more selective or regional level, specific groups of countries such as those in the European Community or the Organization for Economic Cooperation and Development (OECD) have developed regimes that affect several aspects of their countries’ relationships with each other.

International regimes may be incorporated into interstate agreements or treaties, as were the international monetary arrangements developed at Bretton Woods in 1944, or they may evolve from proposed formal arrangements that were never implemented, as was the General Agreement on Tariffs and Trade (GATT), which derived from the International Trade Organization proposed after World War II. Or they may be merely implicit, as in the postwar Canadian-American relationship. They vary not only in their extensiveness but in the degree of adherence they receive from major actors. When there are no agreed norms and procedures or when the exceptions to the rules are more important than the instances of adherence, there is a *nonregime* situation.\*

To understand the international regimes that affect patterns of interdependence, one must look, as we will in Chapter 3, at structure and process in international systems, as well as at how they affect each other. The *structure* of a system refers to the distribution of capabilities among similar units. In international political systems the most important units are states, and the relevant capabilities have been regarded as their power resources. There is a long tradition of categorizing the distribution of power in interstate systems according to the number and importance of major actors (for instance, as unipolar, bipolar, multipolar, and dispersed) just as economists describe the structure of market systems as monopolistic, duopolistic, oligopolistic, and competitive.<sup>22</sup> Structure is therefore distinguished from *process*, which refers to allocative or bargaining behavior within a power structure. To use

\*We are concerned in this book with the general question of adherence to specified basic norms of the regimes we examine. Regimes can also be categorized in terms of the degree and type of political integration among the states adhering to them. See J. Nye, *Peace in Parts* (Boston: Little, Brown, 1971), Chapter 2, for discussion of measurement of the integrative and institutional dimensions of regimes.

the analogy of a poker game, at the process level analysts are interested in how the players play the hands they have been dealt. At the structural level they are interested in how the cards and chips were distributed as the game started.

International regimes are intermediate factors between the power structure of an international system and the political and economic bargaining that takes place with it. The structure of the system (the distribution of power resources among states) profoundly affects the nature of the regime (the more or less loose set of formal and informal norms, rules, and procedures relevant to the system). The regime, in turn, affects and to some extent governs the political bargaining and daily decision-making that occurs within the system.

Changes in international regimes are very important. In international trade, for example, an international regime including nondiscriminatory trade practices was laid down by the General Agreement on Tariffs and Trade (GATT) in 1947. For over five decades, the GATT arrangements have constituted a relatively effective international regime. But the 1970s were marked by the partly successful efforts of less developed countries to change this regime. More broadly, by the mid-1970s, the demands of less developed countries for a New International Economic Order involved struggles over what international regimes should govern trade in raw materials and manufactures as well as direct foreign investment. Yet in the 1990s developed and less developed countries agreed on a new World Trade Organization (WTO), which extended and strengthened GATT.

In the two issue areas that we will investigate in Part II—money and oceans—some regime changes have been rapid and dramatic whereas others have been gradual. Dramatic changes took place in international monetary policy in 1914 (suspension of the gold standard); 1931 (abandonment of the gold-exchange standard); 1944 (agreement on the “Bretton Woods System”); and 1971 (abandonment of the convertibility of dollars as gold). Rules governing the uses of the world’s oceans changed more slowly, but with significant turning points in 1945 and after 1967. Yet we have no theory in the field of international relations that adequately explains such changes. Indeed, most of our theories do not focus on this question at all.

In Chapter 3, we shall look closely at the problem of explaining the change or persistence in the patterns of norms, rules, and procedures that govern interdependence in various issues. There we will lay out four models, or intellectual constructs, designed to explain regime change, and examine their strengths and weaknesses. The models rest on different assumptions about the basic conditions of world politics. Since world politics vary, over time and from place to place, there is no reason to believe that a single set of conditions will always and everywhere apply, or that any one model is likely to be universally applicable. Thus, before examining the explanatory models, we shall establish the conditions under which they can be expected to apply. As we indicate in the next chapter, in periods of rapid change such as the current one, assumptions about the conditions of world politics can differ dramatically.

# Realism and Complex Interdependence

One's assumptions about world politics profoundly affect what one sees and how one constructs theories to explain events. We believe that the assumptions of political realists, whose theories dominated the postwar period, are often an inadequate basis for analyzing the politics of interdependence. The realist assumptions about world politics can be seen as defining an extreme set of conditions or *ideal type*. One could also imagine very different conditions. In this chapter, we shall construct another ideal type, the opposite of realism. We call it *complex interdependence*. After establishing the differences between realism and complex interdependence, we shall argue that complex interdependence sometimes comes closer to reality than does realism. When it does, traditional explanations of change in international regimes become questionable and the search for new explanatory models becomes more urgent.

For political realists, international politics, like all other politics, is a struggle for power but, unlike domestic politics, a struggle dominated by organized violence. In the words of the most influential postwar textbook, "All history shows that nations active in international politics are continuously preparing for, actively involved in, or recovering from organized violence in the form of war."<sup>1</sup> Three assumptions are integral to the realist vision. First, states as coherent units are the dominant actors in world politics. This is a double assumption: states are predominant; and they act as coherent units. Second, realists assume that force is a usable and effective instrument of policy. Other instruments may also be employed, but using or threatening force is the most effective means of wielding power. Third, partly because of their second assumption, realists assume a hierarchy of issues in world politics, headed by questions of military security: the "high politics" of military security dominates the "low politics" of economic and social affairs.

These realist assumptions define an ideal type of world politics. They allow us to imagine a world in which politics is continually characterized by active or potential conflict among states, with the use of force possible at any time. Each state attempts to

defend its territory and interests from real or perceived threats. Political integration among states is slight and lasts only as long as it serves the national interests of the most powerful states. Transnational actors either do not exist or are politically unimportant. Only the adept exercise of force or the threat of force permits states to survive, and only while statesmen succeed in adjusting their interests, as in a well-functioning balance of power, is the system stable.

Each of the realist assumptions can be challenged. If we challenge them all simultaneously, we can imagine a world in which actors other than states participate directly in world politics, in which a clear hierarchy of issues does not exist, and in which force is an ineffective instrument of policy. Under these conditions—which we call the characteristics of complex interdependence—one would expect world politics to be very different than under realist conditions.

We will explore these differences in the next section of this chapter. We do not argue, however, that complex interdependence faithfully reflects world political reality. Quite the contrary: both it and the realist portrait are ideal types. Most situations will fall somewhere between these two extremes. Sometimes, realist assumptions will be accurate, or largely accurate, but frequently complex interdependence will provide a better portrayal of reality. Before one decides what explanatory model to apply to a situation or problem, one will need to understand the degree to which realist or complex interdependence assumptions correspond to the situation.

## THE CHARACTERISTICS OF COMPLEX INTERDEPENDENCE

Complex interdependence has three main characteristics:

1. *Multiple channels* connect societies, including: informal ties between governmental elites as well as formal foreign office arrangements; informal ties among nongovernmental elites (face-to-face and through telecommunications); and transnational organizations (such as multinational banks or corporations). These channels can be summarized as interstate, transgovernmental, and transnational relations. *Interstate* relations are the normal channels assumed by realists. *Transgovernmental* applies when we relax the realist assumption that states act coherently as units; *transnational* applies when we relax the assumption that states are the only units.
2. The agenda of interstate relationships consists of multiple issues that are not arranged in a clear or consistent hierarchy. This *absence of hierarchy among issues* means, among other things, that military security does not consistently dominate the agenda. Many issues arise from what used to be considered domestic policy, and the distinction between domestic and foreign issues becomes blurred. These issues are considered in several government departments (not just foreign offices), and at several levels. Inadequate policy coordination on these issues involves significant costs. Different issues generate different coalitions, both within governments and across them, and involve different degrees of conflict. Politics does not stop at the waters' edge.



3. Military force is not used by governments toward other governments within the region, or on the issues, when complex interdependence prevails. It may, however, be important in these governments' relations with governments outside that region, or on other issues. Military force could, for instance, be irrelevant to resolving disagreements on economic issues among members of an alliance, yet at the same time be very important for that alliance's political and military relations with a rival bloc. For the former relationships this condition of complex interdependence would be met; for the latter, it would not.

Traditional theories of international politics implicitly or explicitly deny the accuracy of these three assumptions. Traditionalists are therefore tempted also to deny the relevance of criticisms based on the complex interdependence ideal type. We believe, however, that our three conditions are fairly well approximated on some global issues of economic and ecological interdependence and that they come close to characterizing the entire relationship between some countries. One of our purposes here is to prove that contention. In subsequent chapters we shall examine complex interdependence in oceans policy and monetary policy and in the relationships of the United States to Canada and Australia. In this chapter, however, we shall try to convince you to take these criticisms of traditional assumptions seriously.

## Multiple Channels

A visit to any major airport is a dramatic way to confirm the existence of multiple channels of contact among advanced industrial countries; there is a voluminous literature to prove it.<sup>2</sup> Bureaucrats from different countries deal directly with one another at meetings and on the telephone as well as in writing. Similarly, nongovernmental elites frequently get together in the normal course of business, in organizations such as the Trilateral Commission, and in conferences sponsored by private foundations.

In addition, multinational firms and banks affect both domestic and interstate relations. The limits on private firms, or the closeness of ties between government and business, vary considerably from one society to another; but the participation of large and dynamic organizations, not controlled entirely by governments, has become a normal part of foreign as well as domestic relations.

These actors are important not only because of their activities in pursuit of their own interests, but also because they act as transmission belts, making government policies in various countries more sensitive to one another. As the scope of governments' domestic activities has broadened, and as corporations, banks, and (to a lesser extent) trade unions have made decisions that transcend national boundaries, the domestic policies of different countries impinge on one another more and more. Transnational communications reinforce these effects. Thus, foreign economic policies touch more domestic economic activity than in the past, blurring the lines between domestic and foreign policy and increasing the number of issues relevant to foreign policy. Parallel developments in issues of environmental regulation and control over technology reinforce this trend.



## Absence of Hierarchy among Issues

Foreign affairs agendas—that is, sets of issues relevant to foreign policy with which governments are concerned—have become larger and more diverse. No longer can all issues be subordinated to military security. As Secretary of State Kissinger described the situation in 1975:

progress in dealing with the traditional agenda is no longer enough. A new and unprecedented kind of issue has emerged. The problems of energy, resources, environment, population, the uses of space and the seas now rank with questions of military security, ideology and territorial rivalry which have traditionally made up the diplomatic agenda.<sup>3</sup>

Kissinger's list, which could be expanded, illustrates how governments' policies, even those previously considered merely domestic, impinge on one another. The extensive consultative arrangements developed by the OECD, as well as the GATT, IMF, and the European Community, indicate how characteristic the overlap of domestic and foreign policy is among developed pluralist countries. The organization within nine major departments of the United States government (Agriculture; Commerce; Defense; Health, Education and Welfare; Interior; Justice; Labor; State; and Treasury) and many other agencies reflects their extensive international commitments. The multiple, overlapping issues that result make a nightmare of governmental organizations.<sup>4</sup>

When there are multiple issues on the agenda, many of which threaten the interests of domestic groups but do not clearly threaten the nation as a whole, the problems of formulating a coherent and consistent foreign policy increase. In 1975 energy was a foreign policy problem, but specific remedies, such as a tax on gasoline and automobiles, involved domestic legislation opposed by auto workers and companies alike. As one commentator observed, "virtually every time Congress has set a national policy that changed the way people live...the action came after a consensus had developed, bit by bit, over the years, that a problem existed and that there was one best way to solve it."<sup>5</sup> Opportunities for delay, for special protection, for inconsistency and incoherence abound when international politics requires aligning the domestic policies of pluralist democratic countries.

## Minor Role of Military Force

Political scientists have traditionally emphasized the role of military force in international politics. As we saw in the first chapter, force dominates other means of power: *if* there are no constraints on one's choice of instruments (a hypothetical situation that has only been approximated in the two world wars), the state with superior military force will prevail. If the security dilemma for all states were extremely acute, military force, supported by economic and other resources, would clearly be the dominant source of power. Survival is the primary goal of all states, and in the worst situations, force is ultimately necessary to guarantee survival. Thus military force is always a central component of national power.

Yet particularly among industrialized, pluralist countries, the perceived margin of safety has widened: fears of attack in general have declined, and fears of attacks by *one another* are virtually nonexistent. France has abandoned the *tous azimuts* (defense in all directions) strategy that President de Gaulle advocated (it was not taken entirely seriously even at the time). Canada's last war plans for fighting the United States were abandoned half a century ago. Britain and Germany no longer feel threatened by each other. Intense relationships of mutual influence exist between these countries, but in most of them force is irrelevant or unimportant as an instrument of policy.

Moreover, force is often not an appropriate way of achieving other goals (such as economic and ecological welfare) that are becoming more important. It is not impossible to imagine dramatic conflict or revolutionary change in which the use or threat of military force over an economic issue or among advanced industrial countries might become plausible. Then realist assumptions would again be a reliable guide to events. But in most situations, the effects of military force are both costly and uncertain.<sup>6</sup>

Even when the direct use of force is barred among a group of countries, however, military power can still be used politically. During the Cold War each superpower used the threat of force to deter attacks by other superpowers on itself or its allies; its deterrence ability thus served an indirect, protective role, which it could use in bargaining on other issues with its allies. This bargaining tool was particularly important for the United States, whose allies were concerned about potential Soviet threats and which had fewer other means of influence over its allies than did the Soviet Union over its Eastern European partners. The United States had, accordingly, taken advantage of the Europeans' (particularly the Germans') desire for its protection and linked the issue of troop levels in Europe to trade and monetary negotiations. Thus, although the first-order effect of deterrent force was essentially negative—to deny effective offensive power to a superpower opponent—states could use that force positively—to gain political influence.

Thus, even for countries whose relations approximate complex interdependence, two serious qualifications remain: (1) drastic social and political change could cause force again to become an important direct instrument of policy; and (2) even when elites' interests are complementary, a country that uses military force to protect another may have significant political influence over the other country.

In North-South relations, or relations among Third World countries, as well as in East-West relations, force is often important. Military power helped the Soviet Union to dominate Eastern Europe economically as well as politically. The threat of open or covert American military intervention helped to limit revolutionary changes in the Caribbean, especially in Guatemala in 1954 and in the Dominican Republic in 1965. Secretary of State Kissinger, in January 1975, issued a veiled warning to members of the Organization of Petroleum Exporting Countries (OPEC) that the United States might use force against them "where there is some actual strangulation of the industrialized world."<sup>7</sup>

Even in these rather conflicted situations, however, the recourse to force seems less likely now than at most times during the century before 1945. The destructiveness

of nuclear weapons makes any attack against a nuclear power dangerous. Nuclear weapons are mostly used as a deterrent. Threats of nuclear action against much weaker countries may occasionally be efficacious, but they are equally or more likely to solidify relations between one's adversaries. The limited usefulness of conventional force to control socially mobilized populations has been shown by the United States failure in Vietnam as well as by the rapid decline of colonialism in Africa. Furthermore, employing force on one issue against an independent state with which one has a variety of relationships is likely to rupture mutually profitable relations on other issues. In other words, the use of force often has costly effects on nonsecurity goals. And finally, in Western democracies, popular opposition to prolonged military conflicts is very high.<sup>8</sup>

It is clear that these constraints bear unequally on various countries, or on the same countries in different situations. Risks of nuclear escalation affect everyone, but domestic opinion is far less constraining for authoritarian powers than for the United States, Europe, or Japan. Even authoritarian countries may be reluctant to use force to obtain economic objectives when such use might be ineffective and disrupt other relationships. Both the difficulty of controlling socially mobilized populations with foreign troops and the changing technology of weaponry may actually enhance the ability of certain countries, or nonstate groups, to use terrorism as a political weapon without effective fear of reprisal.

The fact that the changing role of force has uneven effects does not make the change less important, but it does make matters more complex. This complexity is compounded by differences in the usability of force among issue areas. When an issue arouses little interest or passion, force may be unthinkable. In such instances, complex interdependence may be a valuable concept for analyzing the political process. But if that issue becomes a matter of life and death—as some people thought oil might become—the use or threat of force could become decisive again. Realist assumptions would then be more relevant.

It is thus important to determine the applicability of realism or of complex interdependence to each situation. Without this determination, further analysis is likely to be confused. Our purpose in developing an alternative to the realist description of world politics is to encourage a differentiated approach that distinguishes among dimensions and areas of world politics—not (as some modernist observers do) to replace one oversimplification with another.

## THE POLITICAL PROCESSES OF COMPLEX INTERDEPENDENCE

The three main characteristics of complex interdependence give rise to distinctive political processes, which translate power resources into power as control of outcomes. As we argued earlier, something is usually lost or added in the translation. Under conditions of complex interdependence the translation will be different than under realist conditions, and our predictions about outcomes will need to be adjusted accordingly.

In the realist world, military security will be the dominant goal of states. It will even affect issues that are not directly involved with military power or territorial defense. Nonmilitary problems will not only be subordinated to military ones; they will be studied for their politico-military implications. Balance of payments issues, for instance, will be considered at least as much in the light of their implications for world power generally as for their purely financial ramifications. McGeorge Bundy conformed to realist expectations when he argued in 1964 that devaluation of the dollar should be seriously considered if necessary to fight the war in Vietnam.<sup>9</sup> To some extent, so did former Treasury Secretary Henry Fowler when he contended in 1971 that the United States needed a trade surplus of \$4 billion to \$6 billion in order to lead in Western defense.<sup>10</sup>

In a world of complex interdependence, however, one expects some officials, particularly at lower levels, to emphasize the *variety* of state goals that must be pursued. In the absence of a clear hierarchy of issues, goals will vary by issue, and may not be closely related. Each bureaucracy will pursue its own concerns; and although several agencies may reach compromises on issues that affect them all, they will find that a consistent pattern of policy is difficult to maintain. Moreover, transnational actors will introduce different goals into various groups of issues.

### Linkage Strategies

Goals will therefore vary by issue area under complex interdependence, but so will the distribution of power and the typical political processes. Traditional analysis focuses on *the* international system, and leads us to anticipate similar political processes on a variety of issues. Militarily and economically strong states will dominate a variety of organizations and a variety of issues, by linking their own policies on some issues to other states' policies on other issues. By using their overall dominance to prevail on their weak issues, the strongest states will, in the traditional model, ensure a congruence between the overall structure of military and economic power and the pattern of outcomes on any one issue area. Thus world politics can be treated as a seamless web.

Under complex interdependence, such congruence is less likely to occur. As military force is devalued, militarily strong states will find it more difficult to use their overall dominance to control outcomes on issues in which they are weak. And since the distribution of power resources in trade, shipping, or oil, for example, may be quite different, patterns of outcomes and distinctive political processes are likely to vary from one set of issues to another. If force were readily applicable, and military security were the highest foreign policy goal, these variations in the issue structures of power would not matter very much. The linkages drawn from them to military issues would ensure consistent dominance by the overall strongest states. But when military force is largely immobilized, strong states will find that linkage is less effective. They may still attempt such links, but in the absence of a hierarchy of issues, their success will be problematic.

Dominant states may try to secure much the same result by using overall economic power to affect results on other issues. If only economic objectives are at stake, they may

succeed: money, after all, is fungible. But economic objectives have political implications, and economic linkage by the strong is limited by domestic, transnational, and transgovernmental actors who resist having their interests traded off. Furthermore, the international actors may be different on different issues, and the international organizations in which negotiations take place are often quite separate. Thus it is difficult, for example, to imagine a military or economically strong state linking concessions on monetary policy to reciprocal concessions in oceans policy. On the other hand, poor weak states are not similarly inhibited from linking unrelated issues, partly because their domestic interests are less complex. Linkage of unrelated issues is often a means of extracting concessions or side payments from rich and powerful states. And unlike powerful states whose instrument for linkage (military force) is often too costly to use, the linkage instrument used by poor, weak states—international organization—is available and inexpensive.

Thus as the utility of force declines, and as issues become more equal in importance, the distribution of power within each issue will become more important. If linkages become less effective on the whole, outcomes of political bargaining will increasingly vary by issue area.

The differentiation among issue areas in complex interdependence means that linkages among issues will become more problematic and will tend to reduce rather than reinforce international hierarchy. Linkage strategies, and defense against them, will pose critical strategic choices for states. Should issues be considered separately or as a package? If linkages are to be drawn, which issues should be linked, and on which of the linked issues should concessions be made? How far can one push a linkage before it becomes counterproductive? For instance, should one seek formal agreements or informal, but less politically sensitive, understandings? The fact that world politics under complex interdependence is not a seamless web leads us to expect that efforts to stitch seams together advantageously, as reflected in linkage strategies, will, very often, determine the shape of the fabric.

The negligible role of force leads us to expect states to rely more on other instruments in order to wield power. For the reasons we have already discussed, less vulnerable states will try to use asymmetrical interdependence in particular groups of issues as a source of power; they will also try to use international organizations and transnational actors and flows. States will approach economic interdependence in terms of power as well as its effects on citizens' welfare, although welfare considerations will limit their attempts to maximize power. Most economic and ecological interdependence involves the possibility of joint gains, or joint losses. Mutual awareness of potential gains and losses and the danger of worsening each actor's position through overly rigorous struggles over the distribution of the gains can limit the use of asymmetrical interdependence.

## Agenda Setting

Our second assumption of complex interdependence, the lack of clear hierarchy among multiple issues, leads us to expect that the politics of agenda formation and control will become more important. Traditional analyses lead statesmen to focus on

politico-military issues and to pay little attention to the broader politics of agenda formation. Statesmen assume that the agenda will be set by shifts in the balance of power, actual or anticipated, and by perceived threats to the security of states. Other issues will only be very important when they seem to affect security and military power. In these cases, agendas will be influenced strongly by considerations of the overall balance of power.

Yet, today, some nonmilitary issues are emphasized in interstate relations at one time, whereas others of seemingly equal importance are neglected or quietly handled at a technical level. International monetary politics, problems of commodity terms of trade, oil, food, and multinational corporations have all been important during the last decade; but not all have been high on interstate agendas throughout that period.

Traditional analysts of international politics have paid little attention to agenda formation: to how issues come to receive sustained attention by high officials. The traditional orientation toward military and security affairs implies that the crucial problems of foreign policy are imposed on states by the actions or threats of other states. These are high politics as opposed to the low politics of economic affairs. Yet, as the complexity of actors and issues in world politics increases, the utility of force declines and the line between domestic policy and foreign policy becomes blurred: as the conditions of complex interdependence are more closely approximated, the politics of agenda formation becomes more subtle and differentiated.

Under complex interdependence we can expect the agendas to be affected by the international and domestic problems created by economic growth and increasing sensitivity interdependence that we described in the last chapter. Discontented domestic groups will politicize issues and force more issues once considered domestic onto the interstate agenda. Shifts in the distribution of power resources within sets of issues will also affect agendas. During the early 1970s the increased power of oil-producing governments over the transnational corporations and the consumer countries dramatically altered the policy agenda. Moreover, agendas for one group of issues may change as a result of linkages from other groups in which power resources are changing; for example, the broader agenda of North-South trade issues changed after the OPEC price rises and the oil embargo of 1973–74. Even if capabilities among states do not change, agendas may be affected by shifts in the importance of transnational actors. The publicity surrounding multinational corporations in the early 1970s, coupled with their rapid growth over the past twenty years, put the regulation of such corporations higher on both the United Nations agenda and national agendas.

Politicization—agitation and controversy over an issue that tend to raise it to the top of the agenda—can have many sources, as we have seen. Governments whose strength is increasing may politicize issues, by linking them to other issues. An international regime that is becoming ineffective or is not serving important issues may cause increasing politicization, as dissatisfied governments press for change. Politicization, however, can also come from below. Domestic groups may become upset enough to raise a dormant issue, or to interfere with interstate bargaining at high levels. In 1974 the American Secretary of State's tacit linkage of

a Soviet-American trade pact with progress in detente was upset by the success of domestic American groups working with Congress to link a trade agreement with Soviet policies on emigration.

The technical characteristics and institutional setting in which issues are raised will strongly affect politicization patterns. In the United States, congressional attention is an effective instrument of politicization. Generally, we expect transnational economic organizations and transgovernmental networks of bureaucrats to seek to avoid politicization. Domestically based groups (such as trade unions) and domestically oriented bureaucracies will tend to use politicization (particularly congressional attention) against their transnationally mobile competitors. At the international level, we expect states and actors to “shop among forums” and struggle to get issues raised in international organizations that will maximize their advantage by broadening or narrowing the agenda.

## Transnational and Transgovernmental Relations

Our third condition of complex interdependence, multiple channels of contact among societies, further blurs the distinction between domestic and international politics. The availability of partners in political coalitions is not necessarily limited by national boundaries as traditional analysis assumes. The nearer a situation is to complex interdependence, the more we expect the outcomes of political bargaining to be affected by transnational relations. Multinational corporations may be significant both as independent actors and as instruments manipulated by governments. The attitudes and policy stands of domestic groups are likely to be affected by communications, organized or not, between them and their counterparts abroad.

Thus the existence of multiple channels of contact leads us to expect limits, beyond those normally found in domestic politics, on the ability of statesmen to calculate the manipulation of interdependence or follow a consistent strategy of linkage. Statesmen must consider differential as well as aggregate effects of interdependence strategies and their likely implications for politicization and agenda control. Transactions among societies—economic and social transactions more than security ones—affect groups differently. Opportunities and costs from increased transnational ties may be greater for certain groups—for instance, American workers in the textile or shoe industries—than for others. Some organizations or groups may interact directly with actors in other societies or with other governments to increase their benefits from a network of interaction. Some actors may therefore be less vulnerable as well as less sensitive to changes elsewhere in the network than are others, and this will affect patterns of political action.

The multiple channels of contact found in complex interdependence are not limited to nongovernmental actors. Contacts between governmental bureaucracies charged with similar tasks may not only alter their perspectives but lead to transgovernmental coalitions on particular policy questions. To improve their chances of success, government agencies attempt to bring actors from other governments into their own decision-making processes as allies. Agencies of powerful states such as the United States have used such coalitions to penetrate weaker governments in



such countries as Turkey and Chile. They have also been used to help agencies of other governments penetrate the United States bureaucracy.<sup>11</sup> As we shall see in Chapter 7, transgovernmental politics frequently characterizes Canadian-American relations, often to the advantage of Canadian interests.

The existence of transgovernmental policy networks leads to a different interpretation of one of the standard propositions about international politics—that states act in their own interest. Under complex interdependence, this conventional wisdom begs two important questions: which self and which interest? A government agency may pursue its own interests under the guise of the national interest; and recurrent interactions can change official perceptions of their interests. As a careful study of the politics of United States trade policy has documented, concentrating only on pressures of various interests for decisions leads to an overly mechanistic view of a continuous process and neglects the important role of communications in slowly changing perceptions of self-interest.<sup>12</sup>

The ambiguity of the national interest raises serious problems for the top political leaders of governments. As bureaucracies contact each other directly across national borders (without going through foreign offices), centralized control becomes more difficult. There is less assurance that the state will be united when dealing with foreign governments or that its components will interpret national interests similarly when negotiating with foreigners. The state may prove to be multifaceted, even schizophrenic. National interests will be defined differently on different issues, at different times, and by different governmental units. States that are better placed to maintain their coherence (because of a centralized political tradition such as France's) will be better able to manipulate uneven interdependence than fragmented states that at first glance seem to have more resources in an issue area.

## Role of International Organizations

Finally, the existence of multiple channels leads one to predict a different and significant role for international organizations in world politics. Realists in the tradition of Hans J. Morgenthau have portrayed a world in which states, acting from self-interest, struggle for "power and peace." Security issues are dominant; war threatens. In such a world, one may assume that international institutions will have a minor role, limited by the rare congruence of such interests. International organizations are then clearly peripheral to world politics. But in a world of multiple issues imperfectly linked, in which coalitions are formed transnationally and transgovernmentally, the potential role of international institutions in political bargaining is greatly increased. In particular, they help set the international agenda, and act as catalysts for coalition-formation and as arenas for political initiatives and linkage by weak states.

Governments must organize themselves to cope with the flow of business generated by international organizations. By defining the salient issues, and deciding which issues can be grouped together, organizations may help to determine governmental priorities and the nature of interdepartmental committees and other arrangements within governments. The 1972 Stockholm Environment Conference strengthened the position of environmental agencies in various



governments. The 1974 World Food Conference focused the attention of important parts of the United States government on prevention of food shortages. The September 1975 United Nations special session on proposals for a New International Economic Order generated an intragovernmental debate about policies toward the Third World in general. The International Monetary Fund and the General Agreement on Tariffs and Trade have focused governmental activity on money and trade instead of on private direct investment, which has no comparable international organization.

By bringing officials together, international organizations help to activate potential coalitions in world politics. It is quite obvious that international organizations have been very important in bringing together representatives of less developed countries, most of which do not maintain embassies in one another's capitals. Third World strategies of solidarity among poor countries have been developed in and for a series of international conferences, mostly under the auspices of the United Nations.<sup>13</sup> International organizations also allow agencies of governments, which might not otherwise come into contact, to turn potential or tacit coalitions into explicit transgovernmental coalitions characterized by direct communications. In some cases, international secretariats deliberately promote this process by forming coalitions with groups of governments, or with units of governments, as well as with nongovernmental organizations having similar interests.<sup>14</sup>

International organizations are frequently congenial institutions for weak states. The one-state-one-vote norm of the United Nations system favors coalitions of the small and powerless. Secretariats are often responsive to Third World demands. Furthermore, the substantive norms of most international organizations, as they have developed over the years, stress social and economic equity as well as the equality of states. Past resolutions expressing Third World positions, sometimes agreed to with reservations by industrialized countries, are used to legitimize other demands. These agreements are rarely binding, but up to a point the norms of the institution make opposition look more harshly self-interested and less defensible.

International organizations also allow small and weak states to pursue linkage strategies. In the discussions on a New International Economic Order, Third World states insisted on linking oil price and availability to other questions on which they had traditionally been unable to achieve their objectives. As we shall see in Chapters 4 through 6, small and weak states have also followed a strategy of linkage in the series of Law of the Sea conferences sponsored by the United Nations.

Complex interdependence therefore yields different political patterns than does the realist conception of the world. (Table 2.1 summarizes these differences.) Thus, one would expect traditional theories to fail to explain international regime change in situations of complex interdependence. But, for a situation that approximates realist conditions, traditional theories should be appropriate. In the next chapter we shall look at the problem of understanding regime change.

**TABLE 2.1** Political Processes under Conditions of Realism and Complex Interdependence

	<b>Realism</b>	<b>Complex interdependence</b>
Goals of actors	Military security will be the dominant goal.	Goals of states will vary by issue area. Transgovernmental politics will make goals difficult to define. Transnational actors will pursue their own goals.
Instruments of state policy	Military force will be most effective, although economic and other instruments will also be used.	Power resources specific to issue areas will be most relevant. Manipulation of interdependence, international organizations, and transnational actors will be major instruments.
Agenda formation	Potential shifts in the balance of power and security threats will set agenda in high politics and will strongly influence other agendas.	Agenda will be affected by changes in the distribution of power resources within issue areas; the status of international regimes; changes in the importance of transnational actors; linkages from other issues and politicization as a result of rising sensitivity interdependence.
Linkages of issues	Linkages will reduce differences in outcomes among issue areas and reinforce international hierarchy.	Linkages by strong states will be more difficult to make since force will be ineffective. Linkages by weak states through international organizations will erode rather than reinforce hierarchy.
Roles of international organizations	Roles are minor, limited by state power and the importance of military force.	Organizations will set agendas, induce coalition-formation, and act as arenas for political action by weak states. Ability to choose the organizational forum for an issue and to mobilize votes will be an important political resource.

# Explaining International Regime Change

International regimes help to provide the political framework within which international economic processes occur. Understanding the development and breakdown of regimes is central to understanding the politics of interdependence. Why do international regimes change?

In this chapter we shall present four models based respectively on changes in (1) economic processes, (2) the overall power structure in the world, (3) the power structure within issue areas, and (4) power capabilities as affected by international organization. We shall begin with the first two models, because they are the simplest and most familiar. We shall then add complexity by considering the more novel issue structure and international organization models.

## AN ECONOMIC PROCESS EXPLANATION

Many observers have pointed to the increased importance of economic issues in international politics. Indeed, struggles over the governance of economic issues are responsible for much of the increased attention to interdependence. The contemporary Western science of international economics, however, does not have a theory of international regime change. Neoclassical economic analysis was developed not as a faithful description of reality, but as a simplified explanation that would also suggest policies for increasing economic efficiency and welfare. Quite deliberately, economic theorists have abstracted away from politics in order to achieve more precise and elegant economic explanations. Thus we cannot blame economists for not providing a model of regime change from conventional economic theory, because their questions are different from political scientists'. Political scientists tend to focus on power, whereas, "if we look at the main run of economic theory over the past hundred years we find that it is characterized by a strange lack of power considerations."<sup>1</sup>

The fact that a particular activity is characterized by nonpolitical behavior—for instance, transactions carried on through a competitive price system—does not imply that political power is unimportant. The effect of politics may be indirect; it may determine the relationships within which day-to-day economic processes take place. Critics of pluralistic approaches to local and national politics have pointed out that this second “face of power” is extremely important in determining which issues are raised for political decision.<sup>2</sup>

For example, the major economic features of the postwar period—rapidly expanding and generally nondiscriminatory trade, large-scale and rapid movements of funds from one center to another under fixed exchange rates, and the rapid growth of huge multinational enterprises—depended on a political environment favorable to large-scale internationalized capitalism. Moreover, economic bargaining is affected by the uneven distribution of effective demand—the wealthiest consumers have the most votes in the market—and by the rules and institutions that reflect past patterns of strength.

A departure from perfect competition *always* introduces political factors into the analysis. Once firms can exercise some control over their environments, problems of bargaining, strategy, influence, and leadership immediately arise. Although economic analysis can provide important insights into regime change, no sophisticated observers, including neo-classical economists, would propose it as an adequate explanation. To explain regime change, we will have to use models with explicit political assumptions. But we will also have to include insights about changing economic processes.

A model of regime change based on economic processes would begin with technological and economic changes. Particularly during the last fifty years, economic growth in the industrialized world has proceeded at an unprecedented pace. World trade has grown by more than 7 percent per year and has become a larger proportion of gross national product for most major countries of Europe and North America. Direct foreign investment and overseas production have grown even faster.<sup>3</sup> Behind these changes lie remarkable advances in transportation and communications technology, which have reduced the costs of distance. Using communications satellites, the cost of telephoning a person 12,000 miles away is the same as that of telephoning someone much closer. (Chapter 9 updates this analysis by focusing on twenty-first century technologies such as the Internet.) Supertankers and other innovations in shipping technology have reduced the costs of transporting goods. And over the same period, governments have been drawn into agreements, consultations, and institutions to cope with rapidly expanding transactions.

The first premise of an economic process model of regime change is that technological change and increases in economic interdependence will make existing international regimes obsolete. They will be inadequate to cope with the increased volume of transactions or new forms of organization represented, for instance, by transnational corporations. Established institutions, rules, and procedures will be threatened with ineffectiveness or collapse.

The second premise is that governments will be highly responsive to domestic political demands for a rising standard of living. National economic welfare will

usually be the dominant political goal, and a rising gross national product will be a critical political indicator. The third premise of this model is that the great aggregate economic benefits provided by international movements of capital, goods, and in some cases labor will give governments strong incentives to modify or reconstruct international regimes to restore their effectiveness. Governments will argue over the distribution of gains and complain about the loss of autonomy entailed in rising economic interdependence (vulnerability as well as sensitivity); but they will generally find that, when there are domestic political demands for greater economic welfare, the welfare costs of disrupting international economic relations, or allowing them to become chaotic, are greater than the autonomy benefits. Reluctantly, they will permit economic interdependence to grow, and even more reluctantly, but inexorably, they will be drawn into cooperating in the construction of new international regimes by creating integrated policy responses. Thus, regime change will be a process of gradually adapting to new volumes and new forms of transnational economic activity. Governments will resist the temptation to disrupt or break regimes because of the high costs to economic growth.

On the basis of an economic process model, one should therefore expect international regimes to be undermined from time to time by economic and technological change; but they will not disintegrate entirely, at least not for long. They will quickly be reconstructed to adapt to economic and technological conditions.

This simple economic process model does not correspond exactly to the views of any sophisticated theorist, although it seems to exert a powerful influence on the views of many people. Projections made in the 1970s that in the year 2000 a handful of multinational corporations would control most of world production, and wield greater power than governments, or assertions that increases in interdependence make greater international integration inevitable reflect trends of rising interdependence. Part of the appeal of this approach is its grasp of the importance of technological change in explaining developments over the last century.

Political reality, however, often diverges from expectations based simply on technological and economic trends. Quite evidently, governments continually sacrifice economic efficiency to security, autonomy, and other values in policy decisions. Furthermore, this simple economic growth model skims over the difficulty of moving from one equilibrium situation to another and thus does not confront the inevitable political questions about adjustments. In politics, adjustment is crucial—indeed, power has been defined by one political scientist as “the ability not to have to adjust to change.”<sup>4</sup> In policymaking adjustment is critical because the views of powerful interests about the costs of change and their distribution largely determine the support a policy will command.

Rapidly rising economic interdependence can create fear and insecurity among politically important groups. Labor unions and local community leaders may fear that a corporate decision to shift production abroad or trends toward greater imports could cause severe unemployment and social distress. Industries threatened by imports press for governmental protections. Thus, protectionism may increase as economic interdependence becomes more extensive. Protectionism has always been with us. But as the technology of communication and large-scale corporate

organization have reduced the natural buffers between markets, many domestic groups have turned to government to establish political buffers. Even when a country is not threatened by increased vulnerability, the sensitivity of its interest groups can stimulate it to adopt policies that restrict international transactions.

The conflicts generated by increased interdependence have contributed to controversy over international regimes, which often erupts quite suddenly. Yet a simple economic growth approach is not very effective in explaining variations, since its major explanatory variable is a long-term secular trend (technological change reducing costs of transnational activity over great distances, and therefore increasing such activity, and leading to greater sensitivity). Why have international regimes been developed and maintained at some times, whereas at other times, no regime can be successfully instituted? If economic growth were a sufficient explanation, one would expect international economic interdependence successively to “outgrow” regime constraints, and new regimes, better adapted to the new situation of interdependence, quickly to replace them. Increased sensitivity would lead to new issues and new problems; but a problem-solving orientation would lead policymakers to new regime solutions.

Yet such an explanation obviously abstracts from interests, which may diverge sharply from group to group, sector to sector, or country to country. It also assumes that international politico-military policy decisions are separate from economic ones. In 1945, international institutional decisions created a two-track or multitrack regime in which economic and security issues were kept fairly separate in day-to-day political processes.<sup>5</sup> They were usually linked only hierarchically in domestic politics, through appeals to common security goals as a means of limiting economic conflicts, or potential conflicts with the goals of subnational groups. Yet this separation and depoliticization of economic issues is not the norm in world politics. Indeed, it may well have been an anomaly, dependent on postwar United States economic and military dominance and alliance leadership. Because the extent of interdependence and its effects depend to a considerable extent on high-level political decisions and agreements, traditional approaches to international politics, which have concentrated on these high-level decisions and the overall power structure, should contribute to an adequate explanation.

## OVERALL POWER STRUCTURE EXPLANATION

### Eroding Hegemony

There is nothing new about certain kinds of interdependence among states. Athens and Sparta were interdependent in military security at the time of Thucydides. The United States and the Soviet Union were similarly interdependent between 1947 and 1991. Not only were the two countries sensitive to changes in each other's security policies, but they were also vulnerable to each other's security decisions. Exactly this high level of interdependence in one issue area—military security—coupled with mutual antagonism has been at the heart of traditional analyses of world

politics. Under such circumstances security issues take precedence over others, and the distribution of military power (with its supporting economic basis) determines the power structure. War is the most important and dramatic source of structural change. Our own era, for instance, still bears the marks of the outcome of World War II.

In the traditional view, powerful states make the rules. As Thucydides put it, “the strong do what they can and the weak suffer what they must.”<sup>6</sup> In bilateral relations, the traditionalists expect that the stronger of two states will usually prevail when issues arise between them. Within a system, the structure (that is, the distribution of power among the states in it) determines the nature of its international regimes. And the most important power resources are military.

The appeal of the traditional approach based on the overall power structure lies in its simplicity and parsimonious prediction. Judgments of relative power seem easy to make on the basis of military strength, and it is possible to calculate a rational course of action in any given situation:

We assume that statesmen think and act in terms of interest defined as power, and the evidence of history bears that assumption out. That assumption allows us to retrace and anticipate, as it were, the steps a statesman—past, present, or future—has taken or will take on the political scene. We look over his shoulder when he writes his dispatches; we listen in on his conversation with other statesmen; we read and anticipate his very thoughts.<sup>7</sup>

In its more extreme formulations, this realist approach deprecates domestic politics by suggesting that the national interest must be calculated in terms of power, relative to other states, and that if it is not, the result will be catastrophic. There is little margin for choice. If domestic politics interferes with diplomacy, disaster will follow. Less drastic expositions of the traditional view allow for the effect of domestic politics, but the principal focus of the theory—and the segment of it that provides its explanatory power—centers on competition among states. It is competition among autonomous actors that provides the basic driving force of world politics.

The traditional view does not have a thoroughly articulated and agreed-on theory of regime change. Its emphasis on state power and international structure—defined in terms of power capabilities—does, however, provide the basis for developing such a theory on realist premises. The basic dynamic is provided by the assertion that as the power of states changes (that is, as the structure changes), the rules that comprise international regimes will change accordingly. This dynamic is at the heart of our model of regime change based on the overall power structure.

This overall structure approach does not differentiate significantly among issue areas in world politics. On the contrary, it predicts a strong tendency toward congruence of outcomes among issue areas. Since power, like money, is considered fungible, power resources will be shifted by major states to secure equal marginal returns in all areas. When outcomes on one issue area are markedly different from those on others, we should expect shifts to make outcomes in the deviant area more consistent with the world structure of military and economic power. It follows from this view, for instance, that after 1973 the incongruity between power in petroleum

politics and power generally in world politics was a source of instability. It was to be expected that the United States and other industrialized countries would attempt to reduce the incongruity in their favor by mutual aid, encouragement of new sources of supply, and even by threats of military force. Nor was it surprising that oil-exporting states, linked in the Organization of Petroleum Exporting Countries (OPEC), would try to resolve the tension in their favor by increasing their strength through arms purchases, alliances with other Third World countries for a new international economic order, deals with individual consumer countries, and ambiguous long-term development plans. Because of the overall power disparities, however, traditional theory would give OPEC states less chance of success.

These expectations about which side will prevail may or may not be confirmed, but the realist insight is important: we should examine closely situations in which the distribution of power between issue areas is uneven. Tensions develop at these point of incongruity. Crucial political struggles take place to determine whether changes in the power structure of one issue area will spread to the system as a whole, or be suppressed.

Even in the absence of war or the overt use of force, traditional views stressing the overall power structure can be adapted to explain changes in international regimes. If the strong make the rules, then shifts in politico-military power should affect economic regimes. The overall structure approach directs our attention to hegemony and leadership. Economists have argued that stable economic regimes require leadership—that is, willingness to forego short-term gains in bargaining in order to preserve the regime—and that an actor is most likely to provide such leadership when it sees itself as a major consumer of the long-term benefits produced by the regime.

Realists would add that such leadership in maintaining a regime would be most likely in a hegemonial system: that is, when one state is powerful enough to maintain the essential rules governing interstate relations, and willing to do so. In addition to its role in maintaining a regime, such a state can abrogate existing rules, prevent the adoption of rules that it opposes, or play the dominant role in constructing new rules. In a hegemonial system, therefore, the preponderant state has both positive and negative power.

In a realist world, such a condition would imply military preponderance, but not necessarily frequent use of military force. In the nineteenth century, Britain occasionally used its preponderant naval power to force free trade in South America or to protect freedom of the seas from the encroachment of coastal states, but generally such actions were unnecessary. A hegemonial power can change the rules rather than adapt its policies to the existing rules. Britain's position as defender of freedom of the seas, for example, did not deter her from interfering with neutral shipping when she was at war. But during peacetime, the British government led in regime maintenance by scrupulously enforcing free seas rules against its own domestic interests, which attempted to assert broader coastal jurisdiction.

When the hegemonial power does not seek to conquer other states, but merely to protect its favored position, other states may benefit as well. The Pax Britannica is often celebrated. Charles Kindleberger has argued that during the last century



international economic systems with one leader have been more stable than other systems, and they have been associated with greater prosperity.<sup>8</sup> In the nineteenth century the financial strength of Great Britain provided the basis for a monetary system that was centered principally, although not entirely, on London. From World War II through the 1960s, the economic preponderance of the United States enabled it to manage monetary relations among noncommunist countries through the Bretton Woods system. By contrast, as we shall see in more detail later, the unhappy international monetary experience of the interwar period occurred when the United States was unwilling to exercise strong leadership and Britain was unable to do so.<sup>9</sup>

Hegemonial powers do not, therefore, always exploit secondary powers economically. During the heyday of the sterling standard, industrial production in France, Germany, Russia, and the United States increased from 50 percent to 400 percent faster than in Britain.<sup>10</sup> Although the United States dominated the monetary system of the postwar period, Europe and Japan grew more rapidly than it did. Even so severe a critic of American hegemony as David Calleo admits that “it was difficult to argue that the dollar system was causing economic harm to its members.”<sup>11</sup>

Why then do hegemonial systems and their corresponding economic regimes collapse? War or major shifts in the overall balance of power are the dramatic causes. But these systems may also be undermined by the very economic processes they encourage. Ironically, the benefits of a hegemonial system, and the extent to which they are shared, may bring about its collapse. As their economic power increases, secondary states change their assumptions. No longer do they have to accept a one-sided dependence which, no matter how prosperous, adversely affects governmental autonomy and political status. As autonomy and status become possible, these values are taken from the closet of “desirable but unrealistic goals.” At least for some leaders and some countries—such as France in the 1920s and 1960s—prosperity is no longer enough.<sup>12</sup>

Thus, as the rule-making and rule-enforcing powers of the hegemonic state begin to erode, the policies of secondary states are likely to change. But so are the policies of the hegemonic state. An atmosphere of crisis and a proliferation of ad hoc policy measures will seem not only undignified but unsettling to many. Dissenters will begin to wonder about the costs of leadership. Further, this leadership will less and less appear to guarantee economic and political objectives, as other states become more assertive. The renewed emphasis of these secondary governments on status and autonomy adds a further complication, since these values have a zero-sum connotation that is much less pronounced where economic values are involved. More status for secondary states means less for the dominant power; increases in weaker powers’ autonomy bring concomitant declines in the positive influence of the system’s leader.

Thus the systemic orientation natural to a hegemonial power—which identifies its interests with those of the system it manages—is challenged by a more nationalistic perspective at home and abroad. Bilateralism and autarky, formerly rejected as inefficient, are once again recommended. Their adherents stress the benefits of economic security, or risk aversion. When power seems to ensure that risks are

minimal, this argument carries little weight; but when cracks appear in the hegemonial construction, prudence counsels what efficiency formerly proscribed.

When this point is reached on both sides, the hegemonic equilibrium has been broken and a spiral of action and counteraction may set in. As the system changes, assumptions change; considerations of risk aversion on one side and greater independence on the other counsel policies with less international or less systemic implications. The uncertainty thus created may be difficult to stop; a cycle of disintegration can readily set in.

From a traditional perspective, this portrait of economic processes eroding overall hegemony has a certain appeal. By adding a few assumptions, it provides an explanation based on the overall power structure that accounts for changes in economic regimes, despite the absence of major war or major shifts in the balance of power. Applying this model to the post-war period, one can argue that international economic regimes that accompanied the "Imperial Republic" or the "American Empire" are collapsing due to the "decline of American power."<sup>13</sup>

## Limitations of an Overall Structure Explanation

Carefully defined, the concept of hegemony and analysis of its erosion by economic processes can help to explain regime change. But this overall structure explanation is more ambiguous than it first appears, and can lead to facile descriptions of change. We must specify what resources are considered effective in establishing hegemonic power, and to what range of phenomena it is meant to apply.

The simplest and most parsimonious version of the eroding hegemony thesis would be that international economic regimes directly reflect politico-military patterns of capability: high politics dominates low politics. Changes in international economic relations are explained by shifts in military power. This simple version explained the broad features of the Cold War economic order, particularly its basic divisions. Although Soviet or Chinese purchases and sales could affect world markets, these planned economies were separate enough that it was more accurate to think of three distinct economic systems, corresponding to the three major (but unequal) sources of politico-military power.

Yet the most parsimonious explanation breaks down when one moves from explaining overall structure to explaining change. The United States' position in the world economy, and its dominance in policymaking, both within the industrialized areas and with the Third World, clearly declined between 1950 and 1976. Yet during this period the United States remained, militarily, the most powerful state in the world; and its military lead over its major economic partners (Japan, Canada, and Europe) was steadily maintained if not increased.

Thus, although the distribution of military power affects the international economic order, by itself it provides only a small part of the explanation. Three other major factors must be added for an adequate overall structure explanation, thus reducing its simplicity but increasing its fit with the facts of postwar change in international economic regimes: (1) changes in perceptions of the threat of military aggression; (2) changes in the relative *economic* strength of the United States and its

trading and investment partners; and (3) changes in hierarchical patterns involving Europe and the Third World.

Concern about a communist military threat helped stimulate Americans to make short-run economic sacrifices (that is, to exercise leadership) to develop and preserve the liberal postwar economic regimes that contributed to European and Japanese recovery. Many of the major advances in international economic relations came during the long period of maximum Cold War tension between 1947 (the Truman Doctrine) and 1963 (the Test Ban Treaty). In these years, the International Monetary Fund (IMF), World Bank (IBRD), General Agreement on Tariffs and Trade (GATT), and Organization for Economic Cooperation and Development (OECD) began to function; currency convertibility was achieved and major tariff cuts implemented; and the Common Market was established. United States security leadership was prized by its allies, and the American perception of high threat from the Soviet Union encouraged United States policymakers to grant various economic concessions to the Europeans and the Japanese. The sharp reductions in perceived threats in the early 1970s have certainly helped to reduce the United States' ability subtly to translate its military leadership of the alliance into economic leadership without resorting to overt and highly resented linkages. American allies became less willing to act as junior partners once they perceived the external threat as diminished. At the same time, American willingness to accept economic discrimination or unfavorable exchange rates was also declining.

These changes in perceptions were reinforced by increases in European and Japanese economic capabilities relative to those of the United States. In the early postwar period, Europe was largely supine, and although it was able to bargain and resist on some issues, it complied with United States leadership within an overall economic structure. Later, the tremendous European economic recovery and the confidence it gave, at least on economic issues, provide the primary explanation for the Dillon Round tariff cuts, currency convertibility and subsequent reduced reliance on the dollar, and the construction of the Common Market. The latter steps were motivated by a desire to boost the political as well as economic strength of Europe, so that it could better stand on its own against the Soviet Union (and later, the United States).

This situation created an opportunity for linkage and trading-off of military and economic advantages, which became more tempting to the United States as its economic preponderance eroded. It is worth noting that the disruption of the economic order was not caused by an erosion of American military power in the 1960s, but by a decline in American concern that such disruption would threaten vital security relationships.

The third factor needed to fit a theory of eroding hegemony to the facts of change lies not in American relations with other countries, but in the relations of Europe to the Third World.<sup>14</sup> Before 1960, most of Africa, along with other now independent countries, remained under colonial rule. Since then, about fifty countries have become independent, and over time these former colonies have

become more assertive. After the abortive British-French Suez invasion of 1956 and the withdrawal of most British forces east of Suez in the late 1960s, it was obvious that Europe would no longer play a major role in controlling events outside that continent. The erosion of European colonial hegemony, not American military power, added to the complexity of world politics and to the pressure on the United States as well as the other industrialized countries for economic regime change.

In short, the theory of eroding hegemony, though a useful part of the explanation of postwar economic regime change, is not as neat an overall structure explanation as it first appeared to be. Nor is it a very good basis for prediction. The apparent inevitability of decline, portrayed by the eroding hegemony model (even with these qualifications), may to some extent be an illusion, precisely because of the inadequacy of its assumptions about domestic politics, interests, and issues. In the leading state, interests in maintaining systemic leadership and in paying the cost will persist, particularly among multinational corporations based there, the financial elite, and governmental bureaucracies charged with maintaining good relations with allies. In the governments of secondary powers, as well, no firm consensus is to be expected. Dependency may provide comforts for some parties, necessities for others. There may be coalitions across national boundaries for preserving international economic regimes. Regime maintenance may not require military hegemony, but may rest on vested interests in several countries. Foreign policy may respond to particular interests—which sometimes may favor regime maintenance.

The argument about eroding hegemony also suffers from its disinclination to differentiate among issue areas. Yet dominant rule-making power in one area does not necessarily imply effective control over other areas as well. American dominance eroded more rapidly in the 1970s on petroleum issues than it did on issues of international monetary policy or trade in manufactured products. Where the use or threat of force is ineffective, it will be more difficult for a major power, in what would formerly have been a hegemonial position across the board, to influence policy in one issue area by using resources not specific to that area. This difficulty was particularly evident in the petroleum crisis of 1973–74: although the United States was much stronger militarily and economically than the Middle Eastern oil producers, it was unable to persuade them to reduce oil prices.

Finally, the eroding hegemony argument ignores the complications introduced by multiple channels of contact among societies—in the form of multinational firms and other transnational actors, or informal, transgovernmental contacts among bureaucracies. Some of the domestic political reactions against open, internationalist policy result largely from the real or perceived effects of foreign investments by multinational firms. In their activities abroad, multinationals are likely to increase the appearance of United States dominance, due to their visibility and their role as carriers of American popular culture, but it is at best uncertain whether they really contribute to United States power overseas.<sup>15</sup> Thus they introduce new ambiguities into the calculation of power, and possible disjunctions between the reality of power and its appearance.

## ISSUE STRUCTURE

The elegance of the overall structure model derives from its basis on a simple interpretation of structure as the distribution of power capabilities, in the aggregate, among states. On the basis of these distributions, it promises significant predictions about patterns of behavior.<sup>16</sup> However, one must assume that there is a hierarchy of issues, with military security at the top, and that force is usable, since otherwise one could find very different patterns of politics, and regimes, for different issue areas. The overall structure explanation assumes that power, like water, will find a common level: discrepancies between which states are dominant on one issue and which predominate on others will be eliminated in important cases by linkages drawn by powerful states through the use or threat of force. Insofar as an issue is relevant to military security the most powerful states, in the aggregate, will be able to control it.

These assumptions can be challenged. After 1973, for instance, it became obvious that power in petroleum issues was distributed very differently than in other issue areas of world politics, and the discrepancy has continued to persist up to this writing. To explain such a situation, one could turn to an issue structure model in which force is usable only at high cost, and military security is not at the top of a clear hierarchy of issues for governments. From these assumptions the issue structure model infers that linkages will not be drawn regularly and effectively among issue areas. Power resources, it holds, cannot under these circumstances easily be transferred. Power will not be fungible, as in the overall structure model; military capabilities will not be effective in economic issues, and economic capabilities relevant to one area may not be relevant to another.

Observation of contemporary world politics lends general plausibility to this formulation. It is clear that different issue areas often have different political structures that may be more or less insulated from the overall distribution of economic and military capabilities. They differ greatly in their domestic politics, in their characteristic patterns of politicization, and in the interest groups that are active. For instance, small numbers of bankers, who control huge financial institutions, are very influential on international monetary issues; whereas influence on trade is much more broadly shared.<sup>17</sup> In oceans politics the pattern is complex, with coastal fishermen, distant-water fishermen, scientists, oil and hard minerals companies, and navies all involved. Saudi Arabia, Libya, Iran, and Kuwait may be very important on petroleum issues but virtually inconsequential on questions relating to the international regime for the oceans, world food problems, or GATT rules for trade in manufactured products. Likewise a major food producer such as Australia or an important trading country such as Sweden may not play a significant role on petroleum issues.

Yet, though issue structuralism differs in important ways from the traditional overall structure explanations, it has a similar form of argument about regime change: the strong states (in an issue area) will make the rules. A basic assumption of the issue structure model, however, is that although states may be tempted to draw linkages among issues, such linkages will be generally unsuccessful. The premise of issue structuralism is that power resources in one issue area lose some or all of their

effectiveness when applied to others. Thus, unlike the overall structure explanation, issue structuralism does not predict congruence of power across issues. On the whole, then, analysis of politics will have to be conducted by issue area. Within each issue area one posits that states will pursue their relatively coherent self-interests and that stronger states in the issue system will dominate weaker ones and determine the rules of the game.

Issue structuralism thus is capable of generating clear predictions for particular situations. Yet as a theory, it is less *powerful* than the overall structure explanation because the analyst needs more information: he or she needs to know not only the overall structure of military, or military and economic, power; but how that power is distributed by issue area. Although it is less powerful, issue structuralist theory is more *discriminating*, since it can distinguish among issue areas that are crucial in analyzing much of contemporary world politics, particularly the politics of international economic relations. The two assumptions of the complex interdependence model that it incorporates therefore increase the closeness of fit of its predictions with some aspects of reality, at only partial sacrifice of predictive power.

Like the overall structure explanation, an issue structure explanation of the politics of economic regime change in a specific issue system, such as oceans or money, distinguishes between activity taking place within a regime and activity designed to influence the development of a new regime. In the former case, the international regime for the issue is regarded as legitimate by major actors, although minor disagreements may exist. National policy options are constrained by the regime. Politics takes place within the ground rules laid down by the regime, and generally is directed toward small advantages, favorable adjustments, or exceptions to the rules. Politics within the General Agreement on Tariffs and Trade (GATT) during much of the 1950s and 1960s conformed to this picture. Participants accepted GATT rules but attempted to secure waivers for specific interests of their own.<sup>18</sup> Within the European Economic Community, the “politics of regional implementation” exhibits similar characteristics: the legitimacy of the rules is not challenged, but the members may seek to bend or delay them.<sup>19</sup> Governments attempt to take advantage of asymmetries in sensitivity, but do not manipulate vulnerabilities very much—since the regime itself constrains policy change.

In rule-making (the second aspect of political activity in an issue area), what is challenged is not merely a set of effects implied by rules but the rules themselves. The nature of the regime is questioned by major participants, and the political struggle focuses on whether, and in what ways, the regime will be restructured. Thus the concept of vulnerability interdependence is most appropriate here.

This distinction is important for issue structure explanations because power resources that provide influence in political activity often differ with the two aspects of the problem. Where the rules are taken for granted, they may create asymmetries in sensitivity interdependence. For instance, as long as traditional international law requiring prompt and adequate compensation for the nationalization of foreign investment were in effect, small host countries with weak economies and administrations tended to be more sensitive to the decisions of foreign investors (and the home governments) than the investors were to their decisions.

When the rules are questioned, or the international regime is changed unilaterally, the principles that channeled sensitivity interdependence no longer confer power benefits on the actors that had benefited by them. At this point, politics begins to reflect different power resources, relative vulnerability, not sensitivity, or what can be considered as the underlying power structure in the issue area. On foreign investment issues, for instance, governments gained power as inhibitions against expropriation declined. The power resources that affect rule-making allow their holders to implement alternatives and to challenge assumptions about the current use of influence in an issue. Issue structuralism allows us to predict that when there is great incongruity in an issue area between the distribution of power in the underlying structure, and its distribution in current use, there will be pressures for regime change.

Both aspects of power are important, but for the issue structure model the underlying power structure is more basic, since breaking or creating regimes means changing the rules that channel the patterns of sensitivity interdependence. To a considerable extent, regime change occurs because of the difference between the influence and benefits under an existing regime and the expectations of dissatisfied states about the effects of new rules. When there is an incongruity between the influence of a state under current use rules, and its underlying sources of power to change the rules, issue structuralism predicts sharp rather than gradual regime change. For example, in 1971 the incongruity between American sensitivity to declining monetary reserves (under rules about fixed exchange rates) and its underlying rule-making power (based on the importance that American GNP conferred on the dollar) led to a sharp break of regime.

### Limitations of Structural Explanations

Issue structuralism is often useful when costliness of force or the absence of a major security concern limits the validity of explanations based on the overall power structure. But to the extent that linkages of issues are successful, the explanatory value of the issue structure model is reduced, since political outcomes in particular issue areas will no longer be accounted for simply by political resources in those areas. Moreover, in some situations linkages may come not from states with great overall power, but from poor, weak states. In the bargaining over the law of the sea, for example, much of the linkage has come “from below,” as poor, weak states find it to their advantage in conference diplomacy. This linkage from below is an anomaly which neither structural model adequately explains.

Another problem with both structural explanations is their exclusive focus on the power capabilities of states; they ignore domestic and transnational political actors. We have already shown how this focus limits the overall structure explanation of postwar regime change. That limitation is not overcome by an issuespecific formulation of the structural argument. Some regimes—for example in trade among major industrial countries—have persisted despite shifts in the underlying power structure; others—as we shall see in our study of oceans policy—have changed despite continuity of power.



More generally, understanding the changing regimes that govern international interdependence requires an understanding of both structure and process. International structure explanations are generally inadequate unless coupled with an account of political process. In terms of the distinction developed in the previous chapter, there is likely to be a discrepancy between the structure of power as resources (whether military as in a stark realist formulation or economic as in the issue structure approach), and power as control over outcomes and measured by the pattern of outcomes. The translation from capabilities to outcomes depends on the political process. Skill in political bargaining affects the translation. States with intense preferences and coherent positions will bargain more effectively than states constrained by domestic and transnational actors. And even states with coherent positions may find their bargaining position weakened by the institutions and procedures that characterize a given regime, as Figure 3.1 illustrates.

In the simplest (and least interesting) structural explanations, a shift of overall or issue-specific capabilities (for example, caused by a war) leads directly to regime change. In the more sophisticated structural explanations indicated in the diagram, a regime creates a bargaining process, which leads to a pattern of outcomes. If that pattern is incongruous with the overall power structure (or in the issue-specific model, the underlying power structure in the issue area) and is intolerable to the strongest states, there will be a regime change to reduce the incongruity. The structural approach views the regime and the bargaining process as having no autonomy. The validity of that assumption depends on the conditions of world politics that we examined in the last chapter.

In conclusion, our criticism of the structural explanations does not mean that we reject them. On the contrary, their simplicity makes them the best starting point for analyzing regime change. Our care in elaborating the structural models of economic regime change—including the traditional model, whose proponents have

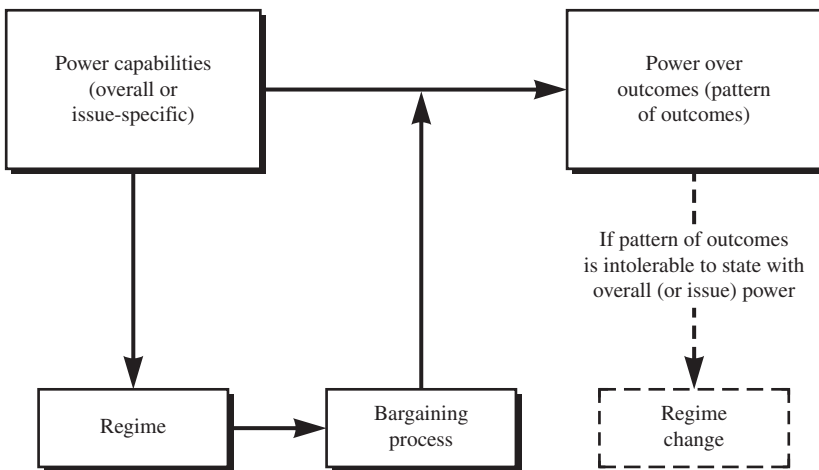


FIGURE 3.1 Structural models of regime change



often portrayed it as universally valid but neglected to relate it carefully to economic regime change—indicates that we believe they have some explanatory power under certain explicitly stated conditions. Our purpose is not to demonstrate the incorrectness of international structural theory but to indicate that, even when carefully reformulated, it provides only a partial explanation.

## AN INTERNATIONAL ORGANIZATION MODEL

One way to think of the structure of world politics is in terms of the distribution of capabilities (overall or within issue areas) among the major actors of world politics. This is the concept of structure used in the overall structure and issue structure models. It is also possible, however, to define another kind of structure. One can think of governments as linked not merely by formal relations between foreign offices but also by intergovernmental and transgovernmental ties at many levels—from heads of government on down. These ties between governments may be reinforced by norms prescribing behavior in particular situations, and in some cases by formal institutions. We use the term *international organization* to refer to these multi-level linkages, norms, and institutions. International organization in this sense is another type of world political structure.

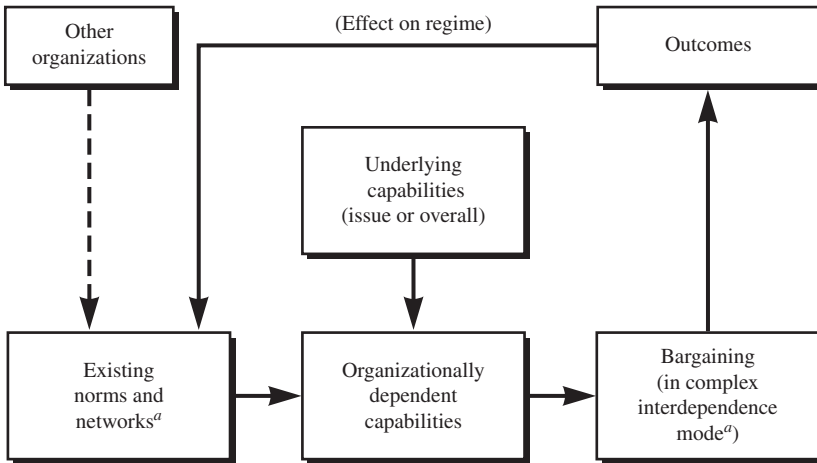
In our international organization model, these networks, norms, and institutions are important independent factors for explaining regime change. One may even have international organization of Canadian-American relations even though, as we shall see in Chapter 7, formal international institutions play only a minor role in the relationship. International organization in the broad sense of networks, norms, and institutions includes the norms associated with specific international regimes, but it is a broader category than regime, because it also includes patterns of elite networks and (if relevant) formal institutions. Thus, the Bretton Woods international monetary regime prescribed countries' financial dealings with one another; but the international organization of the monetary issue area during that period also included formal organizations such as the International Monetary Fund and networks of ties among national treasuries and central banks. And this international organization of the monetary issue area existed within a broader pattern of international organization, including both the formal institutions of the United Nations and informal networks of ties among governments, particularly among governments of advanced industrial societies belonging to the OECD.

The international organization model assumes that a set of networks, norms, and institutions, once established, will be difficult either to eradicate or drastically rearrange. Even governments with superior capabilities—overall or within the issue area—will find it hard to work their will when it conflicts with established patterns of behavior within existing networks and institutions. Under these conditions the predictions of overall structure or issue structure theories will be incorrect: regimes will not become congruent with underlying patterns of state capabilities, because international organizations as defined above will stand in the way.

Thus, the international organization model will help to account for failures of the basic structural models of regime change. Regimes are established and organized in conformity with distributions of capabilities, but subsequently the relevant networks, norms, and institutions will themselves influence actors' abilities to use these capabilities. As time progresses, the underlying capabilities of states will become increasingly poor predictors of the characteristics of international regimes. Power over outcomes will be conferred by *organizationally dependent capabilities*, such as voting power, ability to form coalitions, and control of elite networks: that is, by capabilities that are affected by the norms, networks, and institutions associated with international organization as we have defined it. In the United Nations General Assembly, for instance, one cannot predict resolutions correctly by asserting that the most powerful states in the international system (such as the United States) will generally prevail. Instead, one has to examine governments' abilities to influence, and benefit by, the one-state-one-vote system by which the formal decisions of the assembly are made.

Thus the international organization model helps to resolve some of the puzzles that could arise for someone who believes in the overall structure or issue structure model. Some regimes may not change as rapidly as underlying power capabilities; for these regimes and others, we will be unable to predict patterns of outcomes simply from a knowledge of the distribution of capabilities among governments. The international organization model provides a dynamic of regime change, as well as an explanation, in certain instances, of inertia. As we noted before, international organization in our sense provides the context within which regimes operate. International organization—either in issues quite apart from the issue area of a regime, or within that issue area—may affect the regime. The networks, norms, and institutions of the United Nations, for instance, have affected the international trade regime, particularly since the formation of the United Nations Conference on Trade and Development in 1964. Similarly, the practices of the United Nations system affected the influence of various governments over General Assembly resolutions demanding a new international economic order. Such an order, developed through the United Nations, would be likely to affect the international trade regime, and, more important, to influence the IMF-centered international trade regime and perhaps eventually to stimulate the development of an international regime to control direct investment. The general point is clear: international regimes can be changed by decisions that are themselves affected by international organization in our sense.

Figure 3.2 is a diagram of the international organization model. Existing norms and networks, as well as underlying capabilities, influence organizationally dependent capabilities, which in turn affect outcomes. If one considers only the solid lines in the diagram, this system could be self-perpetuating, with considerable stability, yet not determined entirely by underlying patterns of capabilities. The dotted line indicates the major source of change: other networks, norms, and institutions may interfere with the specific organizational configuration under consideration, thus affecting the nature of the regime. As we shall see in the next chapters, the rules, norms, and procedures of the United Nations have had such an effect on regime change in the oceans issue area: the organizational context within which decisions were made greatly affected the rules about the use of oceans space and resources.



**FIGURE 3.2** An international organization model of regime change

<sup>a</sup>At the beginning, the organization of a regime is affected by underlying capabilities of states, but not on a continuous basis.

Although the international organization model includes important factors that are ignored or downplayed by the basic structural models, it has some significant limitations of its own. It is more complicated than the basic structural approaches, requiring more information. It does not predict how international regimes will change from a single variable such as international structure. Indeed, its focus on the political processes associated with international organization implies that actors' strategies, and their cleverness in implementing them, can substantially affect the evolution of international regimes. Furthermore, it is much less deterministic than the basic structural models, leaving wide latitude for choice, decision, and multiple-level bargaining.

The factors on which the international organization model depends are also more temporary and reversible than those of the basic structural models. *If* powerful governments decide to destroy the existing regimes, and have the determination as well as the ability to do so, the regimes and their associated organizations will no longer have lives of their own. The international organization model postulates that the costs of destroying a regime will be high when well-integrated elite networks exist on many levels among countries. Nevertheless, the costs of an adverse regime could become so great that some states would resolve to destroy it even though that meant disrupting those networks. At this point the basic structural models would become more relevant than the international organization model.

We expect that under realist conditions, as described in Chapter 2, the underlying distribution of power is likely to be dominant (particularly since force is usable), and the international organization model is not likely to add significantly to explanations of regime change. Under complex interdependence, however, we expect international organizational norms and procedures and their associated political processes to affect patterns of regime change.

Please remember that the international organization model is only likely to apply under complex interdependence conditions, and that even then, its predictions could be rendered invalid by the actions of governments determined to exercise their underlying power to change regimes. The latter point can be related to our discussion in Chapter 1 of sensitivity and vulnerability interdependence as power resources. The international organization model is based on the assumption that the regime will be stable; that is, policy changes disrupting it will not be possible. Actors will manipulate each other's sensitivity dependence for their own gain; and they may make marginal policy shifts to improve their vulnerability positions. But there is a limit to their manipulation of vulnerability interdependence; if they change policy too much, the regime itself will be challenged and destroyed.

The validity of the model depends on its assumption that actors will not destroy the regime by attempting to take advantage of one another's vulnerability dependence. If, on the contrary, this occurs, underlying power resources within issue areas or overall will once again become most important, and structural models will be better guides than the international organization model to regime change. The two structural models therefore dominate the international model in the same way that vulnerability interdependence dominates sensitivity interdependence as a power resource. Above a certain level of conflict the international organization model and sensitivity interdependence become largely irrelevant.

## COMBINING EXPLANATIONS

No single model is likely adequate to explain world politics. Conditions vary too greatly. You may therefore be tempted to say that everything is relevant, and indiscriminately combine all of the factors we have discussed. By doing so, you would beg the questions, however, of which factors are most important and how they should be combined. You must also abandon hope for simpler explanations, even when they are appropriate. All problems would be approached at the same level of complexity.

Because of the drawbacks of a single complex synthesis, it is better to seek explanation with simple models and add complexity as necessary. For economic issues, we can begin with the economic process model, which ignores international political structure entirely and predicts regime change on the basis of technological change and growing economic interdependence. If such a model really explains behavior, we can omit all the complexities of determining the relevant structure of power.

We believe that this will rarely, if ever, be successful. The next analytical step, therefore, will be to add politics in the simplest possible way by seeing whether the overall structure model, alone or in conjunction with the economic process model, can explain regime change. Using the overall structure model, we expect a tendency toward congruence across issues. We would expect, therefore, that actors strong on military-security, high politics issues would create linkages to important economic issues if they found themselves in weak positions on the latter.

If our arguments in this and the previous chapter are correct, however, even this approach will often be insufficient. The next step, therefore, would be to turn to an

issue structure approach. Using this model, we assume that power resources are quite specific by issue area and linkage will be slight. Within issue areas, power resources related to vulnerability will dominate resources relevant to sensitivity within a regime. When the regime produces outcomes contrary to what we would expect on the basis of fundamental power resources, we would expect states powerful at the vulnerability level to force changes in the regime.

Sometimes even this refinement will not explain regime change, and one will have to turn to the international organization model and examine how norms, networks, and institutions benefit some actors rather than others—in setting the agenda, in creating presumptions or patterns of behavior that make certain bureaucracies within governments especially active on particular issues. We will also need to ask how international regimes acquire an inertial force, which allows them to persist after the conditions that brought them into being have disappeared.

We shall show in later chapters that each model helps in explaining regime change or persistence during part of the time for at least one of our four cases (oceans, money, and Canadian-American and Australian-American relations). In some cases we shall need to combine two or three models for a full explanation. In several cases we shall require a sequence of models. One model may apply quite well for one period, but poorly for another. It would not be wise to develop a single amalgamated model; but under different conditions, different combinations of the models will provide the best explanations of international regime change and political outcomes.

Our ability to combine models depends, however, on a clear understanding of their differences. Table 3.1 summarizes the assumptions of the models about three key questions. For the structural model, underlying power can be translated into changes in international regimes without high translation costs. Thus the states

**TABLE 3.1** Some Key Assumptions of the Four Models of Regime Change

	<b>Overall structure</b>	<b>Issue structure</b>	<b>International organization</b>	<b>Economic sensitivity</b>
Can underlying sources of power be translated at low cost into changes in international regimes?	Yes	Yes	No	–
Are the costs of disrupting policy networks high?	No	No	Yes	–
Are the economic costs of disrupting patterns of economic interdependence high?	(No) <sup>a</sup>	(No)	–	Yes

<sup>a</sup> Parentheses indicate an implied answer

with significant power capabilities, overall or within issue areas, will determine the nature of international regimes. For the international organization model, this is not the case; furthermore, in this model the costs of disrupting regimes and associated policy networks will be so high that regimes will tend to persist even when their patterns of outcomes are not in line with underlying power capabilities. The economic process model argues that the economic costs of disrupting interdependence will be great, and that under high economic sensitivity states will therefore be reluctant to disrupt international regimes.

We are now ready to consider our case studies. Before proceeding, however, we must state two caveats. First, the case studies are not representative of all of world politics. We chose them for theoretical reasons that will be explained in Parts II and III. Second, as we said at the beginning of Chapter 2, none of our models is expected to apply universally. We anticipate that the closer a situation is to complex interdependence, the more the issue structure and international organization models will apply, and the less accurate will be the overall structure model. When realist conditions pertain, the reverse is expected. The economic process model needs political specification before it can be an accurate guide.

If the overall power structure in world politics determined patterns of regime change, we would not need to have introduced such a complex set of models. World politics would be like a single great lake: often turbulent, but with a uniform level. Changes in the amount of water flowing into one part of the lake quickly have effects on the whole body of water. We assume, however, that world politics is highly differentiated rather than homogeneous. The appropriate image for our analysis is therefore not a single lake, but a river divided by sets of dikes, dams, and locks, which separate and connect various levels and "lakes." We have developed our models to attain a better understanding of the heights and strengths of the various types of dikes, dams, and locks in world politics, and to learn more about their architects, engineers, and lock-keepers, and the fees they charge.