Power and Interdependence

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Second Edition

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For our parents,
with gratitude,
And our children,
with hope.

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Preface to First Edition

As students in the late 1950s and early 1960s, we were taught to look at international politics through "realist" glasses, which emphasized the ever-present possibility of war among sovereign states. As our earlier work indicates, we soon became uneasy about this one-sided view of reality, particularly about its inadequate analysis of economic integration and of the roles played by formal and informal international institutions. Our collaboration began in 1968 when, as new members of the board of editors of *International Organization*, we decided to edit a special issue of that journal to criticize traditional views of world politics and to demonstrate the relevance of international organization broadly conceived.[1]

We decided to write the present book, after *Transnational Relations and World Politics* was published in the summer of 1971, for two main reasons. Although in that volume we had pointed out significant problems with realist theory, particularly in the area of international political economy, we had not provided an alternative theory. We still needed to fit transnational relations into a larger framework of world politics if we were to complete the analytical task we had begun. From a policy standpoint, we thought that significant improvements in American policy on issues involving transnational relations and international organizations were unlikely unless the premises of policy were changed. We believed that many of the failures of American foreign policy in

[1] *International Organization* 25, no. 3 (Summer 1971); later published as *Transnational Relations and World Politics* (Cambridge, Mass.: Harvard University Press, 1972).

these areas had their roots in the limitations of realist assumptions. For both analytical and policy reasons, therefore, we sought to write a book that would put into a broader context the classic realist analysis that Hans Morgenthau's *Politics Among Nations*, among other works, had bequeathed to the current generation.[2]

Our analytical and policy concerns help to explain the orientation of this book. Our central policy concern had to do with American foreign policy, but the book's focus is completely different from that of most books and articles on this subject. Because we are concerned with the premises of policy, our major emphasis is on the changing nature of the international system and how to understand it. Only in the last chapter do we draw lessons for foreign policy. Our two country-oriented case studies, however, are focused on the United States. Yet throughout the book, our emphasis is on theory. The cases were selected for their potential significance for theory as much as for their intrinsic policy importance. Since the United States is the most important actor in the system, our focus on American actions can be justified on theoretical as well as policy grounds. In addition, each of our major cases is examined over at least a fifty-year period to help us understand underlying forces of stability and change. Our method is not simply historical; we have analyzed the cases according to a theoretical and comparative scheme that we elaborate in chapters 1–3. This approach bears some resemblance to what our teacher Stanley Hoffmann called "historical sociology" over a decade ago.[3] We try to quantify what we can, but we stress theory over method and understanding the premises of policy over charting a detailed course of action.

In this book we try to understand world politics by developing explanations at the level of the international system. This does not mean that we regard the domestic politics of foreign policy as unimportant. Quite the contrary. Foreign policy and domestic policy, as we repeatedly emphasize, are becoming increasingly difficult to disentangle. Nevertheless, the complex relations between foreign and domestic policy make it essential to know how much one can explain purely on the basis of information about the international system. In this sense, we try to discover what cannot be explained on the basis of international factors, as well as what can be so explained. Thus, although comparative foreign

[2] Some of our thoughts on the subject of this book have appeared in earlier articles, but they have been so greatly altered in form and content that only a few fragments remain in the present volume. For these we acknowledge permission from the University of Wisconsin Press to draw from the following articles: C. Fred Bergsten, R. Keohane, and J. Nye, "International Economics and International Politics: A Framework for Analysis," *International Organization* 29, no. 1 (Winter 1975); R. Keohane and J. Nye, "Introduction: The Complex Politics of Canadian-American Interdependence," *International Organization* 28, no. 2 (Autumn 1974); J. Nye, "Transnational Relations and Interstate Conflicts: An Empirical Analysis," *International Organization* 28, no. 4 (Autumn 1974).

[3] Stanley Hoffmann, ed., *Contemporary Theory in International Relations* (Englewood Cliffs, N.J.: Prentice-Hall, 1960).

policy is not the subject of this book, we hope that students of comparative foreign policy will find our analysis useful—if only as a starting point for their attempts to explain patterns of national action.

We do not claim that our explanations of change and stability in world politics are the only ones that could be developed for this purpose, even at the international level. We have not, for example, included a Marxist formulation. Many Marxists adopt what we call an overall structure approach, although unlike realists, they accept a class theory of the foreign policy process. Some Marxists, however, focus on direct relations among capitalists: in these formulations, multinational corporations are important in their own right as political actors.[4] Yet, as far as we could determine, there is not a generally accepted and clearly articulated Marxist theory of international regime change. We are neither sympathetic enough with the Marxist perspective, nor learned enough in its subtleties, to develop a Marxist model of our own. It is to be hoped that Marxists will develop models of international regime change to compete with or complement our own.

Friends have often asked us how we have managed to collaborate so intensively over such a long period of time. The short answer is by swallowing our pride while we tore apart each other's chapters. Although collaboration invokes occasional frustration, it produces the keen intellectual pleasure of rapid response and exploration of ideas. By and large, we have enjoyed the process. The theoretical chapters have gone through so many drafts that it is virtually impossible to identify the source of particular ideas. Keohane took primary responsibility for the case studies on money and Australia; Nye, for oceans and Canada. Even here, however, the initial division of labor does not accurately reflect the equality of our contributions to the final version.

Our transcontinental collaboration would not have been possible without the support of a Ford Foundation grant. In addition, over the last five years, financial help was provided to Nye by the Rockefeller Foundation and to Keohane by the University Consortium for World Order Studies, the Johnson

[4] This statement certainly applies to much of the literature on "international dependency," which focuses on relations between developed and underdeveloped countries (but which is by no means exclusively Marxist in character). Apart from this dependency literature, explorations of this theme from a Marxist point of view can be found in Stephen Hymer, "The Internationalization of Capital," *Journal of Economic Issues* (March 1972); and Ernest Mandel, *Europe vs. American Contradictions of Imperialism* (New York: Monthly Review Press, 1970), especially chapters 1–6, pp. 7–67. In the literature on dependency, the following are notable: Stephen Hymer, "The Multinational Corporation and the Law of Uneven Development," in Jagdish Bhagwati (ed.) *Economics and World Order from the 1970s to the 1990s* (New York: The Free Press, 1972), pp. 113–140; Johan Galtung, "A Structural Theory of Imperialism," *Journal of Peace Research* (1972): 81–117; Osvaldo Sunkel, "Transnational Capitalism and National Disintegration in Latin America," *Social and Economic Studies* (University of West Indies) 22, no. 1 (March 1973): 132–176; and Robert R. Kaufman et al., "A Preliminary Test of the Theory of Dependency," *Comparative Politics* (April 1975).

Foundation, and the Stanford University Center for Research in International Studies. Nye is also grateful to Carleton University in Ottawa and to the Royal Institute of International Affairs in London and its staff. We are both grateful to the Harvard Center for International Affairs and its two directors, Robert R. Bowie and Raymond Vernon, tireless and enormously supportive critics, without whose help it is hard to imagine this book. It is also hard to imagine this book without the comments we received from so many critics and friends (the two categories are not mutually exclusive!). We particularly wish to thank Graham Allison, Jonathan Aronson, Robert Art, Francis Bator, Dan Caldwell, Stephen Cohen, Jorge Dominguez, Linda Cahn, Dan Fine, Alexander George, Robert Gilpin, Crauford Goodwin, Ernst Haas, Roger Hansen, Jeff Hart, Barbara Haskell, Fred Hirsch, Stanley Hoffmann, Cavan Hogue, Ann Hollick, Ray Hopkins, Peter Jacobsohn, Robert Jervis, John Q. Johnson, Peter Katzenstein, James Keeley, Janet Kelly, Peter Kenen, Nannerl Keohane, Charles Kindleberger, Stephen Krasner, James Kurth, David Laitin, Peter Lange, Charles Lipson, Peyton Lyon, Rachel McCulloch, Michael Mandelbaum, Edward Miles, Theodore Moran, John Odell, Van Doorn Ooms, Rob Paarlberg, Wynne Plumptre, Richard Rosecrance, John Ruggie, Robert Russell, Philippe Schmitter, Ian Smart, Louis Sohn, Susan Strange, Harrison Wagner, and Dan Yergin. Ava Feiner, Robert Pastor, Debra Miller, Alison Young, Kenneth Oye, and Constance Smith greatly helped our research on the case studies. Numerous officials of the American, Australian, and Canadian governments gave generously of their time in interviews. Emily Hallin supervised the reproduction and transmission of innumerable drafts at the Stanford end of this transcontinental relationship. Beverly Davenport, Amy Gazin, and Amy Contrada ably managed the typing of the manuscript and administrative chores at Harvard. The contributions of Nannerl Keohane and Molly Nye would require another book, not a mere preface, to recount.

No author is an island. We gladly toll our bell of thanks.

Preface to Second Edition

Theorists of international relations suffer from being too close to the events they discuss. When we wrote *Power and Interdependence* in the mid-1970s, dramatic changes were taking place in world politics. By the beginning of the decade the Vietnam War had become highly unpopular in the United States, and detente seemed to have reduced the importance of the U.S.–Soviet nuclear competition. At the same time, international trade was growing more rapidly than world product; transnational corporations were playing dramatic political roles; and from 1971 on the international monetary system was in flux. Meanwhile, the relative economic predominance of the United States was declining as the European and Japanese economies grew at more rapid rates. President Nixon and Secretary of State Kissinger spoke of the development of a five-power world, and futurologists such as Herman Kahn predicted the imminent arrival of a multipolar international system.[1]

On top of this came the oil crisis of 1973, in which some very weak states extracted enormous resources from the strong. Hans Morgenthau wrote of what he called an unprecedented divorce between military and economic power based on the control of raw materials.[2] The vulnerability of Western societies at a period of high commodity prices encouraged many less developed countries to believe that a greater transformation of power had occurred than

[1] Herman Kahn and B. Bruce-Briggs, *Things to Come* (New York: Macmillan, 1972).

[2] Hans J. Morgenthau, "The New Diplomacy of Movement," *Encounter* (August 1974): 56.

was actually the case. Many theorists reflected on these concerns. A representative view among the modernist writers of the 1970s was that:

> The forces now ascendant appear to be leaning toward a global society without a dominant structure of cooperation and conflict—a *polyarchy* in which nation-states, subnational groups, and transnational special interests and communities would all be vying for the support and loyalty of individuals, and conflicts would have to be resolved primarily on the basis of ad hoc bargaining in a shifting context of power relationships.[3]

By the late 1970s the mood began to change, both in the United States and in the United Nations. The United States Government became more concerned about Soviet policy, and less sensitive to the policies and complaints of governments of less developed countries. The experience of the Carter administration illustrates this point. While campaigning in 1976, Jimmy Carter promised to reduce the defense budget, but by 1980 he was closer to Ronald Reagan's position than to his own previous view. Reagan's election accentuated these trends. American policy focused on East-West confrontation and scaled down North-South issues and the role of multilateral institutions. The defense budget increased in real terms for five straight years, and the United States was more willing to use military force (albeit against extremely weak states such as Grenada and Libya). Arms control was downgraded and the modernization of nuclear forces was intended to restore an "edge" for additional utility of military force. This shifting agenda was accompanied by a resurgence of realist analysis, for history seemed to have vindicated the realist model.

Just as some analysts in the 1970s overstated the obsolecence of the nation state, the decline of force, and the irrelevance of security concerns, others in the early 1980s unduly neglected the role of transnational actors and economic interdependence. Contrary to the tone of much political rhetoric and some political analysis, however, the 1980s did not represent a return to the world of the 1950s. Just as the decline of American power was exaggerated in the 1970s, so was the restoration of American power exaggerated in the 1980s. Looking carefully at military and economic indices of power resources, one notes that there was far more change in psychology and mood than in true indicators of power resources. The diffusion of power continued as measured by shares in world trade or world product. Economic interdependence as measured by vulnerability to supply shocks eased in a period of slack commodity markets (but it could change if markets tighten again and growth of economic transactions continues). Sensitivity to exchange-rate fluctuations remained high. The costs of the great powers' use of force remained higher than in the 1950s. Moreover, despite rhetoric, the relations between the superpowers did not show a return to the Cold War period. Not only were alliances looser, but

[3] Seyom Brown, *New Forces in World Politics* (Washington: Brookings Institution, 1974), p. 186.

transactions were higher and the relations between the superpowers reflected a fair degree of learning in the nuclear area.[4] In our view, therefore, the analysis that we put forward in *Power and Interdependence* has not been rendered irrelevant by events. The real questions are not about obsolescence, but about analytical cogency.

In a sense, the 1970s and 1980s were merely the latest instance of a recurring dialectic between the two main strands in what has been called the "classical tradition" of international-relations theory. Realism has been the dominant strand.[5] The second strand is the "liberal" or "Grotian tradition," which tends to stress the impact of domestic and international society, interdependence, and international institutions. In their simplest forms, liberal theories have been easily discredited. The proposition that gains from commercial transactions would overcome the problems inherent in the security dilemma and make war too expensive was belied in 1914. Hopes that a system of international law and organization could provide collective security to replace the need for self-help inherent in the security dilemma were disappointed by 1939. Nonetheless, the sharp opposition between realist and liberal theories is overstated. In fact, the two approaches can be complementary. Sophisticated versions of liberal theory address the way interactions among states and the development of international norms can interact with the domestic politics of the states in an international system to transform how those states define their interests. Transnational as well as interstate interactions and norms lead to new definitions of interests as well as new coalition possibilities for different interests within states.

Power and Interdependence sought to explain the patterns of change that we observed during the early to mid-1970s by integrating aspects of the realist and liberal traditions. Thus our core argument in Chapter 1, that asymmetrical interdependence can be a source of power, links the liberal stress on interdependence with the realist focus on power. Yet as we noted in our Preface to the first edition, we were taught as students to see the world through "realist" glasses, and our book reflected our struggle to see a more complex vision. Thus, realism bore the brunt of our critique, and our quarrels with aspects of liberalism were subdued. As a result of our rhetorical barbs at realism, our approach is sometimes labeled simply as "liberal." Yet this characterization of *Power and Interdependence* is highly misleading, since we stressed the importance of governments' wielding of power in pursuit of their conceptions of self-interest, and we declared in Chapter 1 that "military power dominates

[4] Joseph S. Nye, Jr., "Nuclear Learning and U.S.–Soviet Security Regimes," *International Organization* (Summer 1987).

[5] K. J. Holsti, *The Dividing Discipline: Hegemony and Diversity in International Theory* (Boston: Allen & Unwin, 1985).

economic power in the sense that economic means alone are likely to be ineffective against the serious use of military force" (p. 16).

We have quite a bit to say, after more than a decade, both about how commentators construed or misconstrued our work, and about our own shifts in perspective. We could have changed the text of our book, but this would not have enabled us to respond to our critics, and it would have concealed our own amendments, shifts in point of view, and second thoughts. We could have written a long Preface—indeed, we drafted one—but our astute editor pointed out that this would encumber the reader unacquainted with our book with commentary before he or she had read the original text. In this edition we have therefore left the original text as it was written and have added only a brief new Preface. We have, however, added an Afterword, which provides a fuller discussion of how we see our work, as contrasted with the perspective of commentators.[6]

In Chapter 8 of *Power and Interdependence* we drew some implications from our analysis for policy. In our view, many of our judgments remain valid—for instance, we argued that reducing the United States' vulnerability to external shocks could be part of a strategy of policy coordination and international leadership. Building an American oil stockpile and taking the lead in the International Energy Agency have indeed been the two key components of the successful international energy policy which has helped to transform international energy politics since the 1970s. Furthermore, they have been, as we suggested, complementary, rather than alternative, policies. We also argued for effective international policy coordination on ecological issues—as lovers of wild lands we could not ignore this dimension of global politics—but suggested that cooperation on such issues would be difficult. In general, we called for "international surveillance and collective leadership" (p. 232), which we still believe to be crucial if urgent world problems are to be addressed.

These prescriptions, however valid, were mostly quite general. In 1985 we sought to make more specific recommendations, using not only the analysis of *Power and Interdependence* but also that of subsequent work on international regimes. The article that we produced, "Two Cheers for Multilateralism," is reprinted from *Foreign Policy* at the end of this volume, following the Afterword.

In the eleven years since we completed *Power and Interdependence,* our professional paths have diverged and then converged again. Robert O. Keohane has concentrated on interpreting patterns of international cooperation and discord in light of social science theory; Joseph S. Nye has served in government and published works on nuclear deterrence, ethics and international

[6] Most of the Afterword appeared as an article entitled "*Power and Interdependence* Revisited," published in *International Organization* 42, no. 4 (Autumn 1987): 725–753.

relations, and U.S.–Soviet relations. Since 1985 we have been colleagues at Harvard University, giving us the opportunity to discuss analytical and policy issues intensively again, both in seminars and in personal conversations. We have gained enormously from our intellectual companionship and deeply satisfying personal friendship, which now extend over twenty years. If our readers also benefit, we will be doubly pleased.

Contents