Hanging Together

Cooperation and Conflict in the Seven-Power Summits

Robert D. Putnam
and Nicholas Bayne

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—Benjamin Franklin, on the signing of the Declaration of Independence, 4 July 1776.

Revised and Enlarged Edition

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Harvard University Press
Cambridge, Massachusetts

Printed in the United States of America
10 9 8 7 6 5 4 3 2

Written under the auspices of the Royal Institute of International Affairs, London, and the Center for International Affairs, Harvard University.

Chapters 1, 3, 4, 8, and 11 were drafted by Robert D. Putnam. Chapters 2, 5, 7, 9, and 10 were drafted by Nicholas Bayne. Chapter 6 was drafted jointly. Each author is responsible only for those chapters appearing under his own name.

Nicholas Bayne is a member of the British diplomatic service. His chapters of this volume are based on research conducted during a year's secondment to the Royal Institute of International Affairs. The opinions he expresses are entirely personal and should not be taken as reflecting official views.

Library of Congress Cataloging in Publication Data

Putnam, Robert D.
Hanging together.

Bibliography: p.
Includes index.
1. International economic relations — Congresses.
I. Bayne, Nicholas, 1937- . II. Title.
HF1410.5.P87 1987 337 87-23593
ISBN 0-674-37226-3

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Preface to the Revised Edition

'No Western country, not even the largest, can assure its prosperity by its own efforts alone'—in the three years since we thus introduced the first edition of this book, the accuracy of this observation has been amply reconfirmed. The countries of Western Europe and North America, together with Japan, need to collaborate if their own policies are to succeed. That is the relevance of Benjamin Franklin's cautionary advice that appears on the title page of this book. Yet co-operation among these countries encounters serious obstacles, rooted in national sovereignty and democratic politics. The history of the summit meetings held annually since 1975 between the leaders of the seven largest industrial democracies, joined by the European Community, illustrates both the prospects and the problems of managing an interdependent world.

Both in authorship and in content, this book aims to bridge the gap that often separates the world of scholarship and the world of affairs. The authors first met in 1982 through the good offices of Dr William Wallace of the Royal Institute of International Affairs in London. We soon discovered that we shared an addictive curiosity about Western summitry. By background and experience, we brought contrasting perspectives to bear on this topic. Nicholas Bayne is by nationality British, and by profession a diplomat, although he has had some prior experience in scholarly research. Robert D. Putnam is an American and an academic political scientist, although he has served briefly in government. Hoping that our differing points of view, one European and one American, one practical and one more theoretical, might provide a deeper, more rounded image of the summit process, rather like a stereoscopic picture, we decided to join forces.

In the course of our collaboration we have discovered, somewhat to our own surprise, remarkably few differences between us, either in interpretation or in assessment. Despite the vicissitudes of transatlantic co-authorship in the face of tight deadlines, we have worked together closely and harmoniously. To the extent that our purposes are distinct, they are also complementary. Putnam is particularly interested in the process of summitry and in how the history of summitry can be used to improve our understanding of contemporary international political economy. Bayne is more concerned with the substantive issues that have been addressed by the summits and with how the experience of past summits can be used to improve the practice of summitry in the future.

Truth, Karl Deutsch has said, lies at the confluence of independent streams of evidence. We have relied on several different sources in compiling this narrative. First, we have consulted most of the relevant published reports, as well as some unpublished material made available to us. Particularly important in this regard were the extensive press files from all seven summit countries that have been collected by the diligent and helpful librarians at the Royal Institute of International Affairs. The volume of press coverage has made it impossible for us to cite separately all the items used, and we have foregone citation with respect to events that were widely reported in the media.

We have also relied heavily on a wide range of personal interviews — nearly 400 over six years — with participants and close observers of summitry in Washington, Tokyo, Bonn, Paris, London, Rome, Ottawa, Brussels, New York, and Geneva. Included among these interviews were encounters with nearly a score of past and present heads of government and cabinet members; nearly three dozen 'personal representatives' who have conducted summit preparations; half a dozen central bankers; and scores of senior diplomats, domestic civil servants, political advisors, members of parliament, businessmen, journalists, trade unionists, and officials of international organizations. We are very grateful indeed to all those who so generously agreed to talk candidly with us about their experiences and perspectives. Our only regret is that the rules of the game preclude individual acknowledgment of their contributions.

Two important problems inherent in this methodology deserve mention. First is the question of anonymity. Given the sensitivity of many of the issues, events, and personalities that we were probing, we found it necessary to assure anonymity to all our interlocutors. We recognize that this derogation from the normal rigour of historiography imposes a special burden on us. We have tried to sift with special care what we have been told. Where it has been possible without violating confidences, we have indicated in general terms the source of our evidence ('a senior German aide', 'a leading Japanese politician', and so on). Often, however, we have had simply to assert, as fact, events or intentions for which we are unable to reveal our evidence.

The second methodological problem is that of reliability. Our dilemma is precisely that faced by Abraham Lowenthal in his study of the 1965 American intervention in the Dominican Republic.

> Collecting reliable data through interviews is admittedly a tricky art based on an uncertain process of triangulation guided by inference. Personal

> rivalries and reputations, political convenience, psychological vested interests, memory lapses, and discretion combine to color what one can learn from talking to those who help shape policy, and there are always others with whom one cannot talk at all.[1]

We would add that similar problems of uncertain reliability afflict the press accounts on which we have relied.

The multinational character of summitry is both an advantage and a disadvantage from this point of view. On the one hand, for many crucial events and issues we have been able to speak with participants from a number of different countries (as well as a number of different agencies within each country). We have also been able to cross-check accounts that appeared in press reports from different capitals. Triangulation and cross-confirmation have been thereby facilitated.

On the other hand, as we have wanted to discuss the national, as well as the international, face of summitry, we have had to delve into the intricacies of politics and bureaucracy in seven different countries, as well as a number of international organizations. We do not delude ourselves that we have become instant experts on each of these arenas, although we have tried to confirm all essential conclusions against a variety of sources. We have made special efforts to be comprehensive in our review of the evidence in those instances (such as our account of the 1978 German decision to reflate the economy) where our conclusions differ from standard interpretations.

Reliability remains a matter of degree, and in the text we have indicated degrees of confidence in our assertions. Whenever we are uncertain about the reliability of a source, we have used some qualifying phrase, such as 'reportedly' or 'apparently'. When different sources sustain equally plausible alternative interpretations, or when we go beyond the evidence to suggest hypothetical explanations, we have so indicated. In most cases, however, independent sources have led us in the same direction, and in that sense, we are reasonably confident in the reliability of our broad conclusions.

We have written this book with two different audiences in mind. The first comprises observers of, and participants in, contemporary international affairs. We have been gratified by the wide interest in previous editions, including those published in German, Japanese, and Italian.[2] One objective of this second edition is to update our account of Western summitry for this audience. This edition carries the story of Western economic diplomacy into the twilight of the Reagan years. It explores why the American Administration revised its basic international economic strategy after 1984, and how the Europeans and the Japanese reacted. The passage of time since our first edition has enabled us to see more clearly how the institution of summitry has evolved, its successes and — equally important and perhaps somewhat slighted in our first edition — its failures. Our current views on these important questions are expressed, above all, in Chapter 10.

Our second audience comprises students of international political economy. The history of Western summitry has important implications for theories of international co-operation, a field of scholarship that has been particularly active in recent years. However, some commentary on our first edition suggested that the theoretical implications of Western summitry might usefully be made more explicit. Therefore, Chapter 1 of this edition reviews five broad theories of international conflict and co-operation propounded by Axelrod, Haas, Keohane, Kindleberger, Krasner, Waltz, and others, and Chapter 11 concludes with an evaluation of these five approaches in the light of the experience of Western summitry. The central theoretical question is this: Why do nations sometimes successfully collaborate for mutual advantage, while at other times failing to do so?

Robert D. Putnam adds: For support for the research reported here, I am grateful to the Center for International Affairs, Harvard University; the Deutsche Gesellschaft für Auswärtige Politik; the Japan Foundation; the Brookings Institution; and the Social Science Research Council. John Higginbotham, Karl Kaiser, Jean-Francois Verstrynge, and William Wallace were superb hosts and counsellors in Ottawa, Bonn, Brussels, and London, respectively. Hisashi Owada first stimulated my scholarly interest in Japan's relations with the West, and then helped make it possible to pursue that interest. Antonio Armellini, Christopher Audland, Antonio Badini, Richard Cooper, Pierre Defraigne, Paolo Foresti, Guido Goldman, Sir Derek Mitchell, and Sir Michael Palliser were very helpful to me, both in assisting with arrangements for my field work and in enlightening me about summitry. My fundamental perspectives on problems of international political economy have been formed in lengthy discussions with Robert Axelrod, Richard Cooper, Robert O. Keohane, and my colleagues in Harvard's seminar on international political economy. Others who have offered helpful comments on draft chapters over the years include Georges de Menil, Randall Henning, Henry Nau, and Horst Schulmann. For research assistance and many other kindnesses, I am grateful to Jeannie Affelder, Nicola Ellis, Jean Engelmayer, John Goodman, Janet Helson, Lisa Lightman, Jonathan Putnam, Lara Putnam, Claudia Rader, David Thorne, and Masako Yasuda.

Nicholas Bayne adds: I would like to thank the Foreign and Commonwealth Office most sincerely for enabling me to spend a year at Chatham House conducting this research, to visit the countries concerned, and to publish the results in this form. I am deeply indebted to Chatham House for the warm welcome and the support I received during my stay; to David Watt (who has sadly since died), William Wallace, Geoffrey Goodwin, Robert Belgrave, and Pauline Wickham for their encouragement and for reading draft chapters; and to Jean Pell, Rosemary Harper, and Fiona Cheney for their impeccable typing. I also recall with gratitude all the help and hospitality given to me by my colleagues in Bonn, Brussels, Geneva, New York, Ottawa, Paris, and Washington.

We are both grateful to Sir Michael Palliser and I.M. Destler for their careful reading of the original manuscript, to Judith Ravenscroft and James Ryan, our forbearing copy-editors, to David Hill for his special encouragement of this second edition, and to our colleagues in the Workshop on Summitry and European Policy-making at the European Institute of Public Administration, Maastricht, the Netherlands, and particularly to the director of that workshop, Cesare Merlini. We are pleased to acknowledge the permission of the EIPA to use here material that appeared in Putnam's chapter, entitled 'The Western Economic Summits: A Political Interpretation', in *Economic Summits and Western Decision-Making*, Cesare Merlini (ed.) (London: Croom Helm, 1984).

Naturally, none of the individuals or institutions listed above is responsible for errors of fact or interpretation that remain. The opinions expressed in this book are entirely our own. They should not be taken as reflecting any official views.

Notes

1. Abraham F. Lowenthal, *The Dominican Intervention* (Cambridge, Massachusetts: Harvard University Press, 1972), pp. vi–vii.

2. *Weltwirtschaftsgipfel im Wandel* (Bonn: Europa Union Verlag, 1985), *The Seven-Power Summits* (Tokyo: TBS-Britannica, 1986), and *Sovrani ma interdipendenti: I vertici dei paesi piu'industrializzati* (Bologna: Il Mulino, 1987).

Contents

1
Introduction

For more than a decade the leaders of the seven major industrial countries — the United States, Japan, Germany, France, Britain, Italy and Canada — together with representatives of the European Community, have met annually to discuss international economic and political issues. Regular summitry of this sort is virtually unprecedented in modern diplomacy. Proponents see the Western summits as providing collective leadership that is vital in a turbulent world. On the other hand, critics dismiss summitry as, at best, irrelevant.

This book analyses the history of these seven-power summits. We aim to answer several broad, topical questions: Why has summitry emerged and persisted? How has the summit process evolved over time? What economic and political issues have been addressed? How has summitry fit into the wider framework, comprising both domestic affairs and international relations? What have been the consequences of summitry, its successes and failures? How might it be improved?

Beyond its topical importance, however, summitry also provides an unusual laboratory for investigating some basic questions about international relations. How to explain the incidence of co-operation and conflict is the central problem addressed by theories of international relations. The brief history of Western summitry contains striking examples both of conflict and of co-operation. We believe that our chronicle casts light on the various theories that have been offered to account for conflict and co-operation in the international political economy. Our first task, therefore, is to outline some of the more prominent approaches to this fundamental question.

Explaining international co-operation

Genuine co-operation among sovereign states is uncommon, but not unknown. This proposition is true, in particular, of relations among the major Western powers.

> International co-operation among the advanced industrialized countries since the end of World War II has probably been more extensive than international co-operation among major states during any period of comparable length in history ... Yet co-operation remains scarce relative to discord because the rapid growth of international economic interdependence since 1954, and the increasing involvement of governments in the

> operation of modern capitalist economies, have created more points of potential friction.[1]

In short, the degree of co-operation in international affairs is a variable, not a constant. What distinguishes episodes of international collaboration from circumstances (presumably more frequent) in which nations are unable to resolve their differences? In the military field this question is tantamount to explaining war and peace. The parallel puzzle in the international economic domain is less dramatic, but equally pervasive and important.

By international co-operation here we mean episodes in which the policies of one or more states are modified to reduce the costs (or increase the benefits) that those policies entail for the welfare of other states, so that national policies differ from those that would have been expected from purely unilateral or autarkic policy-making. International co-operation in this sense is a matter of more-or-less, not yes-or-no. Co-operation may vary in intensity, scope and duration.

Intensity: Governments may consult about their respective policies, seeking to persuade one another, but acting unilaterally: 'We intend to do X. Wouldn't doing Y be in your interest?' Or they may negotiate conditional package deals: 'If (but only if) you do Y, then we will do X.'

Scope: Governments may co-operate about narrow issues, like zipper imports, or about topics of the broadest economic and political import, like fiscal and monetary policy.

Duration: Governments may strike isolated deals — about a single sale of grain, for example — or they may agree on a set of rules intended to govern their relations in some domain indefinitely, such as the General Agreement on Tariffs and Trade (GATT).

When co-operative arrangements are institutionalized, as in the GATT, states often take routine decisions in compliance with those arrangements without actually reopening negotiations internationally or even weighing non-co-operative alternatives. Indeed, routinization of co-operation in carefully defined domains is the whole point of such agreements. Although this sort of routinized comity is of considerable importance among the Western powers, we are instead here concerned primarily with instances in which states deliberately choose among more co-operative and less co-operative courses of action.

Theorists of international relations have sought to isolate key factors that can explain why states might choose to co-operate in one set of circumstances and not others. As a prelude to our historical analysis of Western summitry, it will be helpful to outline five possible explanatory variables:

1. National interests
2. National power
3. International regimes
4. Ideas, learning and other cognitive factors
5. Domestic politics.

The most venerable theory of international relations, often called 'Realism', focuses on the rational strategies of states interacting under conditions of anarchy.[2] Realists observe that national sovereignty means that states must seek to maximize their own power and welfare opportunistically, without any supranational authority to enforce rules and agreements among them. This 'self-help' predicament is, of course, a constant, not a variable, in international relations, and it is a crucial part of the explanation for the obvious fact that international co-operation is relatively rare.

Realist theorists do not deny that states occasionally co-operate, but their primary aspiration is to explain broad patterns of international affairs, not specific policy decisions.[3] Nevertheless, Realism highlights two possible explanations for specific episodes of international conflict and co-operation: *interests* and *power*.

National interests and international co-operation

The single most important explanation for the varying incidence of conflict and co-operation in international affairs is the pattern of interests at stake. The central proposition here is that the likelihood of co-operative behaviour depends on the degree of compatibility among the goals of the states involved.

Students of international political economy often draw on 'game theory' to illuminate this proposition. At one extreme, in a game of pure conflict, all the gains of one player come at the expense of the opponent, a 'zero-sum conflict' in which the algebraic sum of gains and losses is zero. At the other extreme, in a game of pure co-ordination, the underlying interests of the players are identical, so that each wins if, and only if, the other does too. Chess players are engaged in a classic zero-sum game; unless, of course, we take into account the pure pleasure of playing, both cannot win. On the other hand, two travellers hoping to rendezvous in a distant city are engaged in a game of pure co-ordination; neither can succeed unless both do.[4] Between these extremes is a wide spectrum of 'mixedmotive' games in which the contending parties have both shared and conflicting interests.

Realist theorists often argue that all international conflicts are ultimately zero-sum, since in a system of sovereign states rational decision-makers focus only on relative gains.

> When faced with the possibility of co-operative endeavor by which mutual gains may be scored, each state must ask how those gains will be divided. They are compelled to ask not 'Will both of us gain', but 'Who will gain more?' . . . Even the prospect of large absolute gains for both parties does not elicit their co-operation so long as each fears how the other will use its increased capabilities.[5]

This gloomy view is most plausible when applied to military security, but it may also be applied to the international political economy. A world of mercantilist states, each aiming solely to maximize its trade surplus, is a zero-sum world, since the international sum of surpluses and deficits is precisely zero. On the other hand, to the extent that statesmen value absolute welfare gains, such as economic growth, the payoff structure of their international bargaining may be positive-sum.

When the interests of states are perfectly compatible, co-operative behaviour is highly likely. When the interests of states directly conflict, struggle and deadlock are almost certain to result. In less starkly defined contexts, the probability of co-operation depends on the mixture of compatible and incompatible goals of the various players. In fact, the connection between interests and outcomes is so close that one might be beguiled into thinking that we need look no further for explanations of conflict and co-operation. However, as we shall see, that conclusion is quite false.

In the first place, even shared interests do not produce co-operation automatically. One of the important insights from game-theoretic interpretations of international relations is that nations often face 'dilemmas of collective action' in which the absence of enforceable contracts makes it impossible for them to exploit common interests. In such situations every party would be better off if all co-operated, but each, individually, has an incentive to defect and become a 'free rider'. In the absence of mandatory co-ordination, each rationally expects others to defect, and thus each fears 'the sucker's payoff', that is, being exploited by the defections of others. In such circumstances, even a well-intentioned player will find it irrational to co-operate.[6]

One widely discussed example of this predicament is the so-called 'prisoner's dilemma': A pair of accomplices is held incommunicado, and each is told that if he confesses and implicates his partner, he will escape scot-free, but if he is silent, while his partner confesses, he will be severely punished. If both prisoners confess, both will receive moderately severe punishment, whereas if both remain silent, they will both be let off lightly. However, unable to co-ordinate their stories, each has a powerful incentive to defect, for *no matter what the other does* each is better off squealing. Thus, if they are rational, both will defect, and both will be worse off than if they could have enforced mutual co-operation on themselves. The inability to make credible binding commitments prevents mutually beneficial co-operation. Many issues in the international political economy seem to have the intractable character of a prisoner's dilemma.[7]

Recent theoretical work has shown that, strictly speaking, this bleak analysis of collective action applies only to 'one-time, one-issue' bargaining. When the same players deal repeatedly or over multiple issues, it becomes rational for them to worry about their respective reputations. Concern for their credibility can lower their incentive to renege on promises. Thus, 'the shadow of the future' and the opportunity costs associated with prospective deals in other games can help to enforce co-operative agreements, even among self-interested states under anarchy.[8] Nevertheless, the basic point remains: the likelihood of co-operation depends crucially on the pattern of underlying national interests, as defined by national leaders. For example, as market conditions evolve in the international political economy, national interests may change. Thus, in the case of Western summits, for instance, we might expect the co-operative impulses of key states on international monetary issues to wax and wane as their balance of payments positions vary, changing their interests at stake. In sum, focusing on the evolving patterns of national interest should provide our first important set of clues to understanding international co-operation.

National power and international co-operation

Realist theories explain state behaviour as a rational response to variations in the international power structure, including the number of significant actors and their respective national power positions. Generally speaking, co-operative solutions of international economic conflicts become more difficult to attain as the number of relevant states increases.[9]

The international distribution of power may assuage or exacerbate dilemmas of collective action. As we have seen, in large assemblages, without mandatory co-ordination, public goods (such as the benefits of international economic co-operation) will tend to be under-supplied, since no individual wants to bear the full cost of providing a good that others could enjoy free of charge.[10] One way out of this dilemma, as Hobbes explained, is for a single ruler to impose order in the interests of all. Translated into the lexicon of contemporary international relations, this approach is known as the theory of hegemonic stability.

It is hardly an accident, proponents of this thesis observe, that the two golden ages of the liberal international economic order, one in the late nineteenth century, the second in the mid-twentieth century, correspond to periods in which a single power dominated the world economy, Britain in the Victorian era, the United States after the Second World War. The time of economic troubles between these two ages, and particularly the Great Depression, is traced by these theorists precisely to the absence of any single power willing and able to provide this sort of stability. 'For the world economy to be stabilized, there has to be a stabilizer, *one* stabilizer.'[11]

Entrepreneurship of a sort is required for the creation of public goods, including international economic order.[12] A hegemonic power has an incentive to create and sustain international economic order, because it benefits from that order so substantially, perhaps even disproportionately. It has the capability to provide stability because its power and wealth enable it either to induce or to impose co-operative behaviour on the part of the lesser powers, overcoming their temptation to 'free-ride'. But this same power and wealth may tempt the hegemonic power to depart unilaterally from the co-operative behaviour it imposes on others. Some theorists stress the tendency for the hegemonic power to exploit its special position, while others emphasize the benefits of the stability it provides for the other participants in the system. But all supporters of this theory agree that co-operation is more difficult among many states of approximately equal power.

One widely discussed implication of this theory is that in periods of hegemonic decline international co-operation should become more difficult. In other words, when lesser powers are gaining in wealth and power and feel able to challenge the declining incumbent, the fading hegemonic power becomes ever less willing and able to bear the burdens of leadership alone.

Several important qualifications must be noted about this theory.

First, power may not be fungible. That is, a state that is powerful in one domain (say, monetary affairs) may not be able to translate that power into other domains (say, military affairs). Thus, the international distribution of power may vary both across time and across issue areas.

Second, co-operation may be eased, even in the absence of a hegemonic power, if a few large states take collective responsibility for leadership of the world economy. Game theorists have shown that small groups find it easier to solve public-goods problems than large ones. Indeed, some believe that collective leadership by a small group of states may be even more likely to foster international co-operation and stability than hegemony by a single power.[13]

Third, a hegemonic power may, for some reason, be unwilling to accept the burdens of international leadership. For example, one leading exponent of this theory attributes the economic instability of the interwar period to the fact that the United States, which had the potential to provide hegemonic leadership, failed to do so.[14] Of course, this qualification highlights the need to explain *why* a hegemonic state might choose not to play the role assigned by the theory.

Finally, the empirical evidence adduced so far to test this theory is mixed. For the moment, at least, the theory of hegemonic co-operation deserves the Scots verdict: 'Not proved.'[15]

Despite these qualifications, however, this theoretical perspective on international co-operation suggests that to understand variations in the incidence of co-operative behaviour in the context of Western summitry, for example, we should examine the underlying distribution of power in the relevant domain. According to this approach, co-operation should be more difficult in the absence of active leadership by a hegemonic power.

International regimes and international co-operation

Other theorists attribute the fact that states do sometimes manage to co-operate (despite conflicting interests) to the existence of *international regimes* that is, 'implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations'. There has been much recent discussion of why regimes emerge in some international arenas and not others, but that discussion is less relevant here, for we are concerned with what difference regimes make for the prospects for international co-operation. In short, we here address not the causes of regimes, but their putative consequences.[16]

As Stephen D. Krasner argues, 'the purpose of regimes is to facilitate agreements'.[17] Regimes are often embodied in formal international institutions, such as the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the European Community or the Multi-Fiber Arrangement (MFA) governing world trade in textiles.[18] However, as recent work has emphasized, such regimes should *not* necessarily