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Economics and Security in Statecraft and Scholarship

Michael Mastanduno

In his classic essay on the works of Adam Smith, Alexander Hamilton, and Friedrich List, published in 1943, Edward Mead Earle asserted that the relationship between economics and security “is one of the most critical and absorbing problems of statesmanship.”¹ Albert Hirschman echoed this sentiment in his pioneering study of economic statecraft, first published in 1945. He argued that in addition to Machiavelli’s classic chapters, a textbook for the modern prince should contain “extensive new sections on the most efficient use of quotas, exchange controls, capital investment, and other instruments of economic warfare.”² The suggestion of Hirschman and Earle that economics and security should be understood in an integrated fashion was also taken up by other prominent scholars writing during the 1930s and 1940s, including Jacob Viner, Frederick Dunn, E. H. Carr, and Eugene Staley.³

The successor generation of professional students of international relations (IR), however, was slow to heed this advice. Writing several decades after World War II, Klaus Knorr and Frank Trager found that the relationship between economic and national security issues had been a “neglected area of study” in IR scholarship.⁴ An informal review of the first twenty-five years of *International Organization* confirms this finding: a remarkably small number of articles addressed, as a central theme, the link between security and economic issues in international affairs.⁵ The editors of *International Studies Quarterly*, introducing a special issue in 1983 on the economic foundations of war, observed that even in the extensive new literature on interna-

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1. Earle 1943, 117.

2. Hirschman [1945] 1980, xv.

3. See Viner 1948; Dunn 1949, 86–87; Carr 1939; and Staley 1935.

4. Knorr and Trager 1977, v.

5. Exceptions include Knorr 1948; Gordon 1956; Diebold 1960; and Rubenstein 1964.

tional political economy (IPE) that emerged in the 1970s, “the relationship between economic factors and the causes and occurrence of international conflict has seldom been considered or developed.”⁶

The study of international relations and foreign policy as a social science discipline matured and flourished in the United States in the decades following World War II. In that context, the neglect of what an earlier generation of scholars considered one of the most critical and absorbing problems of statecraft is all the more striking.

Statecraft refers to the use of policy instruments to satisfy the core objectives of nation-states in the international system. As David Baldwin has emphasized, statecraft is most usefully thought of in broad and multidimensional terms. It involves the application and interplay of multiple instruments—military, economic, diplomatic, and informational—to achieve the multiple objectives of states, including national security, economic prosperity, and political prestige and influence.⁷ During the 1950s and 1960s, however, students of IR came to conceive of statecraft fairly narrowly, primarily as a problem involving the relationship between military instruments and military objectives.⁸ Economic statecraft and the link between economic and security issues were largely ignored.

By the 1970s and 1980s, specialists in IR became far more concerned with economic issues, and the study of IPE moved to the forefront of the discipline. However, the study of economic statecraft, and economic issues more generally, tended to be conducted separately from the study of military statecraft, and national security issues more generally. Rather than integrating these two concerns in the overall study of international politics, security studies and IPE progressed as separate scholarly activities.

A similar pattern eventually came to characterize the actual practice of statecraft in the United States. In the early years of the Cold War, U.S. officials consciously integrated economic and security concerns in U.S. foreign policy. Economic instruments and relationships were critical to launching the grand strategy of containing the expansion of Soviet power. But by the 1970s and 1980s, the economic and security components of U.S. foreign policy drifted apart. By the end of the 1980s, the economic and security agencies of the U.S. executive were in open conflict over which set of objectives should take priority in U.S. foreign policy.

The disjunction of security and economic policy in U.S. statecraft continued during the early years of the 1990s. By 1995, however, the Clinton administration moved to reintegrate the two concerns. In relations with other major powers, administration officials began to direct foreign economic policy to complement and reinforce their preferred national security strategies.

The division in IR scholarship between security studies and IPE persists after the end of the Cold War. But change in the direction of reintegration is observable in the academy as well. There is now a greater interest among IR scholars in issues and

6. Duvall et al. 1983, 379.

7. D. Baldwin 1985.

8. See Rosecrance and Stein 1993; and Baldwin 1995.

problems that lie at the intersection of economics and security, and research is being revitalized on the link between international trade and peace, between security relations and international economic cooperation, and between economics and security in the grand strategies of powerful states. The line dividing IPE and security studies is becoming less prominent and more permeable.

This article addresses the evolution of the relationship between economics and security in U.S. statecraft and scholarship over the past fifty years. My narrative moves back and forth, analyzing developments in the policy world and in the academy. I seek to explain how and why U.S. government officials have approached the relationship between economics and security in their conduct of foreign policy and to understand how IR scholars have treated the relationship in their writings. In my analysis of the integration of economics and security in U.S. statecraft, I emphasize the extent to which economic policies are subordinated to and supportive of security concerns. I place less emphasis on the extent to which security policies have been used to promote U.S. economic objectives.

I argue that three factors are critical in helping us to understand variations in the extent to which economic and security concerns are integrated in both statecraft and scholarship. One key variable is international structure. Different international structures provide different incentives for integration or separation. Multipolar world politics creates incentives for integration—great powers tend to be economically interdependent, they rely heavily on allies for their security, and the risk that allies will defect is relatively significant. Economics is a critical instrument of statecraft in this setting. Bipolar world politics encourages the separation of economics and security. Bipolar great powers tend to be economically independent, they rely less on allies, and the risk that allies will defect from more fixed, as opposed to more fluid, alliance structures is relatively low.⁹

The analysis of unipolar structures is not well established in IR theory. I develop the argument later, however, that unipolarity motivates the dominant state to integrate economic and security policies. A unipolar structure tempts the dominant state to try to preserve its privileged position; that effort, in turn, requires its international economic strategy to line up behind and reinforce its national security strategy in relations with potential challengers.

The structure of the international system provides incentives to separate or integrate economics and security, but by itself it does not determine behavior. Policymakers and scholars respond to the opportunities and constraints of the international structure, but not always immediately or in precisely the same way. In the narrative that follows, I emphasize two additional variables that help to account for the patterns observed and for how quickly or readily U.S. policymakers in particular responded to the incentives of the international security structure.

First, specific features of the strategic environment faced by policymakers can accentuate or weaken the incentives to integrate economics and security. The more pressing or immediate the challenges to their preferred national security strategy, the

9. The logic of these arguments is developed in Waltz 1979; and Gowa 1994.

more strongly U.S. policymakers have felt the need to integrate their instruments of statecraft.¹⁰ The less threatening the strategic context, or, to put it differently, the more benign the international environment, the easier it has been for U.S. officials to pursue economic and security interests along separate tracks. During the early Cold War period, for example, the threat to the viability of the nascent U.S. containment strategy was profound, and economic statecraft was pressed into service to bolster U.S. security objectives. By the late 1960s, European and Asian alliance systems were firmly in place, and the stability of the bipolar world seemed assured, leaving U.S. officials freer to respond to structural incentives and pursue economic and security goals without necessarily integrating the two in statecraft.

The second factor concerns the position of the United States in international economic competition. The more the United States has dominated that competition, the easier it has been for policymakers to employ foreign economic policy as a complement to national security policy. The more the United States has found itself challenged by international competitors, the greater the domestic pressure has been on policymakers to use foreign policy in pursuit of particularistic or national economic interests. The United States began the postwar era in a position of overwhelming economic preponderance but experienced relative decline as other countries recovered.¹¹ The decline that actually took place during the 1950s and 1960s was perceived most clearly in the United States during the 1970s and 1980s, and that perception mobilized economic nationalists and encouraged the separate pursuit of economic and security objectives in U.S. statecraft. In contrast, the belief by the middle of the 1990s that the United States once again enjoyed a position of international economic superiority made it easier for U.S. officials to respond to the United States' unipolar security position and reintegrate economics and security in statecraft.

Two points that pertain to the overall argument are worthy of emphasis. One is that my conception of the international environment incorporates both material and non-material factors. U.S. statecraft responds not only to the distribution of material capabilities emphasized by structural realists but also to considerations in the realm of ideas such as identification of threats, strategic uncertainty, and the perception of relative economic decline or renewal.¹² My analysis highlights the need to move beyond the purely material understanding of state strategy normally found in neorealism in any effort to develop effective explanations of state behavior.

The second point concerns the sociology of knowledge. Although it is fairly common, though not uncontroversial, to contend that the international system shapes the foreign policies of particular states, it is far less common to claim that the nature of

10. Skalmes highlights how the "strategic need" of policymakers in different circumstances helps to account for whether economic policies are used to reinforce the security strategies of great powers. Skalmes forthcoming.

11. The U.S. share of world economic output was 45 percent in the late 1940s. It dropped to 25 percent by the late 1960s and stayed roughly the same through the late 1980s. See Friedberg 1989; Kennedy 1987; and Nye 1990.

12. Analyses of foreign policy that emphasize these ideational factors include Johnson 1994; Friedberg 1988; and Walt 1987.

the international system has a strong impact on the way that IR scholars conduct their business. This article makes the latter claim. I try to show that scholarship responds to the particular features of the international environment, and that the resulting patterns become institutionalized in academic life. Security studies arose and became institutionalized in U.S. universities during the Cold War environment of the 1950s and 1960s, and in a similar way the division between security studies and IPE emerged and became entrenched in the context of U.S. economic decline during the 1970s and 1980s. Whether and when the systemic incentives currently inviting IR scholars to reintegrate economics and security will lead to the complete collapse of the established division of labor in IR scholarship remains to be seen.

The rest of this article unfolds in three sections, with each corresponding to a particular phase in the postwar era. The first section considers the early Cold War period, roughly 1947–68. The second takes up 1968–89, the later phase of the Cold War; and the third examines the post–Cold War years of 1989 to the present. For each phase, I explore connections among the international security environment, the international economic environment, and the links between economics and security in conceptions of statecraft held by scholars and in the practice of statecraft by U.S. policymakers. A concluding section summarizes the argument and implications.

Early Cold War Era

The difference in the international environments to which IR scholars and policymakers were responding in the decades before and after World War II is striking. Prior to the war the international system was multipolar. Diplomatic interactions among great powers were sustained and complex. Alliance commitments were relatively flexible, in part because statesmen believed that rigid alignments helped to precipitate the outbreak of World War I. The great powers were economically interdependent with important commercial and financial links to each other. Their mutual vulnerability was highlighted during the early 1930s as sharp contractions in global trade and finance damaged the economies of core as well as peripheral states.¹³ War was a routine instrument of diplomacy, and the leading states engaged in conventional wars even though they sometimes escalated into protracted, exhausting struggles.

In this setting, with no clearly dominant power and with security alignments uncertain, great powers resorted to whatever means they could muster to press their advantage. The use of economic instruments to promote security goals was a matter of routine as the leading states sought to exploit asymmetries in their economic and strategic relationships with each other and with lesser powers. Germany's manipulation of trade expansion during the 1930s to extract resources from weaker East European states and inculcate their political dependence constitutes a classic example.¹⁴ Britain used trade discrimination in an effort to coax the United States away from

13. Kindleberger 1973.

14. For treatment of this episode in detail, see Kaiser 1980; and Hirschman [1945] 1980.

neutrality and to assure strong relations with Commonwealth states who would be a source of income, critical raw materials, and food supplies in the event of war.¹⁵

In Asia during the 1930s, the United States and Britain used purchases of silver and other techniques of monetary manipulation to protect the Chinese currency and thereby forestall Japan's attempt to conquer China. Japan, for its part, sought to undermine the Chinese currency to encourage the fracture of China into autonomous regions that could be subdued more easily.¹⁶ The United States turned the economic weapon against Japan later in the decade, resorting to economic sanctions to exploit Japanese dependence on imported raw materials in order to weaken Japan's war-making capacity and influence its political behavior in southeast Asia.¹⁷

A strong economic base was critical to military power and political influence. In peacetime, great powers sought to translate their national wealth into power in order to enhance their security and advance their relative position. In times of war, the size and quality of the national economy was an important determinant of the ability of a state to sustain its military effort. During World War II, the major combatants devoted up to 50 percent of their gross national product to the war effort.¹⁸ In the "total" wars of the twentieth century, the economies of belligerent powers became attractive targets for embargoes and blockades, and economic warfare emerged as an important instrument of statecraft.¹⁹

In an environment in which economic power and relationships were central to political interaction among multiple great powers, it is not surprising that many scholars struggling to make sense of international relations during the 1930s and 1940s viewed close linkages between economics and security as necessary and normal. Hirschman, reflecting on the interwar experience, noted that "practice preceded theory" in that the extensive use of international economic relations as instruments of national power was a key feature that required the sustained attention of scholars.²⁰ His own contribution, a theoretical framework for understanding how states use asymmetrical interdependence, became a foundation for later scholarship on international economic sanctions. Other prominent economists, including J. B. Condliffe and John Maynard Keynes, sought to model the connections among economic interdependence, economic nationalism, and international political tensions in an effort to promote peace.²¹ Similarly, and reflecting the sentiment of the League of Nations Covenant, students of international law and organization explored the potential for international economic sanctions to serve as a substitute for war.²²

In the classic work he subtitled "An Introduction to the Study of International Relations," E. H. Carr pointed out that the nineteenth century "illusion of a separation between politics and economics has ceased to correspond to any aspect of cur-

15. Skalmes forthcoming, chap. 5.

16. Kirshner 1995, 51–62.

17. See Feis 1950, 227–50; and D. Baldwin 1985, 165–74.

18. Knorr 1975, 84.

19. See Medlicott 1952, 1959; and Milward 1977.

20. Hirschman [1945] 1980, xv.

21. See Condliffe 1938; and Keynes 1920. Excellent reviews are de Marchi 1991; and Barber 1991.

22. Mitrany 1925.

rent reality,” and went on to assert that “power is indivisible” and that “the military and economic weapons are merely different instruments of power.”²³ Earlier, Eugene Staley made a similar point, warning against the “fallacy” that economic issues could be usefully studied in isolation from political and military ones.²⁴ Herbert Feis argued that investment and finance were instruments of security policy for the major powers prior to World War I: “The struggle for power among nations left no economic action free.”²⁵ Jacob Viner, in the inaugural issue of *World Politics*, saw fit to refresh readers’ understanding of a long-standing intellectual tradition, mercantilism, that viewed economics and security as fully integrated and complementary aspects of statecraft.²⁶ Edward Mason argued that economic considerations were always critical to the attainment of a state’s primary security objectives: the maintenance of peace and the maximization of military effort against enemies.²⁷ R. G. Hawtrey explored the economic aspects of sovereignty and war, and Wilhelm Röpke argued that the proper functioning of the world economy depended on political institutions and unwritten codes of behavior.²⁸

By the 1950s, of course, the international environment and relations among great powers had changed dramatically, and a new international system consolidated itself. The dominant powers in this system were “super” powers; they were not traditional great powers and did not have traditional great power relationships. Instead of being economically interdependent, the United States and Soviet Union were large, relatively self-sufficient, and economically independent of each other. There were important changes in warfare as well: the two superpowers were nuclear powers that did not engage each other directly, much less fight long conventional wars, for fear of escalating to unacceptably destructive nuclear exchanges. Alliances became fixed rather than flexible, with each superpower leading its own bloc.

The position of the United States differed across the international security and international economic environments. In the former, the United States was one of two superpowers, competing with the Soviet Union politically, militarily, and ideologically. In the latter, the United States was the undisputed hegemonic power, and the Soviet Union was not even a player. This bifurcation in the United States’ position in the international distribution of power proved important in shaping the study and practice of U.S. statecraft in the early Cold War period and beyond.

U.S. Statecraft

Commentators often point out that U.S. statecraft became more militarized after World War II, with increasing reliance on the covert and overt use of force.²⁹ While

23. Carr 1939, 117–20.

24. Staley 1935, x–xi.

25. Feis 1930, 192.

26. Viner 1948.

27. Mason 1949. See also Condliffe 1944.

28. See Röpke 1942; and Hawtrey 1930.

29. See Ullman 1983; and Nathan and Oliver 1987.

this is certainly true, U.S. officials were also extraordinarily active in international economic policy. The United States took the lead in creating the institutions of the Bretton Woods system—the International Monetary Fund, the General Agreement on Tariffs and Trade, and the International Bank for Reconstruction and Development. U.S. officials reorganized international trade and monetary systems and undertook the Marshall Plan in Europe, economic reconstruction programs in Japan and South Korea, and economic assistance programs in various parts of the world.

The key point is that these international economic initiatives were integrated with and subordinated to U.S. security objectives. As Melvin Leffler demonstrates in his exhaustive study, U.S. officials “gave primacy to geopolitical configurations of power” yet also understood that economic strength and stability were key factors in defending the United States’ geopolitical position and core values.³⁰ Robert Pollard’s recent account of early postwar policy reached a similar conclusion: U.S. officials used “economic power to achieve strategic aims.”³¹ The Marshall Plan was prompted by proximate and enduring security concerns, including the risk of internal communist subversion or external Soviet aggression against the fragile economic and political systems of Western Europe, and the need to solve the long-standing Franco–German problem by binding West Germany and France into a more integrated European and Atlantic community.

U.S. officials tolerated economic discrimination in an effort to cement security alliances in Western Europe and Northeast Asia.³² The United States encouraged, indeed demanded, the integration of the West European economies and the formation of a European customs union, even though the latter discriminated against U.S. exports through a common external tariff. The asymmetries were even more profound in U.S. relations with Japan. In Europe, the ability of U.S. firms to establish wholly-owned subsidiaries helped to compensate for Europe’s higher trade barriers. In the case of Japan, in addition to tolerating high tariff and nontariff barriers, U.S. officials accommodated the desire of the Japanese government to minimize U.S. foreign direct investment and thereby granted a significant edge to Japan in the “rivalry beyond trade.”³³ At the same time, the U.S. government prodded U.S. firms to transfer technology that would enhance the productivity of their Japanese counterparts.³⁴

Economic relations with the Soviet Union and its allies also were explicitly governed by political and security concerns. Immediately after the war, U.S. officials sought to employ positive economic sanctions—the promise of postwar reconstruction loans—to integrate the Soviet Union into a postwar order on terms advantageous to the United States. That effort failed by 1947, and U.S. officials promptly turned to a comprehensive trade and financial embargo to reinforce the emerging, confrontational strategy of containment. U.S. officials proved insensitive to the economic costs of their statecraft; they maintained the comprehensive embargo even as other West-

30. Leffler 1992, 2–3.

31. Pollard 1985, 244.

32. See Gilpin 1975; and Krasner 1982.

33. Encarnation 1992.

34. Mastanduno 1991.

ern states distanced themselves from U.S. policy and opened trade with communist countries.³⁵

The dominant role of security concerns and the integration of security and economics were evident institutionally. The National Security Act of 1947 expanded the security establishment by creating the National Security Council, the Defense Department, and the CIA to complement the State Department. Defense and the CIA soon came to dwarf State in terms of size and institutional resources. Trade policy, consolidating a process that began in 1934, moved out of the hands of Congress and came to be controlled by the State Department with an emphasis on the United States' broad diplomatic interests as opposed to more particularistic economic interests. Societal pressures for protection certainly existed, but with few exceptions were channeled away from the political arena and into a system of administrative remedies that offered, at least until the 1970s, little meaningful relief.³⁶ The embargo of communist states was run by the Commerce Department, but with such zeal for trade denial that conflicts with the security bureaucracies were almost nonexistent.

The United States' position in the international security structure—one of two superpowers locked in what was perceived as a life or death struggle with an implacable adversary—was obviously critical in pushing U.S. officials to give priority to security concerns and adopt the grand strategy of containment. At the same time, the particular features of the early Cold War strategic environment encouraged U.S. officials to use economic statecraft to reinforce their preferred security strategy. The durability of the bipolar standoff and the success of the United States' global containment strategy, evident in retrospect, were by no means a foregone conclusion in the first postwar decade. The states of Western Europe and Japan had weak, vulnerable economies and uncertain political prospects. The commitment of the United States to engage in more permanent, "entangling alliances" was also uncertain, and West European governments in particular were anxious for signs that the United States was truly committed to their defense.³⁷ For its part, the United States "worried almost as much about the steadfastness of its European allies as it did about the threats posed by its enemy."³⁸ U.S. officials feared that a breakdown in morale in West European countries would be exploited by the Soviet Union. NATO was as much a response to this political and psychological concern as it was to the Soviet military threat.³⁹ U.S. fears may have been overstated, but as Arnold Wolfers suggested in 1962, a state that was suddenly thrust into danger after having enjoyed a long period of security was likely to be extremely sensitive to external threat.⁴⁰

Economic statecraft played critical, multiple roles in this uncertain strategic context. U.S. trade and financial assistance helped to bolster West European and Japanese economic capacity and political stability, and their self-confidence and morale.

35. Mastanduno 1992.

36. Destler 1992.

37. Lake forthcoming.

38. Johnson 1994, 68.

39. See Osgood 1962; and Johnson 1994.

40. Wolfers 1962, 151.

The asymmetrical opening of the U.S. market, along with U.S. efforts to dismantle European colonial empires in Southeast Asia and prod European governments to admit Japan into the GATT helped to reorient Japanese commerce, and foreign policy, away from China and toward the West.⁴¹ Access to the U.S. market and to the integrated European market similarly helped to redirect West German trade away from its traditional reliance on Eastern Europe and the Soviet Union. U.S. geopolitical influence assured that energy supplies would be available to the industrializing economies of its allies with predictability and at reasonable cost.⁴²

Deepening economic ties between the United States and its security partners reinforced the U.S. security commitment and bolstered its credibility. They signaled to West Europeans that the United States was there to stay and helped to reassure the United States that Western Europe and Japan would not suffer the kind of political breakdown upon which the Soviet Union would prey. The United States' comprehensive embargoes against communist states eventually created friction in U.S. relations with its allies, but in the early Cold War they also signaled the lack of ambiguity in the U.S. commitment to engage in the Cold War struggle as a moral as well as strategic necessity. In short, the integration of U.S. economic and security policies during the strategic uncertainty of the 1950s was necessary to create the stability and predictability that characterized the bipolar order in subsequent decades.

The position of the United States in international economic competition helped to facilitate this integration of economics and security in U.S. statecraft. The United States enjoyed significant advantages over potential competitors in production, trade, finance, and technology, advantages that eroded only slowly as other economies recovered. Because the United States was so dominant economically, and so large and self-sufficient, the tendency of U.S. officials to subordinate international economic policy to national security concerns was politically manageable at home. The health of the domestic economy was surely important, but at least until the late 1960s, when the realization of relative decline began to set in, the United States could have its cake and eat it, too. Size, superior productivity, and relative insularity from the world economy meant that the United States could enjoy domestic economic prosperity and at the same time place its international economic strategy at the service of what were then more pressing geopolitical objectives.

IR Scholarship

Conceptions of the relationship between economics and security in IR scholarship also shifted in response to the new realities of the postwar international structure, though not in the same way as U.S. foreign policy. National security issues, narrowly defined, came to dominate the scholarly agenda to the extent that one political scientist has characterized 1955–65 as a “golden age” in security studies.⁴³ The priority

41. Schaller 1997.

42. Kapstein 1990.

43. Walt 1991. See also Betts 1997.

concern was to grasp the implications of the nuclear revolution as it affected the relationship between the new bipolar superpowers. Theoretical contributions centered on the elaboration of the logic of deterrence in arguments about mutual assured destruction and the use of nuclear weapons in political bargaining.⁴⁴ Analyses of the interplay between economics and security, however, so prominent in the scholarship of the previous era, were conspicuous by their absence.

In the immediate aftermath of the war, professional students of IR were still inclined to take a broad, integrative approach to statecraft. Arnold Wolfers pointed to the ambiguity and various meanings of “national security,” and Bernard Brodie emphasized that national security policy dealt broadly with political, economic, and social as well as military matters.⁴⁵ But by the middle of the 1950s, as the U.S.–Soviet competition came to define international politics, the thrust of IR scholarship narrowed considerably to an examination of military instruments and statecraft.⁴⁶ The application of game theory and rational actor assumptions, which informed much of the early theoretical work in the field, reinforced the narrowing of the agenda by enabling scholars to represent U.S.–Soviet relations plausibly as a two-player, zero-sum contest under conditions of uncertainty and with high stakes.⁴⁷ And, as Stephen Walt has noted, the Cold War prompted U.S. scholars to take the Soviet desire to expand for granted. Consequently, they focused on how to deter that expansion while downplaying the sources of state behavior and nonmilitary dimensions of statecraft.⁴⁸

Marc Trachtenberg noted recently that strategic studies “emerged in the United States as a new field with a distinct intellectual personality.”⁴⁹ Hedley Bull, writing two decades earlier, noted similarly that this new literature was characterized by precision and sophistication. Scholars saw themselves “presiding over the birth of a new science, eliminating antiquated methods and replacing them with up-to-date ones.” Bull observed that in developing elegant models of the superpower relationship, academic specialists were inclined “to think too readily in terms of military solutions to the problems of foreign policy and to lose sight of the other instruments that are available.”⁵⁰

Distinctive features of both the U.S.–Soviet relationship and nuclear weapons made it all the more plausible for security scholars to narrow the agenda and downplay economic dimensions of statecraft. The two dominant powers had no direct economic relationship to analyze and neither was especially dependent on the international economy.⁵¹ And, as nuclear weapons took center stage in defense strategy, the connection between economic and military power became less proximate and direct.

44. Major works included Kissinger 1957b; Wohlstetter 1959; Brodie 1959; Snyder 1961; and Schelling 1960, 1966.

45. See Wolfers 1952; and Brodie 1949, 477.

46. Baldwin 1995.

47. Betts 1997, 14; and Mirowski 1991.

48. Walt 1991, 215.

49. Trachtenberg 1989, 301.

50. Bull 1968, 595, 600.

51. Waltz 1970.

Once superpowers possessed the hydrogen bomb, for example, it was no longer self-evident that the ability to mobilize economic resources for a long war or to destroy the economic capacity of an adversary were important national security objectives.⁵² Nuclear capabilities were the “absolute” weapon; they enabled states to provide for their security without continually worrying, as traditional great powers had to, about their relative position in great power economic competition.⁵³

Nevertheless, since U.S. officials were active in the international economic arena and conceived of economics and security issues as integrated, why did more of this conception not carry over into IR scholarship? A key reason is that although international economic policies were an important aspect of U.S. statecraft, they were not especially salient politically. The sense of political struggle and the higher stakes, domestically as well as internationally, that later came to characterize U.S. foreign economic relations, and that had characterized U.S. economic relations prior to World War II, were essentially absent in the era of U.S. economic hegemony. It was thus plausible for IR scholars to recognize a distinction between “high” and “low” politics, to focus attention on the more pressing security issues, and to leave the study of economic issues essentially to the economists.

There were scattered treatments of international economic problems and issues in the IR literature, but what later became the field of IPE did not exist. David Baldwin recounts a conversation in 1969 in which Susan Strange asked him which other scholars in the United States saw themselves working in IPE. He could name only Klaus Knorr.⁵⁴ Strange herself published a prescient article in 1970 that warned of a growing divergence between conceptions of the international system prevalent in scholarship and a real world in which the pace of international economic change was transforming that system.⁵⁵

International economists, of course, did address the world economy. Yet, unlike their prewar and wartime predecessors, they generally proceeded without much concern for conceptualizing the political and strategic dimensions of international economic relations.⁵⁶ To be sure, a select group of economists did move from RAND to the Defense Department and eventually shaped U.S. national security policy at high levels. But for the economics profession as a whole, the economic dimensions of national security policy ceased to be a major concern. Perhaps it was because the economic analysis that proved so valuable during World War II in devising precision bombing campaigns against Germany were less essential in an era of nuclear armaments. Perhaps it was because war was “too simple” an economic problem—that is, the analysis of national security policy did not require the refined methodological techniques at the cutting edge of the discipline.⁵⁷ Whatever the reason, mainstream

52. Trachtenberg 1989, 302, 310.

53. See Brodie 1946; and Jervis 1993, 55.

54. D. Baldwin 1985, xii. Knorr’s 1956 book addressed the relationship between economics and security, and his 1975 book was a systematic contribution to IPE.

55. Strange 1970.

56. Cooper 1968 was an important exception that was analytically sophisticated and sensitive to political considerations.

57. Leonard 1991.

academic economists devoted little energy to the economic aspects of national security as the Cold War progressed.

Economists working in the international area tended to produce either descriptive accounts of international economic processes⁵⁸ or, as professionalization advanced, sophisticated models of the workings of international trade and payments that relied on simplified assumptions about the international political environment. As Strange argued after examining both the IR and international economics literature: “we shall soon need to have rather urgently a *theory* of international economic relations, a political theory which is consistent with whatever other sort of theory of international relations we individually find most satisfactory.”⁵⁹ Economists went their own way, and political scientists took up this challenge during the 1970s.

Later Cold War Era

Between 1968 and 1989, the United States and the Soviet Union remained the dominant powers in a bipolar world. They experimented during the 1970s with detente, reverted to a more confrontational stand-off during the early 1980s, and returned to a more cooperative relationship with the rise of Gorbachev in 1985. Nuclear diplomacy in the form of arms control negotiations and geopolitical competition in the form of proxy struggles in the developing world remained central features of the bipolar relationship until it collapsed at the end of the 1980s.

Although the international security structure remained stable, there was increased awareness in the United States of the transformation that had occurred in international economic affairs: the growth of interdependence and the relative decline of the United States. Seminal events such as the collapse of Bretton Woods, the energy crises of the 1970s, and the trade and budget deficits of the 1980s brought the shift in the United States’ competitive position into sharper focus politically. As the perception of relative decline became widespread, international economic policies took on greater salience in U.S. domestic politics and in U.S. interactions with other major powers.

IR Scholarship

These developments had one crucial consequence in the U.S. academy—the emergence of IPE. But, the rise to prominence of international economic issues did not also lead to an integration of economics and security in IR scholarship. Instead, two distinctive subfields, IPE and security studies, developed along parallel paths.

IPE emerged in the context of a debate between liberalism and realism over how to explain the renewed salience of international economic issues. Liberals contended that IR scholars needed new tools and approaches. The international environment of

58. For example, Gardner 1956; and Patterson 1966.

59. Strange 1970, 310.

the 1970s had been transformed by interdependence and relative U.S. decline, and the realist-inspired, state-centric paradigm at the heart of security studies was no longer an adequate guide to international politics or U.S. foreign policy.⁶⁰ The realist slogan, in effect, was “old tools, old issues”—existing approaches to international politics were still useful in explaining the reemergence of past patterns of interdependence and international economic conflict.⁶¹ This debate helped to motivate research programs in hegemonic stability theory,⁶² regime theory and the role of institutions,⁶³ and the link between domestic politics and foreign economic policies.⁶⁴ Both liberals and realists were interested in the implications of their analyses for U.S. foreign policy; Robert Keohane and Joseph Nye, for example, devoted the final chapter of their book *Power and Interdependence* to the role of the United States in complex interdependence and argued that “an appropriate foreign policy for the most powerful state must rest on a clear analysis of changing world politics.”⁶⁵

For scholars working the security side of IR, economic issues, even international economic crises, remained matters of “low politics.” But, by the 1970s, security studies found itself more on the defensive than at the forefront of the discipline. As U.S.–Soviet arms control progressed and their nuclear relationship stabilized, the study of nuclear weapons did not sustain the urgency it had taken on during the era of the Cuban Missile Crisis.⁶⁶ And the prolonged prominence of the Vietnam War exposed security studies to the criticism that it granted overwhelming attention to the least likely type of war and scant attention to more likely types.⁶⁷ Vietnam and the missile crisis prompted some scholars to relax the unitary-state-as-actor assumption and draw on bureaucratic politics models and psychological approaches to explain deviations from rational behavior in foreign policy decision making.⁶⁸

Security studies was reinvigorated by the early 1980s as the Cold War entered a dangerous new phase and U.S.–Soviet nuclear and global competition once again took center stage. Funding at political science departments and university centers expanded as scholars revisited nuclear deterrence⁶⁹ and used the comparative analysis of historical cases to generate new insights about alliance strategy,⁷⁰ conventional deterrence,⁷¹ and the sources of military doctrine.⁷²

Scholars in both security studies and IPE thrived during the 1970s and 1980s. But why did they generally proceed along separate tracks rather than develop an inte-

60. See Keohane and Nye 1972 and 1977; and Morse 1970.

61. See Gilpin 1975, 1977; and Krasner 1976. Krasner’s article title emphasized the point by recalling the title of Hirschman’s wartime classic.

62. See Gilpin 1975; Krasner 1976; R. Keohane 1980, 1984; Stein 1984; Russett 1985; and Lake 1988.

63. See Krasner 1983b; and Keohane 1984.

64. See Katzenstein 1978; Krasner 1978; Milner 1988; and Ikenberry, Lake, and Mastanduno 1988.

65. Keohane and Nye 1977, 242.

66. Trachtenberg 1989, 332.

67. Betts 1997, 14–15.

68. See Allison 1971; Art 1973; Jervis 1976; and Janis 1982.

69. See Mandelbaum 1981; Jervis 1989c; and Sagan 1989.

70. Walt 1987.

71. Mearsheimer 1983.

72. See Posen 1984; and Snyder 1984.

grated conception of the relationship between economics and security? The international environment was the crucial factor. By the early 1970s bipolar world politics was clearly established and seemed likely to endure indefinitely.⁷³ Even though economic issues became more salient, bipolarity discouraged integration and encouraged scholars instead to pursue a division of labor that subsequently became institutionalized in U.S. political science departments and IR programs.

The 1970s fully exposed the peculiar, bifurcated character of international politics. The United States was competing against one state in international security affairs and interacting with and competing against a different set in international economic affairs. This duality was a challenge to scholars seeking to advance an integrated conception of international economics and security. Robert Gilpin, for example, developed a consistent account of hegemonic transitions through history but struggled to make sense of the “anomalous” contemporary situation characterized by “the multiple nature of the challenge to the dominant power in the system.”⁷⁴ Aaron Friedberg reflected that “to a degree that appears unprecedented in recent history, the pattern of military power is now considerably out of alignment with the worldwide distribution of economic resources.”⁷⁵ The principal security challenger was not an economic challenger, and the principal economic challengers were security allies. International economic and security relations seemed to be different games involving different major players.

One plausible conclusion for scholars to draw in this international setting was that different models or approaches should be applied to explain different issues or situations.⁷⁶ In one of the most influential works of the 1970s, Robert Keohane and Joseph Nye argued that “contemporary world politics is not a seamless web . . . one model cannot explain all situations.”⁷⁷ They juxtaposed realism and complex interdependence as ideal types and sought to understand under what conditions, or within which “issue areas,” each might usefully apply. In his subsequent work Keohane argued that “it is justifiable to focus principally on the political economy of the advanced industrial states without continually taking into account the politics of international security.”⁷⁸ In a dual international structure, presumably one also could focus on the international security relations of the dominant actors without continually taking into account the politics of international economic relations.

Many IR scholars seemed to abide by this logic. A pattern of scholarship developed in which specialists in IPE turned to liberal or realist approaches to explain the outcomes of interest to them—at the system level, international economic cooperation and conflict; and at the unit level, foreign trade, investment, and monetary policies. As research progressed, IPE specialists became more systematic and self-

73. Waltz 1964, 1979.

74. Gilpin 1981, 239.

75. Friedberg 1989, 428.

76. Hoffmann 1978.

77. Keohane and Nye 1977, 4.

78. Keohane 1984, 137. The dominant IPE textbooks of the 1970s and 1980s approached the field in this spirit. See Spero 1981; and Blake and Walters 1976.

conscious in borrowing concepts and insights from economics.⁷⁹ Security scholars placed more emphasis on historical analogy (for example, the origins of World War I) and borrowed from psychology in seeking to explain a different set of outcomes: the incidence of war and peace, the formation and maintenance of alliances, and the sources of defense policies and doctrines.

There were some conscious attempts at integration. A special issue of *World Politics* published in 1986 brought together work by political economy and security specialists to suggest that game theoretic approaches could contribute meaningfully to explaining outcomes in both arenas.⁸⁰ The effort had potential to synthesize work across the two fields based on a common argument about the need to address problems of market failure through institutional arrangements and information sharing. The market failure argument, however, resonated more strongly in IPE than in security studies.⁸¹ Marxism and its offshoot, dependency theory, constituted a more sustained attempt at integration. Scholars working in these traditions long accepted as natural the interaction of the capitalist world economy and political-military patterns.⁸² But Marxism never moved into the mainstream of the U.S. IR discipline, and dependency theory, the subject of a special issue of *International Organization* during the 1970s, withered during the 1980s as it became apparent that linkages to the capitalist world system did not necessarily lead to the perpetuation of underdevelopment.⁸³

Other examinations of economic and security issues tended to reinforce the division between the two fields. Charles Lipson explained how and why the prospects for cooperation among states varied across the very different arenas of international economic and international security affairs.⁸⁴ Richard Rosecrance distinguished territorial states (a product of the traditional security arena) from trading states (a product of the new economic arena) and argued that the contemporary trends were favoring the prospects for the latter.⁸⁵ These contributions and others that adopted a similar logic represented a plausible scholarly response to a bifurcated international environment.

Professional specialization and academic institutionalization reinforced the separate study of economic and security issues. By the 1980s, scholars in security studies and IPE identified themselves and each other as members of distinctive subcommunities within the broader IR scholarly community. Graduate students at major institutions oriented their training and dissertations in one direction or the other. *International Organization* came to be recognized as a leading journal for IPE contributions; *International Security*, introduced in 1976, quickly emerged as an important place for security scholars to publish. One of the most prestigious academic publishers,

79. See Gilpin 1981; Keohane 1984; and Rogowski 1989.

80. Oye 1986.

81. See Keohane 1984; Martin 1992a; and Mearsheimer 1994.

82. Lenin's 1916 classic linked imperialism, uneven development, and war. See also Wallerstein 1974; Kaldor 1978; and Halliday 1983.

83. See, for example, Evans 1979.

84. Lipson 1984.

85. Rosecrance 1986.

Cornell University Press, developed parallel book series in IPE and security studies, edited by leading scholars in the now well-established subfields.

U.S. Statecraft

National security concerns remained the highest priority of U.S. foreign policy during the 1970s and 1980s. Presidents Nixon through Reagan placed the management of the bipolar relationship at the top of their external agendas. Even the administration of Jimmy Carter, which sought initially to distance U.S. policy from an obsession with the East–West confrontation, found itself driven eventually to reaffirm its centrality. But U.S. officials also abandoned the integrated approach to economics and security that characterized U.S. statecraft during the early Cold War. Instead of foreign economic policy supporting and reinforcing national security policy, or security policy being used to promote economic objectives, economics and security drifted apart and were treated increasingly as separate problems of foreign policy. This approach represented a response to the incentives of both the international security environment and the changing perception of the United States in international economic competition.

By the end of the 1960s the bipolar world appeared highly stable to U.S. officials. The urgent challenges of the early Cold War period had been met successfully. Western Europe and Japan recovered economically and were secure politically.⁸⁶ Alliance structures were institutionalized and the risks of defection were low. France challenged U.S. hegemony and departed NATO's integrated command structure but was hardly prepared to exit the Atlantic alliance altogether or join the Warsaw Pact. Although alliance unrest on the other side of the bipolar divide met with a more forceful Soviet response, the United States acknowledged by its restrained behavior in 1956 and 1968 that Eastern Europe was properly in the Soviet sphere of influence. The risks of East–West military confrontation, which seemed high during the 1950s and early 1960s, appeared fairly remote by the 1970s. The nuclear balance was robust, and arms control helped to lock in strategic stability. Greater communication between the United States and Soviet Union helped to ensure crisis stability, leaving the bipolar powers free to compete for influence without seriously risking mutual annihilation.

With the early Cold War mission accomplished and the bipolar structure firmly in place, the strategic environment no longer imposed a pressing need on U.S. officials to place foreign economic policy at the service of national security strategy. And international economic competition now presented the United States with a very different set of incentives than it had during the 1950s. As the perception of relative economic decline spread, beleaguered segments of U.S. industry and their supporters in Congress expressed resentment at the unfair advantages still enjoyed by the United

86. Nordlinger makes the point even more forcefully: "If America's security did require a deep involvement in the defense of Western Europe in the late 1940s, it could have been phased out starting in the late 1950s." Nordlinger 1995, 14.

States' now recovered trading partners and pressed the executive to apply the machinery of foreign policy directly to the service of national economic objectives.

The key problem for economic nationalists was that economic interests could not be easily satisfied through the use of the traditional foreign policy machinery, because that machinery was developed during the early Cold War era and was dominated by agencies and officials who gave priority to the United States' security interests as traditionally defined. As Peter Peterson, who served as commerce secretary under President Nixon, recently reflected, "whenever 'economics' clashed directly with military 'security policy,' the United States instinctively opted to give precedence to the latter."⁸⁷ The national security establishment was generally unsympathetic to claims that foreign firms and governments were taking unfair economic advantage of the United States and generally unresponsive to the argument that the U.S. government needed to pursue U.S. economic interests more aggressively in the international arena.⁸⁸

With the traditional national security establishment unresponsive, the solution for those in industry beset by international competition was to call on Congress to mobilize and strengthen the existing foreign economic policy apparatus within the U.S. executive branch. One key development was the renegotiation of authority between the executive branch and Congress over trade policy and the reassertion of congressional influence.⁸⁹ Members of Congress redrafted trade policy legislation during the 1970s and 1980s and exerted pressure on the executive branch to make it easier for firms to receive import protection from foreign competition. On the export side, Congress thrust upon the economic agencies of the executive branch controversial new tools such as 301, Super 301, and Special 301 to attack barriers to entry in foreign markets—in some cases the same barriers executive branch officials tolerated or even encouraged for security reasons during the 1950s and 1960s.⁹⁰

Industry and congressional pressure forced the executive branch to shift adjudication of antidumping cases from the more internationally minded Treasury Department to the more nationalist-inclined Commerce Department, with a subsequent increase in "process protectionism."⁹¹ The Export Control Act of 1949, which gave the executive broad, discretionary powers to use trade as an instrument of statecraft, was replaced in 1969 and 1979 by the Export Administration Act, which directed the executive to liberalize national security export controls and sought to constrain the use of economic sanctions for foreign policy purposes.⁹² And, lodged institutionally in the White House, the Office of the U.S. Trade Representative (USTR) rose to prominence as a mediator between domestic pressures and international commitments and a politically credible defender of the United States' national economic interests in international negotiations.

With the backing of Congress and U.S. industry, Commerce and the USTR became the chief advocates within the executive branch for a more assertive defense of

87. Peterson and Sebenius 1992, 58.

88. Prestowitz 1990.

89. See Milner 1990; and Destler 1992.

90. See Bhagwati and Patrick 1990; and Tyson 1992.

91. Destler 1992.

92. Mastanduno 1992.

U.S. economic interests in foreign policy. The State and Defense Departments continued to support a foreign policy that placed security concerns above other objectives. But the traditional security establishment no longer controlled the initiative in foreign economic policy. This shift was even evident in East–West economic policy, which became highly contentious within the executive and between the executive and Congress during the 1970s and 1980s. In 1981, President Reagan succumbed to domestic economic pressure and lifted the grain embargo despite adopting a security strategy designed to isolate and confront the Soviet Union.

Thus, U.S. statecraft became less integrated as foreign economic policy and national security policy proceeded on separate diplomatic and institutional tracks. This was even the case during the years that Henry Kissinger moved the conduct of foreign policy under his direct personal control in order to maximize linkage across different aspects of policy.⁹³ As Mac Destler has noted, “U.S. foreign policy making in the seventies and eighties featured two semi-autonomous sub-governments, a security complex and an economic complex.”⁹⁴ When direct conflicts emerged—for example, over how hard to push a recalcitrant trading partner who was simultaneously an important security ally—security concerns still tended to prevail. The Reagan administration was deemed notorious for “selling out” U.S. economic interests when trade negotiations reached the critical final stages at the highest levels.⁹⁵

By the latter half of the 1980s, this pattern led to increasing frustration among economic nationalists in the United States. One result was the rise of “revisionists” in industry, government, and the academy calling for a balancing or reversal of U.S. priorities in relations with Japan in particular and in U.S. foreign policy more generally. This low-intensity conflict between the economic and security sides of the U.S. foreign policy establishment broke into open warfare over the FSX, as the economic agencies forced the national security agencies to reopen and revise a security arrangement with Japan, at considerable diplomatic cost, to assure that the United States’ national economic interests were more effectively protected.⁹⁶ Since the FSX agreement had been negotiated by State and Defense to the exclusion of the economic side of the foreign policy house, Commerce and the USTR also demanded and obtained “a seat at the table” in future negotiations in which economic and security interests were intermingled. It was not a coincidence that the year of the FSX crisis, 1989, marked the beginning of the post–Cold War era.

Unipolar Politics and the Post–Cold War Era

Since 1989, the international environment has changed dramatically. The Cold War is over, and bipolarity has been replaced by a unipolar structure. Only the United States currently possesses a full range of great power attributes: size, military capa-

93. Kissinger had very limited influence on international economic issues. See Nathan and Oliver 1987, 66.

94. Destler 1994, 31.

95. Prestowitz 1990.

96. Mastanduno 1991.

bility and preparedness, economic and technological superiority, political stability, and “soft” power attributes such as cultural or ideological appeal.⁹⁷ Other potential great powers are limited or constrained in one or more crucial areas.

Neorealism typically treats unipolarity as an anomaly and views a unipolar “moment” as an inevitably brief transition to yet another era of multipolar balancing.⁹⁸ The main implication for U.S. policy is that U.S. officials have little choice but to accept the inevitable and prepare for a multipolar world. As I have argued elsewhere, however, if we accept that states respond to threats, and not just capabilities, then unipolarity has the potential to be more enduring and U.S. policy has more room to maneuver.⁹⁹ Whether, and how quickly, other states balance the United States depends in part on how threatening they perceive the international environment to be in general and U.S. behavior and ambitions to be in particular. U.S. foreign policy, in turn, has the potential to shape the perceptions and behavior of other major powers and discourage them from posing a challenge to the global status quo. In a unipolar world the dominant power faces risks rather than direct threats; we should expect it to dedicate its foreign policy to preventing risks from becoming threats.¹⁰⁰

This logic suggests that a plausible U.S. response to the unipolar structure is a strategy of preponderance: an attempt to preserve an international environment in which the United States is the dominant power and world politics primarily reflects U.S. preferences. Bipolar and multipolar systems induce states to respond to external constraints, but a unipolar structure encourages the dominant state to try to maintain the system as it is.

Despite criticism that it has been indecisive or unguided, U.S. security policy since the end of the Cold War has in fact been largely consistent with an effort to preserve preponderance. The Defense Department articulated the idea most clearly in 1992: “our strategy must now refocus on precluding the emergence of any future global competitor by convincing potential competitors that they need not aspire to a greater role.”¹⁰¹ U.S. officials have sought to discourage Germany and Japan from becoming independent great powers by reaffirming and strengthening commitments to provide for their security. They have sought to engage Russia and China and integrate them into the practices and institutions of a U.S.-centered international order. They have intervened in regional conflicts in Europe, Asia, and the Middle East that have the potential to disrupt the security status quo or tempt other powers to aspire to a more independent role.¹⁰²

U.S. Statecraft

The unipolar structure and the concomitant strategy of preserving preponderance provide incentives for a reintegration of economics and security in U.S. statecraft.

97. Nye 1990.

98. See Waltz 1993; and Layne 1993.

99. Mastanduno 1997.

100. The risk–threat distinction comes from Wallander 1998.

101. See *New York Times*, 8 March 1992, A14; and Jervis 1993, 53–64.

102. For an elaboration of this argument, see Mastanduno 1997.

We should expect foreign economic policy to complement and reinforce the national security policies of engagement, reassurance, and integration that the United States has adopted in relations with other major powers. In an interdependent world economy, positive economic relationships are an important instrument in any effort to engage or reassure other major powers. Economic conflicts or friction could lead to political conflicts and prompt others to reevaluate the extent to which they view the international environment and relations with the United States as threatening. U.S. foreign economic policy is thus potentially a key instrument in helping to assure that other powers are willing to accept, or at least tolerate, a U.S.-centered world order.

Although it is too soon to render any definitive judgment on the post-Cold War pattern, the available evidence suggests that U.S. policymakers have moved to reintegrate economics and security in U.S. statecraft. This was not true during the early years of the 1990s, during which U.S. economic and security policy toward other major powers seemed to work at cross purposes. More recently, however, U.S. officials have recognized and acted on the need for economic relations to reinforce, rather than contradict, the security strategy of preserving preponderance. This general shift is evident in U.S. relations with the European Union (EU) and, in Asia, with Japan and China.

Economic relations between the United States and the European Union were more a source of conflict than stability as the Cold War ended. Sharp transatlantic disagreements led to the collapse of the Uruguay Round in 1990. The round was completed three years later, but without resolving key disputes over agriculture, "cultural protection," and EU aircraft subsidies.¹⁰³ The United States subsequently announced that it would not abide by post-Uruguay Round agreements crafted by the EU in financial services and telecommunications because they did not provide sufficient advantages to U.S. firms in overseas markets. U.S. Trade Representative Charlene Barshefsky asserted that "with the Cold War over, trade agreements must stand or fall on their merits. They no longer have a security component."¹⁰⁴

Yet, by mid-1995, it was apparent that the Clinton administration was moving away from the sentiment expressed by Barshefsky and toward an explicit link between trade and the United States' broader security relationship with key members of the EU. President Clinton visited Europe and launched a series of initiatives designed to "show Europe that the United States still cares."¹⁰⁵ The New Transatlantic Agenda (NTA) was intended as a confidence-building measure to give "new focus and direction to our political and economic partnership" in response to growing concern in Europe that the United States was losing interest in its long-standing trade and security partner after the Cold War.¹⁰⁶ The improvement and deepening of economic relations have been a centerpiece of this new initiative. The two sides committed to building a "new transatlantic marketplace," and by the middle of 1997 had resolved their differences over telecommunications and concluded agreements to liberalize trade in information technology, combat bribery in trade competition, and foster

103. Hoffmann 1997.

104. *New York Times*, 30 June 1995, D1.

105. *New York Times*, 3 December 1995, 20.

106. U.S. Department of State 1997.

mutual recognition of technical standards. The intent has been not simply to resolve outstanding disputes but also to restore confidence by searching proactively for opportunities to reach agreements in areas of mutual economic interest. U.S. officials depicted the NTA as a commemoration of the fiftieth anniversary of the Marshall Plan and have used it to deepen transatlantic engagement not only at the official level but also between U.S. and European firms and publics.¹⁰⁷

The disjunction between the United States' economic and security policy toward Japan during the early 1990s was even more profound. The FSX crisis, the targeting of Japan under the controversial Super 301 provision, and the launching of the Structural Impediments Initiative assured that the bilateral economic relationship remained in an almost constant state of crisis management. In early 1992, the Bush administration transformed what had been conceived as a traditional head-of-state summit meeting to emphasize mutual security interests into a commercial sales mission, with President Bush thrust into the awkward role of chief sales representative for the U.S. auto industry.

This economic pressure intensified during the early years of the Clinton administration. Clinton initiated the U.S.–Japan Framework Talks to force Japan, on a short timetable, to make concessions on an array of outstanding trade disputes. Japan resisted, and in February 1994 both sides walked away without even reaching a cosmetic agreement to paper over their differences. Clinton escalated the pressure by reinstating Super 301. The next round of conflict focused on the automotive sector, with negotiations taking place under the threat of U.S. sanctions and a Japanese counterthreat to drag its closest ally through the new dispute settlement procedures of the World Trade Organization (WTO). U.S. diplomacy was working at cross purposes: while security officials were emphasizing the need to reaffirm and deepen the U.S. commitment to Japan's defense, economic officials were locked in an escalating series of confrontations.

By 1996, however, the United States clearly had shifted its course. The Clinton administration relaxed its economic pressure on Japan and emphasized the bilateral security relationship. The April 1996 summit between Clinton and Japanese Prime Minister Hashimoto was a turning point. Trade disputes remained unresolved, and in fact Japan's Ministry of International Trade and Industry (MITI) raised the stakes by refusing to negotiate with the United States in two areas of major concern, semiconductors and photographic film. Yet, instead of using the summit to press the Japanese negotiators from the highest level, Clinton deflected demands from the U.S. corporate sector and downplayed economic disputes in order to focus on the U.S.–Japan security relationship.

Foreign policy initiative within the U.S. government has shifted from the economic revisionists to the security traditionalists. Beginning in 1995, U.S. policy toward Japan has been guided by the so-called Nye Initiative, a Defense Department plan that halted U.S. force reductions and called for the maintenance of U.S. troop

107. *Ibid.*, 1–3. In May 1997 the United States sponsored a Transatlantic Conference for Americans and Europeans to coordinate future transatlantic initiatives in the private and nonprofit sectors.

levels in the region at 100,000 for the foreseeable future.¹⁰⁸ The initiative articulated a strategy of “deep engagement” in which a forward-based military presence and the expansion of the U.S.–Japan security alliance are the principal features.¹⁰⁹ Winning trade battles has become a lower priority, and the administration instead has stressed the positive aspects of U.S.–Japanese economic interdependence and sought opportunities to use trade relations to reinforce security relations. The Technology for Technology Initiative, for example, linked economic and security policy explicitly by recognizing the contribution U.S. technology flows have made to Japan and by encouraging Japan to transfer advanced technology with military applications back to the United States.¹¹⁰

U.S. policy toward China since the end of the Cold War has been exceedingly complex, but even in this case we can discern the shift in emphasis described earlier. The initial approach to economic relations with China was confrontational. U.S. officials spoke openly of China as the “next Japan” and vowed not to make the “same mistake” of waiting too long before adopting an aggressive response.¹¹¹ The State Department fought during the 1950s to allow Japan into the GATT on preferential terms; in the early 1990s, U.S. officials surprised China by blocking its request to join the WTO as a developing state.¹¹² U.S. negotiators pressed China in 1992 to accept agreements on market access and intellectual property protection and subsequently threatened sanctions against China for failing to comply fully with the terms of those agreements.

Although U.S. officials have not completely relaxed the economic pressure, a gradual softening of the U.S. position is apparent. In 1994, the Clinton administration delinked China’s most-favored-nation status from human rights conditionality. Subsequently, it stated officially that “we have adopted a policy of comprehensive engagement designed to integrate China into the international community as a responsible member and to foster bilateral cooperation in areas of common interest.”¹¹³ By 1996, U.S. officials were no longer blocking China and instead were focusing on defining terms and negotiating conditions for China’s entry into the WTO.¹¹⁴ In seeking to extract Chinese cooperation on proliferation problems, they minimized reliance on negative economic sanctions and focused instead on rewarding China for constructive behavior. Clinton and Chinese President Jiang Zemin met in 1997 in the first head-of-state summit since 1989, and their major summit agreement reflected the integration of economics and security. The Clinton administration lifted its ban on exports to China of nuclear reactors in exchange for a commitment from China to limit its own militarily sensitive trade with states seeking to develop nuclear weapons capabilities.

108. U.S. Department of Defense 1995.

109. Nye 1995.

110. National Research Council 1995.

111. Mastanduno 1997, 83.

112. Friedman 1997.

113. The White House 1996, 39.

114. Morici 1997.

What accounts first for the separation between U.S. economic and security policy and for the more recent turn to reintegration? The initial signal U.S. officials took from the end of the Cold War was that they were no longer constrained by the security imperatives of the bipolar struggle. In foreign policy, the pursuit of national economic interests could now be an equal, or perhaps even a greater, priority than the pursuit of traditional security interests. The fact that U.S. economic primacy appeared to be under challenge internationally as the Cold War ended—a perception that registered deeply in U.S. domestic politics—made it attractive for U.S. officials to elevate the pursuit of national economic interests. Clinton was determined to use foreign economic policy to contribute to domestic economic growth, and “the administration’s drive was not going to spare America’s main allies.”¹¹⁵

As the 1990s wore on, however, the security opportunity of the new unipolar structure also became apparent to U.S. policymakers. As economic officials responded to the challenges of international economic competition with confrontational strategies, security officials reacted to the United States’ position in the unipolar setting with strategies of engagement and integration designed to preserve U.S. preponderance. The resulting chasm between economic and security policies left both security traditionalists and economic revisionists dissatisfied. Henry Nau wrote in 1995 that “trade policy has been increasingly isolated from other U.S. foreign policy interests in a single-minded pursuit to capture exports and high-wage jobs for the American economy.”¹¹⁶ Chalmers Johnson expressed the opposite frustration: security agencies were constraining the pursuit of the national economic interest by focusing on anachronistic Cold War relationships.¹¹⁷

By the middle of the 1990s, two key factors, the perception of threat and of the position of the United States in international economic competition, helped to push U.S. policymakers to respond to the incentives of the unipolar structure by reintegrating economics and security. First, the intensification of security risks in both Europe and Asia brought into focus that the success of the U.S. “preponderance through engagement” strategy required, instead of business as usual, a conscious and sustained diplomatic effort across economic and security policy.¹¹⁸ The protracted war in Bosnia and economic conflicts created political acrimony and, absent the Soviet threat, suggested the possibility that the United States and Europe would drift apart politically. As one U.S. official put it, without new economic and political “architecture” across the Atlantic, “natural economic juices may force us much farther apart than anyone conceives of right now.”¹¹⁹ The NTA was an initial attempt to provide the needed architecture, whereas the Dayton Accords placed the United States prominently at the center of the Bosnian conflict to remove the temptation for other major powers in the region to address the problem on their own.

115. Hoffmann 1997, 180.

116. Nau 1995, 1–2.

117. Johnson and Keehn 1995.

118. LaFeber stresses the dangers to U.S. security of taking the U.S.–Japan relationship for granted. LaFeber 1997.

119. *New York Times*, 29 May 1995, A3.

Security risks surfaced even more ominously in Asia. North Korea's defiance of nonproliferation norms in 1994 and China's military threat against Taiwan in early 1996 raised the prospect of direct U.S. military intervention, which, in turn, had the potential to shatter an unprepared U.S.–Japan alliance. Domestic politics in Japan precluded any meaningful Japanese assistance to U.S. forces, while domestic politics in the United States assured that there would be deep resentment if the United States absorbed casualties defending Japan's interests in Asia while Japan begged off from participation due to constitutional constraints. Clinton officials recognized an urgent need to modernize the security alliance for the post–Cold War environment and to remove the economic irritants that dominated the bilateral relationship. The April 1996 initiatives toward Japan reflected this dual concern, whereas the deeper engagement of China marked an effort to deflect at least one source of tension in a seemingly unstable region.

The U.S. response to the Asian financial crisis of 1997–98 reflected similar calculations. The Asian crisis was fraught with security risks: the potential for economic turmoil to lead to political instability, the collapse of the North Korean nuclear deal, or the inability of South Korea and Japan to bear the cost of bilateral security agreements with the United States. In the face of domestic opposition, U.S. officials fought for an expansion of International Monetary Fund (IMF) lending, emergency backup financing, and export credit guarantees. U.S. officials assured that the United States would remain at the center of crisis resolution by suppressing a Japanese proposal for an Asian bailout fund that had the potential to undermine the lead role of the U.S.-dominated IMF.¹²⁰

Second, the international economic environment appeared far more accommodating to the United States by 1997 than it did in 1989. The “hegemonic decline” argument popular during the 1970s and 1980s depicted a United States hampered by declining productivity, diminished technological prowess, and huge budget deficits. The United States was trapped in a burdensome arms race with the Soviet Union while its economic competitors, in particular Japan, seemed to be taking full advantage and surging ahead.

By the late 1990s, this picture had changed dramatically. The United States enjoyed almost a decade of steady economic growth. Its budget deficits had disappeared, and U.S. firms were widely acknowledged to be at the cutting edge of international commercial and technological competition. For its part, Japan seemed incapable of pulling out of recession. Its supposedly omnipotent “Asian development model” was discredited, its financial sector was in deep crisis, and its most powerful firms seemed incapable of competing with their U.S. counterparts at the technological frontier. With the EU moving toward integration yet unable to generate sustained growth and employment, and with Asia's emerging tigers mired in financial crisis, the gap between the United States and its economic challengers seemed to be widening.

120. *Wall Street Journal*, 20 November 1997, A16; and *New York Times*, 22 February 1998, 3.

In this more advantageous setting, it was clearly easier for U.S. officials to forego confrontational economic demands on other major powers and place foreign economic policy at the service of national security strategy. In 1989, a majority of Americans believed that rising Japanese economic power posed a greater threat to U.S. security than Soviet military power.¹²¹ A decade later, the United States faced neither the Soviet military threat nor the Japanese economic threat. Indeed, U.S. officials confronted a different and more delicate diplomatic problem: how to assure that the United States' seemingly overwhelming superiority in economic and military power did not provoke resentment and a backlash against the U.S. global presence and policies, thereby jeopardizing the U.S. effort to preserve preponderance.¹²²

IR Scholarship

The end of the Cold War was a great transformation in the international system, and great transformations force IR scholars to rethink basic assumptions and reconsider enduring questions. The intensified disciplinary debate over the utility of realism relative to liberal and constructivist approaches is only the most visible manifestation of the reassessment taking place as scholars try to respond to the changing international context.

The collapse of bipolarity and the passing of the Cold War also provide incentives for scholars to reintegrate the study of economic and security issues. The bipolar world was an historical anomaly in terms of the nature of the dominant powers, the relationship between them, and their relations with other states in the system. Relations among the United States and other major powers in the emerging international environment are likely to return, at least to some extent, to more historically familiar patterns.¹²³ Major powers after the Cold War are likely to remain economically interdependent rather than independent. Alliance patterns over time are likely to become more fluid than fixed. Great powers may eventually return to the pre-Cold War practice of settling their differences through direct military conflict, although we obviously cannot know for certain at this point whether war among great powers is indeed obsolete. These features make it imperative for all major powers to calibrate the security implications of their economic relationships and the economic implications of their security relationships.

IR scholarship has begun to respond to the incentives of the new environment by redirecting attention to theoretical and substantive issues at the intersection of IPE and security studies.¹²⁴ These include work by younger scholars who now find it professionally profitable to straddle the two concerns, just as new graduates during the 1970s and 1980s found it profitable to identify themselves as either "IPE types"

121. Mastanduno 1991.

122. State Department officials have begun to refer to this as the "Hegemon Problem." *Washington Post National Weekly Edition*, 9 March 1998, 5.

123. Kirshner 1998.

124. For reviews, see Caporaso 1995, Moran 1996, and Kapstein 1992. Kapstein considers his text the first word rather than the last word, "given the paucity of recent books on the subject." Kapstein 1992, xv.

or “security types.” Several research agendas, underdeveloped during the Cold War, have become and are likely to continue to be the subject of increased scholarly attention.

One research agenda concerns the classic question, long debated by realists and liberals, of the relationship between trade and peace. Rosecrance’s statement of the liberal position and Barry Buzan’s more skeptical assessment, among other work, kept this question in play during the 1980s.¹²⁵ The prospect of deep economic interdependence among major powers gives the question fresh political and theoretical significance after the Cold War. Recent contributions have introduced intervening variables to refine classic liberal and realist formulations.¹²⁶ Dale Copeland has shown that the propensity of interdependent states to go to war depends not on the degree of interdependence but on their expectations of future trade relations.¹²⁷ Paul Papayoanou has shown that the strength of economic ties among allies and between allies and adversaries influences the credibility of balancing efforts and thus the prospects for peace.¹²⁸

A second research agenda reverses the causal arrow to examine the impact of security relationships on international economic cooperation and conflict. Gilpin’s work during the 1970s underscored this link and helped to launch the hegemonic stability research program.¹²⁹ As that literature developed, however, it moved away from emphasizing the causal weight of security factors and instead emphasized the international distribution of economic power.¹³⁰ Although it was plausible during the 1970s and 1980s to analyze the international economic structure independently of the international security structure, it is harder to justify that approach after the Cold War, since economic and security relations among major powers are unlikely to play out in compartmentalized arenas. The relative gains debate, which has engaged scholars across IPE and security studies, is directly pertinent to the question of whether and how the international security environment affects the prospects for economic cooperation.¹³¹ The same is true of Joanne Gowa’s study establishing that allies trade more extensively in bipolarity than in multipolarity and more with each other than with adversaries.¹³² Recent work by John Odell spells out hypotheses on how military conditions influence international economic bargaining.¹³³

Third, there is renewed interest in the use of economic instruments to serve foreign policy objectives. Baldwin’s seminal study argued that the economic, military, and diplomatic options available in any foreign policy situation had to be analyzed syn-

125. See Rosecrance 1986; and Buzan 1984.

126. McMillan provides a comprehensive review of recent work. McMillan 1997.

127. Copeland 1996.

128. Papayoanou 1996.

129. Gilpin 1975. Stein also emphasizes the link between geopolitics and economic cooperation. Stein 1984.

130. Lake, offering one of the most rigorous treatments, focuses on the causal power of the international *economic* structure to explain trade policy. Lake 1988.

131. See Grieco 1990; Baldwin 1993; and Liberman 1996.

132. Gowa 1994.

133. Odell 1997.

thetically within a common framework.¹³⁴ Subsequent work has focused on multilateral coordination of sanctions efforts and on the circumstances under which economic sanctions can complement or substitute for the use of military force.¹³⁵ Jonathan Kirshner takes the substantive focus beyond trade and finance to examine how monetary arrangements can be used to advance state security.¹³⁶

Finally, the end of the Cold War has revived the study of grand strategy. Cold War conceptions were heavily influenced by the bipolar structure, and IR scholars tended to focus on grand strategy in narrow military terms.¹³⁷ During the 1980s, Gilpin and Paul Kennedy led the way in emphasizing more broadly the interplay of economic and security factors in sweeping assessments with implications for U.S. foreign policy.¹³⁸ After the Cold War, grand strategy has become significant not only for the United States but also for other potential great powers, such as Germany, Japan, and China, whose strategic choices were heavily conditioned by the bipolar structure.¹³⁹ Scholars have responded with studies of grand strategy in contemporary and historical perspective that develop links between economic and security factors in domestic and international politics. These include Jack Snyder's argument linking late industrialization to the strategy of overexpansion;¹⁴⁰ Mark Brawley's integrated account of liberal economic leadership and great power war;¹⁴¹ David Lake's use of relational contracting theory to explain U.S. and Soviet grand strategies during the Cold War;¹⁴² Lars Skalmes's work on how great power security needs drive their foreign economic policies;¹⁴³ and the ongoing debate over U.S. grand strategy after the Cold War.¹⁴⁴

The new wave of work linking economics and security and illustrated by these research programs reflects the general advances in social science that have influenced IR scholarship over the course of the postwar era. Scholars have become increasingly self-conscious in sorting out and operationalizing variables, situating their research in the context of prior work and linking arguments with empirical evidence. It also reflects a response to Strange's urgent call of 1970 for IR specialists to "build their own bridges across the gulf" dividing international economics from IR by becoming more familiar with the literature and methods of economics.¹⁴⁵ As showcased in the work of Lake, Gowa, Edward Mansfield, and Robert Powell, IR

134. D. Baldwin 1985.

135. See, for example, Martin 1992a; Mastanduno 1992; and Pape 1997.

136. Kirshner 1995.

137. Rosecrance and Stein 1993.

138. See Gilpin 1981; and Kennedy 1987.

139. Kapstein and Mastanduno 1998.

140. Snyder 1991.

141. Brawley 1993.

142. Lake 1996 and forthcoming. He writes that "the theory developed above and the difference in relations it explains are not simply of academic or historical interest. The concerns central to the variation in superpower relations are central to every state's foreign policy—especially for those seeking to find their way in the post-Cold War world." Lake 1996, 29.

143. Skalmes forthcoming.

144. See Nordlinger 1995; Posen and Ross 1997; Ruggie 1997b; and Layne 1997.

145. Strange 1970, 314.

scholars working at the intersection of economics and security, as in IPE more generally, have shown greater sensitivity to the work of economists in constructing explanations.¹⁴⁶

We should expect scholarship that links economics and security to become increasingly prominent in the post–Cold War IR literature. In a recent review, James Caporaso went further and asserted that “security studies and IPE are increasingly becoming one integrated literature rather than two.”¹⁴⁷ That may overstate the case and underestimate the durability of the division of labor institutionalized during the Cold War. Nonetheless, Caporaso’s assessment resonates with a growing number of calls for a closer connection between the two fields.¹⁴⁸ Joseph Nye and Sean Lynn-Jones termed the separation of political economy and security studies “one of the most serious problems within the discipline of political science.”¹⁴⁹ Even scholars who are associated with the defense of “traditional” security studies against those who wish to broaden it recognize the need for closer links between the two fields. Stephen Walt, for example, highlights “economics and security” as an important area of new research for security scholars after the Cold War.¹⁵⁰

Conclusion

In this article I have argued that three factors are crucial in understanding how U.S. policymakers and IR scholars have treated the relationship between economics and security over the past half-century. The international distribution of material capabilities provides important incentives for the integration or separation of economics and security. But by itself international structure is underdetermining. Perceptions of the international strategic environment and of the position of the United States in international economic competition also prove critical in accounting for the patterns observed in statecraft and scholarship.

In the prewar world of ordinary great powers interacting in a multipolar setting, scholars viewed linkages between economics and security as routine. But the scholarly treatment of economics and security changed dramatically in response to an international environment characterized by bipolarity, independent superpowers, the nuclear balance of terror, and the perception of U.S. economic hegemony. Instead of encouraging an understanding of economics and security as part of the “seamless web” of international relations, the bipolar world provided incentives for scholars

146. Theodore Moran observes that economists have been much slower to draw on the relevant work of political scientists. His overall assessment that the “analytical synergies” between the IR and international economics communities are “dramatically underexploited” is strikingly similar to the critique made by Strange twenty-five years earlier. See Moran 1996, 176, 191–92.

147. Caporaso 1995, 121.

148. See Baldwin 1995; Buzan 1991; Skalmes forthcoming; Krause and Williams 1996; Moran 1996; Kirshner 1998; and Caporaso 1995.

149. Lynn-Jones and Nye 1988, 25.

150. Walt 1991, 227. David Baldwin places Walt in the category of scholars who see little need to reform security studies. Baldwin 1995.

first to neglect international economic issues and later, with the realization of interdependence and relative U.S. decline, to pursue a division of labor strategy that resulted in the development and institutionalization of two separate subfields.

Since 1989 the external environment again has been transformed, and IR scholarship is responding to new challenges and opportunities. It is not surprising that the collapse of bipolarity and end of the Cold War have prompted renewed interest in the intersection of economics and security along with a critical reassessment of the scholarly pattern that considered the two as separate areas of inquiry. The sharp distinction between IPE and security studies that made sense during the Cold War is increasingly of questionable utility as we move away from that distinctive international context.

U.S. statecraft similarly has responded to the changing features, material and non-material, of the external environment. The strategic urgency and uncertainty perceived by U.S. officials in the early Cold War setting led them to integrate economic and security policies. U.S. officials sought to create an international order, and economic instruments and relationships were a vital part of that undertaking. The fact that the United States was dominant in and insulated from international economic competition made it easier for U.S. officials to place foreign economic policy at the service of national security strategy. But, by the latter half of the 1960s, the bipolar order was firmly established, the U.S. economy was less insulated, and the realization of relative economic decline had set in. U.S. officials responded by separating the pursuit of economic and security objectives in relations with security allies who were now economic competitors. The traditional security establishment within the U.S. government responded to the geopolitical imperatives of the Cold War, while a strengthened foreign economic policy apparatus responded to calls from domestic interest groups for a more assertive approach to international economic relations.

The end of the Cold War and the emergence of a unipolar structure once again afford U.S. officials with the opportunity to shape a new international order. The integration of economic and security policy is crucial in this context, as it was during the early years of the Cold War. As the initial shock of the end of the Cold War subsided, and as new security risks emerged in Europe and Asia, U.S. officials began to recognize that and to integrate foreign economic relations in pursuit of a grand strategy of preserving preponderance. Their future challenge will be to sustain that effort in the absence of a central strategic threat and in the face of forces in domestic society inclined either to disengage the United States from a global role or to mobilize its power in pursuit of more particularistic political and economic objectives.