
POWER, INTERDEPENDENCE,
AND NONSTATE ACTORS IN
WORLD POLITICS

Edited by

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PRINCETON UNIVERSITY PRESS
PRINCETON AND OXFORD

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Robert Keohane: Political Theorist

Andrew Moravcsik

THIS VOLUME CLOSES with a backward look. The fifteen years from 1970 to 1985 witnessed the emergence of the new subdiscipline of international relations now widely known as “international political economy” (IPE). No one contributed more to this process than Robert Keohane.¹ Working in part with Joseph Nye, he laid the theoretical foundation for IPE in three books—*Transnational Relations and World Politics*, *Power and Interdependence*, and *After Hegemony*—and many related essays.² Among his numerous contributions to international relations, these are the most essential.

This chapter has two aims. The first is to summarize the basic contribution of this work to general international relations theory. In it, Keohane introduced three fundamental causal premises about international politics, which have served as core elements of the discipline of international political economy ever since. These premises highlight the important impact on state behavior of, respectively, shifts in state preferences induced by globalization, shifts in interstate power induced by asymmetries in interdependence, and shifts in the distribution of information induced by international institutions. Taken together, these three factors offer a coherent explanation of patterns of international cooperation in world politics.

The second aim of the chapter is to place these theoretical innovations in historical perspective. Keohane’s background and intellectual style, combined with a distinct set of historical circumstances both in the outside world and in academia, explain the emergence of these particular theoretical contributions at this juncture in the history of international relations. Critical is that Keohane’s temperament and training have always been closer to those of a political philosopher than a political scientist. Drawing on additional biographical material, the chapter traces how Keohane deployed the skills of a “political theorist” at a moment when international economic issues were becoming more important in American and global politics, and realist international relations theory was fac-

¹ The chapters in this volume were initially delivered at a conference held in honor of Robert Keohane at Princeton University.

² Keohane and Nye 1972, 1977; Keohane 1984.

ing theoretical challenge. This circumstance created a unique moment for major intellectual breakthroughs—a historical “window of opportunity” that has now closed.

Keohane’s Fundamental Theoretical Contributions

Robert Keohane’s scholarship between 1970 and 1985 opened a new substantive area for inquiry. The work focused on new issues (international political economy, not international security), new actors (transnational actors, not states), new forms of interaction (transnational and transgovernmental relations, rather than interstate relations), new outcomes (international cooperation rather than international conflict), and new structures (international institutions, not “pure” anarchy). It advanced provocative hypotheses, most notably the claim that institutionalized cooperation persisted after the decline of postwar American hegemony. These aspects have been much discussed—and are treated in detail elsewhere in this volume.³ Keohane’s most fundamental contributions lie, however, at the level of basic international relations theory.

Three basic causal premises about international politics emerged from Keohane’s epochal theoretical work in this period. One way to think about them is to posit a simple model of rationalist international cooperation divided into three stages: (a) the formation of state preferences; (b) interstate bargaining and strategic interaction; and (c) institutionalization of the bargain. If we assume states are rational, we can expect that they will first determine preferences across “states of the world,” then bargain with one another to realize those goals as best they can, and finally seek to preserve the result by institutionalizing the bargain.⁴ Keohane’s three major works in this period can be viewed, respectively, as addressing the fundamental theoretical causes of state behavior at each of these three stages in turn. *Transnational Relations and World Politics* introduces state preferences, driven by globalization, as a variable shaping state behavior. *Power and Interdependence* introduces a new conception of interstate bargaining power, derived from asymmetrical interdependence, as a variable influencing state behavior. And *After Hegemony* introduces international regimes, driven in turn by the distribution of information, as a way to explain the preservation of bargains. Taken together, they provide a coherent synthetic account of state cooperation in world politics. Despite the addition of many other theories, these three claims remain to

³ Gourevitch 1999; Griffiths 1999, 185–90; Milner, chap. 1 in this volume.

⁴ Lake and Powell 2000; Fearon 1998; Moravcsik 1998, chap. 1. The final stage then feeds back, of course, into future rounds of preferences, bargaining, and institutionalization.

this day the most important theoretical pillars of modern international political economy. Beneath the surface of new actors, issues, processes, and outcomes, these remain the most fundamental theoretical contributions of Keohane’s career. Let us explore each in turn.

State Preferences and Societal Interdependence

On the surface, the purpose of *Transnational Relations and World Politics* is to explore the importance for world politics of interaction among private actors, as distinct from states and international organizations. Keohane and Nye term such activities *transnational relations* and categorize them according to the nature of the items being moved across borders by the private parties: information, goods, money, or people.⁵ The existence of transnational relations increases “societal interdependence” and makes countries more “sensitive” to one another. They make policy processes more “pluralistic,” “complex,” and “fragmented.” They introduce new actors, issues, and processes. Keohane and Nye would later call the ideal type of this world *complex interdependence* and contrast it to the realist ideal type of pure interstate relations dominated by zero-sum security conflict.

Most of the examples Keohane and Nye cite—among them international trade and monetary policy, farm policy, international trade union federations, interstate airline regulation, global inequality, newspaper sales offices, and, above all, multinational firms—are economic in nature, though transnational nongovernmental groups (both revolutionary or reformist), religious groups, and mass communication comprise an interesting residual of cases.⁶ In later writing, Keohane would speak also of social and ecological globalization, with global warming being a good example of the latter, as well as some politico-military forms.⁷ The focus on transnational private activity opened a new substantive field of inquiry in the discipline of international relations. In the conclusion to *Transnational Relations*, Keohane and Nye propose a research agenda based on comparisons of the impact of transnational interaction across issue

⁵ Keohane and Nye 1971a, 332, from which other citations in this paragraph come.

⁶ Keohane and Nye 1971a, 333–36. Without the inspiration and active encouragement of economist Raymond Vernon, who was studying multinational corporations at the same research institute where Nye was active, Keohane later recollected, “I am not sure we would have gone down the transnational relations route.” Cohen 2008, 29.

⁷ Keohane 2004. The sense that economics is the dominant source of examples is also supported by intense collaborative work Keohane and Nye did with C. Fred Bergsten in the mid-1970s, which brought together economists and political scientists, as well as their engagement with the ideas of Ernst Haas, Richard Cooper, Charles Kindleberger, and other economists. Much of Keohane and Nye’s work in this period also responds to liberal and radical political economy on multinational corporations, dependency, and inequality.

areas, an agenda that would be carried out by international political economists over the next two scholarly generations.

Yet we should not let a superficial focus on new actors (“transnational relations”) and new issues (“international political economy”) obscure the deeper implication of the *Transnational Relations and World Politics* for general international relations theory. The more fundamental implication of the existence of transnational relations is the following: *State preferences about the management of world politics are a potentially positive-sum variable, rather than a zero-sum constant, as realists had claimed.*⁸

On the model of trade and other forms of economic cooperation, it seems reasonable to assume that domestic interest groups have considerable investment in the transnational social relations in which they are engaged—a circumstance Keohane and Nye would later call *societal interdependence*. Keohane and Nye argued that governments will not—and, empirically, do not—always override the interests of transnational actors, even when pursuing security interests and in wartime. Not only can transnational relations shift basic state preferences (that is, underlying interests), but they can impose new external constraints and opportunities for state behavior, and alter the nature of relative interstate power, with traditional statecraft and military might playing lesser roles.⁹ Transnational societal relations must thus be understood as part of the basic structure of the international system in which states are embedded—over which they have some, but limited, control. It follows that states can be assumed to gain some mutual benefit by facilitating and managing the activities in common—though of course this does not rule out interstate conflict over control of such activities.

This is a potentially revolutionary conclusion for international relations theory, not least because it displaces the centrality of zero-sum power analysis favored by realists like Morgenthau and Waltz. Realists have long maintained that the precise preferences, interests, beliefs, and domestic politics of states are epiphenomenal, because they can be assumed to be conflictual (zero-sum). If preferences are fixed, then relative material power is all that shapes state behavior in the end; this establishes realism’s core insight: “the autonomy of the political.”¹⁰ Keohane and Nye insisted, by contrast, that international politics (in the realist sense) is *not*

⁸ Keohane recalls that the role of varying preferences and bargaining in politics was a lesson learned from Thomas Schelling’s *Strategy of Conflict*, of which he says, “It is probably difficult to overestimate the impact of this book on my generation of graduate students, particularly his discussions of mixed motive games, focal points, and bargaining” (personal communication, February 2008).

⁹ Keohane and Nye 1971b, 721.

¹⁰ Hans J. Morgenthau, *Politics among Nations: The Struggle for Power and Peace* 3rd edition (New York: Alfred Knopf, 1960), 13, 16.

autonomous; it is critically influenced by its transnational social context. Hence, as they argue, the hierarchy among issue areas breaks down, with military issues no longer dominant. It follows that if transnational relations vary greatly, then preferences can vary correspondingly—and one cannot simply take them by assumption. The ultimate significance of this line of argument—though Keohane and Nye themselves do not push it all the way to this conclusion—is that any empirical analysis of interstate power and strategic interaction cannot be conducted in isolation; it requires a *prior* understanding of state preferences derived from detailed empirical analysis of issue-specific societal interdependence. Realist theories of state behavior cannot stand on their own, and claims for the autonomy and parsimony of such theories are simply invalid.¹¹

Economic examples are prominent in Keohane and Nye’s development of this point. They point to financial markets and communications, with which foreign ministries are not competent to deal. They highlight tensions that arise between competing policy options, for example between the interests of U.S. multinational firms and the national interest in promoting economic development and stabilizing the international economy.¹² Similarly, they cite Cooper’s claim that in economic policy, governments faced a range of strategic choices, including defensive protectionism, assertion of national jurisdiction, and policy coordination through international institutions—implying that conflict and cooperation are choices rather than foregone conclusions in the mixed-motive environment.¹³ Such “complex” tensions may arise even in areas of “high” foreign policy. Keohane and Nye point to a declining separation between “high” and “low” politics, and offer a suggestive reanalysis of Norman Angell’s famous pre-World War I prediction that great power war was obsolete, arguing that a century later interdependence and expectations may now have increased to a level where his claim is becoming more accurate.¹⁴ Overall, they conclude, there is good reason to believe that the level and nature of transnational relations, and resulting levels of “societal interdependence,” will influence foreign policy decisions.

A final implication of variation in patterns of societal interdependence and state preferences is the increasing importance of domestic politics.

¹¹ Here I extend the implications of Keohane and Nye’s writing one step beyond what they wrote at the time. See, however, Keohane and Nye 1975. For subsequent analyses that develop the methodological implications, see Baldwin 1979; Frieden 1979; Moravcsik 1997. On Keohane’s own ambivalence about domestic politics and variation in state preferences, see notes 16 and 17 below.

¹² Keohane and Nye 1971b, 741–42.

¹³ Keohane and Nye 1971b, 744.

¹⁴ Keohane and Nye 1971b, 724.

Individuals and groups within societies are likely to have differential links to global society, and therefore might be expected to have different interests in how it should be managed—in contrast to what some expect to be more homogeneous preferences for a public good like “security.”¹⁵ (Indeed, transnational and domestic forces can never be clearly separated in analyses of interdependence; interdependence, by its very nature, involves the interaction between domestic and foreign societal actors.) Keohane and Nye underscore this point by attributing the rising “politicization” of international economics to a conjunction of “secular trends” toward increased government responsibility for economic welfare and economic internationalization, which makes governments “more sensitive to external disturbances that may affect developments within their own societies.”¹⁶ Bureaucratic politics is fragmenting, they argue, citing the fact that by the early 1960s, forty-four U.S. federal bureaucracies were already represented in the London embassy.¹⁷ Keohane and Nye provide examples of how private groups work through domestic politics, form transnational alliances, and invoke international organizations, in order to oppose or circumvent the will of their home governments.

Transnational Relations is more typology than theory. Keohane and Nye undermine the realist ideal type by outlining the complexity of potential causal connections, and set forth a research agenda for studying them, but offer no rigorous explanation of the effects of transnational relations. Forty years later, however, one is still struck not just by the enduring importance of the substantive and theoretical innovations outlined above, but by the many concrete phenomena highlighted in the volume, many of which have become the object of intensive research over the next generation of scholarship: transnational alliances, “two-level games,” the “democratic deficit,” the backlash against globalization, transgovernmental networks, the boomerang effect of transnational advocacy groups, and multilevel governance, to name a few. Most fruitful has been the vast literature on the ways in which interdependence and domestic politics impact state preferences across international economic policy. Yet Keohane and Nye themselves did not continue in this vein and explore this implication of their theory in detail—a task many of their students willingly took up.¹⁸ What interested them about networks was not their substantive impact on preferences, but their impact on international political processes—to which we now turn.

¹⁵ Keohane and Nye 1975, 397–98.

¹⁶ Bergsten, Keohane, and Nye 1975, 5–7.

¹⁷ Keohane and Nye 1971b, 724.

¹⁸ A large number of his students, including many in this volume, did turn to the domestic politics of interdependence. Keohane did return to this issue in an edited volume with one of them (Keohane and Milner 1996).

Power and Asymmetrical Interdependence

In *Power and Interdependence*, Keohane and Nye begin by summarizing the world of *Transnational Relations* as the ideal type of “complex interdependence,” characterized by high societal interdependence, intense trans-governmental interaction, and complex domestic politics. Military force is an inappropriate tool in most such cases, primarily because of its high collateral costs. There is thus little reason to assume a “hierarchy of issues” in world politics, with security at the top; instead we should view world politics as a complex and changing set of issue-specific interactions. Keohane and Nye contrast this ideal type of “complex interdependence” to a realist ideal type in which security issues dominate the agenda and military force is effective.¹⁹

Power and Interdependence seeks to develop positive theories to explain state behavior under such conditions. If power is not exercised by those with a dominant control over coercive power resources, such as military force—as realists claim—where does it come from? Without a conception of power, the notion of complex interdependence seems naive or utopian.²⁰ Keohane and Nye’s answer comes in the form of the concept of *asymmetrical interdependence*.²¹ The central theoretical claim of the book, and Keohane’s second major contribution to IR theory, is this: *Interstate power stems not from the possession of coercive power resources, but from asymmetries in issue-specific interdependence.*

Asymmetrical interdependence functions as follows. The more resources one country possesses (or the less it needs), the stronger it is; conversely, the less a country has of it (or the more it needs), the weaker it is. Bargaining relationships, Keohane recalls arguing, “might be symmetrical, as in the case of Germany and France; it might be asymmetrical, as in the case of the United States and Guatemala.”²² This is a subset of a general and widely employed set of bargaining models in which players with more intense or immediate preferences are disadvantaged vis-à-vis those with less intense preference or more patience, and will be compelled to sacrifice relatively more in order to get what they want. In the context of international

¹⁹ Keohane and Nye 1977, chap. 2. Keohane’s attitude toward domestic politics and variation in state preferences remains ambiguous throughout his career. He backtracks in *After Hegemony*, dropping the assumption of varying preferences and “fragmented” domestic politics, and returning to a state-centric view favoring “systemic” explanations with fixed positive-sum preferences.

²⁰ Keohane 2004, 5.

²¹ This is Keohane and Nye’s own retrospective understanding as well. “In *Power and Interdependence*, Nye and I had already sought to integrate Realism and Liberalism by using a conception of interdependence which focused on bargaining.” (Keohane and Nye 1987, 733).

²² Keohane 2004, 5.

relations, asymmetrical interdependence offers what is potentially an extremely parsimonious model of bargaining, since it derives bargaining power from the same basic source as state preferences.²³

Keohane and Nye pose a second theoretical question in *Power and Interdependence*, to which they provide only an inductive analysis: What explains international order? Here Keohane and Nye conduct simple empirical probes. In their most important empirical chapter, they assess four explanations for variation over the twentieth century in international rules in money and oceans policy. A first (“economic process”) explanation stresses simple technocratic adaptation to technological or economic change. A second (“overall power” or realist) explanation posits that the most powerful country militarily (the “hegemon”) makes the rules, with power shifting to match changes in its power. A third (“issue structure”) explanation predicts that the most powerful country within an issue area, understood in “asymmetrical interdependence” terms, sets the rules. A fourth (“international organization”) explanation posits that rules encoded in international institutions—or *international regimes*, as they came to be called—remain in place even in the face of pressures for change.²⁴ Keohane and Nye interpret the evidence over time to support the view that a world of “complex interdependence,” which they associate with the third (“issue structure”) and fourth (“international organization”) explanations, is supplanting a more traditional state-centric explanation, which they associate with the first and second explanations.²⁵

Their discussion of international regimes and organizations hints at the importance of “agenda-setting” and institutionalization. Yet this finding is more suggestive than conclusive, leading to a further puzzle: If international organizations are becoming more important in shaping state behavior, why is this so? This leads us on to *After Hegemony*.

International Regimes and Information

International institutions have played a secondary role in the works discussed up to this point.²⁶ In *Transnational Relations*, the focus is on “trans-

²³ Keohane recalls that this insight came from Schelling’s work and from Albert Hirschman’s *National Power and the Structure of Foreign Trade*, which was the subject of much discussion at Harvard when Keohane spent a year of leave there in 1972.

²⁴ For a definition and discussion of international regimes, see Krasner 1983b.

²⁵ The economic process explanation is not inconsistent with “complex interdependence.” Keohane and Nye treat convergent economic interests as necessary but insufficient for cooperation.

²⁶ To be sure, both Keohane and Nye had worked on international organizations. Keohane’s dissertation concerned influence within the UN General Assembly. Keohane describes the field in the 1960s as “an old-fashioned descriptive, atheoretical enterprise” (personal communication, February 2008). Nye worked on European integration, focusing on the convergence of economic and social preferences (Keohane and Nye 1975, 379).

national” or “transgovernmental coalitions,” with international institutions simply providing one among a number of convenient sites or logistical instruments to assist in forming them.²⁷ *Power and Interdependence* goes a bit further, treating institutions as instruments to link issues and set agendas. Yet neither work succeeds in offering a micro-foundationally grounded explanation of how and why institutions alter the behavior of states. They leave any claims open to the traditional realist criticism that they rest ultimately on little more than a conviction that statesmen comply out of ethical or idealistic belief—a view derided as “moralistic,” “legalistic,” or “utopian.” A convincing rationalist account of why states should construct and comply with the norms and principles of international law and organization remained absent. Yet international institutions, if we are to believe *Power and Interdependence*, seem to have increased in importance and influence since the mid-twentieth century. This is the central puzzle Keohane addresses in *After Hegemony*.

In contrast to the ever broadening inductive mode of *Transnational Relations* and *Power and Interdependence*, *After Hegemony* remains tightly focused on developing a rigorous theoretical answer to this question, even if it means setting aside other factors that might be relevant in explaining international cooperation. The effects of “economic process” and “transnational relations” on state interests, for example, analyzed in *Transnational Relations* and *Power and Interdependence*, are assumed rather than analyzed; the analysis begins by taking “the existence of mutual interests as given,” and moves on immediately to “examine the conditions under which they will lead to cooperation.”²⁸ *After Hegemony*’s tight focus is, from Keohane’s perspective, a cardinal intellectual virtue, because it formulates the problem of cooperation in a more tractable form. By bracketing underlying interests, Keohane distinguished “cooperation” from “harmony.” Harmony is a situation where preferences converge automatically, such that each actor’s policies independently facilitate the achievement of the goals of others. Cooperation, by contrast, is a situation in which motives are mixed and uncertainty over behavior will prevent optimal outcomes unless active steps are taken. Shared interests are necessary, but insufficient, to explain cooperation. For Keohane, this was a decisive moment. “I gave this talk about cooperation,” he recalls, “and Fred [Bergsten] said right away, ‘What’s the difference between cooperation and harmony?’ And I realized that that was the key to the puzzle.”²⁹

²⁷ Keohane and Nye 1975, 399–401.

²⁸ Keohane 1984, 6.

²⁹ “That is, I wasn’t going to argue that there was harmony. There’s not harmony; there’s conflict in international politics. It’s decentralized realm, it’s anarchy in a certain sense. So cooperation has to be something different, and it comes out of conflict. It’s mutual adjustment to conflict. Once you see cooperation that way—not as harmony, which made it so seem

He later explained: “Harmony is apolitical. No communication is necessary, and no influence need be exercised. Cooperation, by contrast, is highly political: somehow, patterns of behavior must be altered. . . . [Under] a variety of conditions strategies that involve threats and punishments as well as promises and rewards are more effective in attaining cooperative outcomes than those that rely entirely on persuasion and the force of good example.”³⁰

Empirically and methodologically, the strict separation of harmony and cooperation might be viewed as a somewhat dangerous assumption, for without exploring baseline shifts in the economic costs and benefits that affect state interests, it is difficult to know for sure how to what extent the changes in cooperation one observes might actually be explained by economic factors and domestic politics.³¹ Theoretically, however, bracketing the origins of state preferences proved an extremely fruitful strategy, for by doing so, Keohane could focus his full attention on developing a rigorous rationalist account of international institutions.

Keohane developed this theoretical advance in a dialectical relationship with two basic strands of scholarship. The first was Waltzian neorealism. He was impressed by the parsimony and power of Waltz’s work—more so, he recalls, than most of his colleagues at the time—and sought to emulate it.³² In this respect *After Hegemony* is a theoretically conservative book: Keohane quite deliberately eschews the construction of polar opposite ideal types found in *Transnational Relations* and *Power and Interdependence* and, as we have seen, sets aside previous claims about the fragmentation of domestic politics and preferences. Instead he affirmed as many tenets of Waltzian realism as possible: states as actors, (bounded) rationality and self-interested state behavior, fixed preferences, the role of hegemonic power. Whereas Waltz assumed that uncertainty about future intentions would rule out cooperation, however, Keohane treats information as a variable and institutions as a means to manipulate it, thereby facilitating cooperation.³³ He recalls:

odd, how would you ever get cooperation to fit in international politics if it’s harmony? Once you see that it’s actually a form of discord which generates cooperation, mutual adjustment instead of conflict, then you can get a handle on it, because it becomes very similar to the problem of conflict. It’s the obverse side of conflict” (Keohane 2004, 3).

³⁰ Keohane 1984, 53.

³¹ Indeed, Keohane’s own empirical analysis in *After Hegemony* repeatedly suggests the importance of domestic and economic factors. Keohane 1984, chap. 9, especially 207, 208–9, 211, 212–13, 215.

³² Personal communication, February 2008.

³³ There has been a subsequent debate on this issue. Joseph Grieco and others argue that realists in fact assume “relative-gains seeking.” However, the link between realism and relative-gains seeking has been criticized for its lack of conceptual clarity, while some realists deny that realism actually assumes conflictual preferences. For a review, see Baldwin 1993.

[Waltzian neorealism] was clearly a powerful intellectual construction [but] it was missing any attention to information—to the variation in how much information people have, and how much uncertainty there is. . . . and therefore the role of institutions was omitted. Once I realized that institutions serve principally to reduce uncertainty and provide information and credibility, then it was clear how the institutions fit into the missing part of Waltz’s theory. A rebel against orthodoxy is always greatly in the debt of the people who can express what is the dominant view with utter clarity and logic.³⁴

At the level of general international relations theory, therefore, the fundamental theoretical innovation in *After Hegemony* is to treat information as a basic element of the international system. This is Keohane’s third major theoretical contribution to IR theory: *Variation in the nature and distribution of information is a systemic variable in world politics that helps explain the ability of states to overcome collective action problems.* By theorizing the precise role played by the quantity, quality, and distribution of information in world politics, we can understand state behavior better than with models that attend only to preferences, power, and strategic ideas. International institutions are one source of high-quality information otherwise unavailable to states, so the functional use of international institutions by self-interested, rational states is one implication of this basic theoretical insight—he one in which Keohane was most interested.³⁵

To work out the precise link between information and institutions, Keohane turned to a second source of theoretical inspiration: the transaction costs economics of Ronald Coase, Oliver Williamson, George Akerlof, and other industrial organization economists.³⁶ The basic premise of this body of thought is that information is functionally useful, but costly to decentralized actors—in this case, to states—and its absence can induce “market failures” in otherwise competitive markets. In order to

³⁴ Keohane 2004, 2.

³⁵ Other potential sources of information about the intentions and actions of other states include diplomacy, the pattern of strategic interaction itself, direct observation of domestic politics, and independent social and cultural interactions, which have generated their own literatures. E.g., Oye 1986.

³⁶ Keohane recalls, “The most important piece of work was by an economist at Berkeley named George Akerlof, who later, much later, won the Nobel Prize for this article, called *The Market for Lemons*. Akerlof showed how in an economic market, the used-car market, there could be market failure. . . . [International] institutions were like the used-car dealer . . . because they made it possible for these otherwise separate and distrustful entities—the buyer and the seller, or the two countries—to make a deal which they would both benefit from, even though they were, in some sense, in a partially adversarial situation” (Keohane 2004, 2). Among the colleagues Keohane credits with pointing him toward this literature are Charles Kindleberger, Tim McKeown, James Rosse, and Laura Tyson. See Keohane 1982 for the seminal ideas and citations.

cooperate, governments must ascertain which parties are most interested, what agreements are possible, how best to structure those agreements, what behavior to expect of one another, who is complying with the agreements, and how they are to be collectively enforced—activities that, if constantly negotiated from scratch, impose potentially high (transaction) costs and risks. In world politics, “world government does not exist, making property rights and rules of legal liability fragile; information is extremely costly and often held unequally by different actors; transaction costs, including costs of organization and side-payments, are often very high.”³⁷

Insofar as international institutions generate high-quality information and reduce uncertainty about the intentions and actions of other states in regard to these things, they can reduce the costs and risks of cooperation. In Keohane’s words, international regimes “contribute to cooperation not by implementing rules that states must follow, but by changing the context in which states make decisions based on self-interests.”³⁸ Institutions can further cooperation by establishing forums for decision-making, linking issues together, providing incentives for states to exchange concessions, sharing information, specifying property and voting rights, assigning liability, creating dispute resolution mechanisms. They increase interactions (or iterations) among states, permitting states to observe one another and assess one another’s willingness of the other to comply with cooperative agreements, coordinating coordinated and reciprocal “tit-for-tat” behavior. “Viewing international regimes as information-providing and transaction cost-reducing entities rather than as quasi-governmental rule-makers helps us to understand [their] persistence.”³⁹ Keohane generally refers to this approach as *functional regime theory*, *neoliberal institutionalism*, or, later, *institutionalism*.⁴⁰

One attractive implication of this approach is that it explains why modern international institutions are *neither* idealistic organizations appealing to utopian ideals *nor* authoritative monopolists of coercive force, superstates with an army and a police force on the model of the nation-state. Instead they are highly decentralized institutions, often informal or semiformal, to which nations belong voluntarily. The essence of such “international regimes” is that they set norms, principles, and procedures for interstate interaction. In this way Keohane sought to construct a maximally parsimonious argument why rationalist, self-interested states would construct and comply with international institutions—one that could com-

bat the traditional realist objection that international law and institutions are utopian and idealistic. He concludes:

International regimes are valuable to governments not because they enforce binding rules on others (they do not), but because they render it possible for governments to enter into mutually beneficial agreements with one another. They *empower* governments rather than shackling them.⁴¹

So far we have seen what international regimes do and why states create them, but not why they have an independent causal impact. Governments could, after all, simply constantly negotiate and renegotiate institutions at will to suit their immediate interests, always tracking underlying interests and power. To explain their autonomous impact, Keohane adds one more critical assumption, namely that regimes themselves are particularly expensive to establish and reform—much more so than individual agreements. This is so ostensibly because they link together a much thicker and more complex stream of preexisting agreements. If regimes were costless to build, there would be little point in constructing them. In this case, agreements would also be costless. Under these circumstances, governments could wait until specific problems arose, then make agreements to deal with them; they would have no need to construct international regimes to facilitate agreements. It is precisely the costliness of agreements, and more so regimes themselves, that make them important. The high price of regime-building helps existing regimes to persist.⁴²

It is worthwhile, therefore, for governments (and domestic social groups) to economize to a certain extent in negotiation and adjustment by sticking with established patterns. Keohane’s most famous set of empirical predictions follows: International institutions tend to impart a status quo bias. Governments would rather muddle through, building on and complying with the rules of a somewhat inconvenient regime, than seek to renegotiate the entire arrangement. Regimes persist, even if the interests

⁴¹ Keohane 1984, 13.

⁴² Keohane 1984, 102–3, more generally, 100–103, where he notes: “In world politics, international regimes help to facilitate the making of agreements by reducing barriers created by high transaction costs and uncertainty. But these very difficulties make it hard to create themselves in the first place. The importance of transaction costs and uncertainty means that regimes are easier to maintain than they are to create. Complementary interests are necessary but not sufficient conditions for their emergence. The construction of international regimes may require active efforts by a hegemonic state, as the IMF and GATT did after World War II; or regime creation in the absence of hegemony may be spurred on by the pressures of a sudden and severe crisis, such as that which led to the IEA. Even with complementary interests, it is difficult to overcome problems of transaction costs and uncertainty. Once an international regime has been established, however, it begins to benefit from the relatively high and symmetrical level of information that it generates, and from the ways in which it makes regime-supporting bargains easier to consummate.”

³⁷ Keohane 1984, 87.

³⁸ Keohane 1984, 13.

³⁹ Keohane 1984, 100–101.

⁴⁰ Keohane 1989.

that give rise to them shift. And within this institutionalized realm, the power to influence outcomes is wielded by those who control the agendas of international institutions.

To test this set of claims, Keohane turns to case studies of postwar Western trade, money, and oil politics. He seeks to isolate the importance of institutions, using declining U.S. hegemonic power (e.g., the decline of the United States from a half to a quarter of world GNP in the postwar generation) as a baseline. His central empirical claim is that the creation of postwar economic regimes in all three areas required the exercise of U.S. hegemonic power, exercised primarily in the form of asymmetrical policy adjustment and investment in the system by the United States, but that the decline of U.S. power did not lead to disorder and conflict, as realism would predict. Instead, cooperation persisted beyond expectations, even as hegemonic power declined—and this, he argues, is due to the stabilizing power of international regimes. Keohane observes, for example, continued multilateral trade liberalization, even in the face of slower growth, protectionist pressures, and bilateralism. In money and oil, where the collapse of the Bretton Woods fixed rate system and the replacement of the Seven Sisters with OPEC might be viewed as marking massive regime change, Keohane nonetheless points to considerable elements of institutional continuity.⁴³

Keohane employs hegemonic stability theory as a baseline against which to test the institutionalist claims—a move often treated, even by Keohane himself, as a test of realism against institutionalism. In fact, however, most of his empirical arguments about hegemonic construction of postwar international institutions are not realist but based on “asymmetrical interdependence” arguments, whereby the hegemon assumes the brunt of adjustment or directly subsidizes the adjustment of less willing or able partners.⁴⁴ Overall military might and zero-sum security conflict play rel-

atively little role—though Keohane does acknowledge some impact.⁴⁵ Yet the primary role of hegemony in *After Hegemony* is not to advance a general theoretical claim—Keohane does not, in fact, claim that regime construction *generally* requires a hegemon—but to demonstrate that the transaction costs of regime creation are higher than the costs of regime maintenance, thereby bolstering the core institutionalist claim about the decisive role of information.⁴⁶

With these three claims, Keohane (and Nye) had brought together new causal understandings of state preferences, interstate bargaining, and institutionalization, which would serve as a common foundation for the new discipline of international political economy over the next generation. Taken together, they established a comprehensive rationalist account of how states cooperate. After 1985, Keohane himself moved on. He has remained among the most prolific and influential scholars in the field. His work on ideas and international relations, interdependence, feminist theory, European integration, the environment, alliances, international law, anti-Americanism, qualitative methods, and democratic accountability displayed remarkable variety and energy, and considerable conceptual innovation has made important contributions to our understanding of world politics. But it would not have the same revolutionary impact on international relations theory.

The Emergence of International Political Economy in Historical Perspective

Three factors converged at this particular point in time to account for the emergence of the new field of IPE, and for the singular foundational importance of Keohane’s specific theoretical insights: developments in world politics, developments within international relations theory, and Robert Keohane’s particular characteristics among the founding generation of IPE theorists.

It is appropriate for us to begin—as Keohane himself would in analyzing

⁴⁵ It might reasonably be objected by realists that the ultimate motivation was one of security conflict with the USSR, as Joanne Gowa and others have recently argued, without which the United States would not have found the domestic political will to pursue an enlightened policy of regime construction. Liberals might respond that the sources of this Cold War security conflict itself had more to do with specific state preferences (respective domestic regime type, patterns of interdependence, and national ideologies of East and West) than with the distribution of power per se.

⁴⁶ The construction of international regimes may require active efforts by a hegemonic state, as with the IMF and GATT after World War II, but it may also occur in the absence of hegemony, as in the case of the EU, or spurred on by the pressures of a sudden and severe crisis, such as that which led to creation of the International Energy Agency.

⁴³ There is surely some tendency on Keohane’s part to code the cup as half-full of money and oil, certainly, even if the argument about trade is more convincing. With regard to oil, he seeks to offset the rise of OPEC with an entire chapter to the prospects for intra-Western cooperation in the International Energy Agency, though ultimately conceding that the case might be the most favorable for hegemonic stability theory. In money, he stresses continued, if weakened, cooperation at the IMF, monitoring and lending to deficit countries, at the same time as the dollar standard and fixed exchange-rate system collapsed. Be that as it may, our primary concern here is the theoretical contribution of the book, which remains that of providing a plausible account of the functional role of international institutions.

⁴⁴ In a zero-sum bargaining situation, asymmetrical interdependence means that the possession of issue-specific resources accords a country bargaining leverage. In the cooperative international environment, Keohane argues, the logic is reversed: The more issue-specific resources a country has, the less costly it is on the margin for it to contribute to provision of the public or collective good. At the limit, the U.S. hegemon can provide the public good itself, as in the case of financial assistance, a reserve currency, and order in the Middle East.

a social phenomenon—with the deeper historical determinants of the theoretical breakthroughs. The 1960s and 1970s witnessed a critical juncture in modern political economy. Economic interdependence, the use of economic instruments of power, and the management of international regimes—what we would today term “globalization”—became salient public issues in Western, and particularly American, foreign policy.⁴⁷ Problems of inflation, the declining dollar, and trade competitiveness were increasingly salient on public agendas, and with the collapse of Bretton Woods, the global economy entered an era of increasingly unfettered international capital mobility, with everything that entailed. An important aspect was the increasing sense of vulnerability of the United States as its economic hegemony declined, beginning with John F. Kennedy’s famous inaugural observation that the balance of payments, alongside the nuclear balance, was the incoming American president’s chief foreign policy concern. Policy think tanks were springing up to study the phenomenon. G-7 cooperation was launched in this period as a transgovernmental means to manage these issues. This was the period of intense discussion about GATT, the IMF, OPEC, as well as various radical alternatives, such as the Group of 77 and the New International Economic Order.⁴⁸ This period also saw increasing public and scholarly attention to the activities of multinational corporations, the dependency of neoimperialism, revisionist theories of the Cold War, and economic influences on U.S. foreign policy—all of which linked political economy issues to the burning issue of intervention in Vietnam and other developing countries. Keohane and Nye were also influenced, as we have seen, by the writings of a number of economists, such as C. Fred Bergstein, Richard Cooper, Charles Kindleberger, Raymond Vernon, Albert Hirschman—and, later, by transaction costs economics.

Though, unlike Nye, he eschewed a life of policy activism, Keohane was engaged with these outside trends. Looking back, he speaks of his inherited sense of moral commitment:

⁴⁷ Keohane said his purpose was “to contravene the notion that world politics is only about security affairs, and that political economy is not an important part of it. When we started this work in 1970, people were ignoring multinational enterprises. They were looking only at the state system. They considered economic relations among the advanced countries to be low politics, not very interesting. What was interesting was the U.S.-Soviet conflict, nuclear weapons, international crises. Our view was that that was also interesting, but the increasingly important phenomenon of political economy—of the use of politics to shape the economy, of the use of economic wealth to shape politics—was not being studied” (Keohane 2004, 2).

⁴⁸ To be sure, Keohane did not address directly the issue of North-South relations, preferring to work on regimes among developed Western countries, but the theoretical advances were applied to these issues by others, including some participants in this volume.

I’ve always been a student of international politics because I cared about the outcomes, not just for curiosity. I thought (maybe with hubris) that one could make some difference in how people behave in the world if they think differently about it. . . . if they redesign their policies or institutions there could be more mutually beneficial collaboration without giving up one’s own interests, [and] the world would be a better place.⁴⁹

The new concept of power developed in *Politics and Interdependence* was a response to the collapse of Bretton Woods and the first oil shock in 1971–73, which demonstrated as clearly as any issues in modern times the power of “asymmetrical interdependence.” Keohane’s mentor and Nye’s colleague Stanley Hoffmann penned an influential essay explaining why the United States was unable to deploy military force to offset Saudi Arabia’s exercise of economic influence.⁵⁰ *After Hegemony* responded directly to the post-Bretton Woods concern about the stability of the international economic order in the face of rising interdependence. In Keohane’s first issue as editor of *International Organization*, “right after the oil crisis,” he wrote:

There was a crisis . . . of interdependence . . . growth had slowed down or stopped in the West. There was a general sense that we had to restructure the system after Bretton Woods collapsed, and so it was a moment when it was clear that people needed to think politically about the world economy, because it wasn’t automatically taking care of itself.⁵¹

Keohane’s work also came at a critical juncture in international relations theory, a moment when the hold on the field of realists like Morgenthau, Waltz, and Kissinger was eroding—which served to focus Keohane’s thought. Keohane and Nye’s challenge to realism was part of a broader trend. Kenneth Waltz’s neorealist reformulation in the book *Theory of International Politics* was a powerful and appealing synthesis, but it attracted many critics. In part this was a function of its exclusive focus on military matters, and its difficulty in explaining the new economic trends we have just described. But there were also purely theoretical concerns. We have seen that in each book, Keohane (and Nye) were reacting against a realist ideal type—without which the theoretical revolution underlying the emergence of IPE would have lost much of its force.

The parsimony of neorealist theory left much out that was of potential interest. For Keohane, who ran a joint Bay Area international relations seminar with Waltz during the late 1970s, the parsimony of neorealism

⁴⁹ Keohane 2004, 3.

⁵⁰ Hoffmann 1975, 4–5.

⁵¹ Keohane 2004, 3.

was a both a model and spur that led him to highlight what was missing—as we have seen above. He was not alone. Almost every major theoretical innovation of the past quarter-century in international relations has been a reaction to neorealism. Even Waltz's students, most of whom continued to call themselves “realists,” tended to dilute neorealist assumptions by adding exogenous changes in state preferences—giving rise to so-called “neoclassical” realism.⁵² Theories of the democratic peace, the focus on ideas, and the study on nonrational decision-making and theories of domestic politics also gained ground in this period.

At an even more fundamental level, the reconceptualization of power that underlay Keohane and Nye's approach to international political economy, in which coercive military force is replaced by asymmetrical interdependence and institutional agenda control, was part of a revolution across the discipline of political science. It was an application of Robert Dahl's pluralist politics model to the international system, with implications perhaps more far-reaching in international politics than even in U.S. politics.⁵³

Keohane was thus in the right place at the right time—politically and academically—to make these breakthroughs. Yet there is also something in his own distinctive cast of mind that contributed to his success. In this regard, one might be tempted to focus on intellectual curiosity and tenacity, breadth of interests, intensity and focused energy, an ability to collaborate with a wide range of interdisciplinary scholars, older and younger, a willingness to mentor students who disagree with him, and an utter fearlessness about directing the field in directions that he cannot, for methodological reasons, follow. Those who have worked with him have benefited from—and have been spurred on by—these characteristics. Yet here I shall focus on the intellectual style of his scholarship—a style that is reflected in the general theory that emerged—and its relationship to these external challenges.

Keohane was a member of the transitional or “founding” generation of the subdiscipline of modern international political economy. He played a role akin to that of Dahl in American politics, or Samuel Huntington and Gabriel Almond in comparative politics. As such he was a bridge between styles of thought: He was trained by scholars who were historians or political theorists—and at a university, Harvard, that prided itself on resisting modernizing trends. Yet he himself trained professional students of IPE. Keohane was suspended between these two generations—belonging to neither and yet, in a sense, to both. This generational position tells us much about his unique conceptual abilities.

Like those who taught him, Keohane brought to his scholarship the

training and temperament of a political philosopher, as well as those of a political scientist. “I was always interested in political theory,” he observes. “I'm a theorist by nature, and I love political theory more than anything else.”⁵⁴ Those who had the greatest formative influence on him, his mentors Hoffmann and Judith Shklar, were political theorists, temperamentally unsuited to modern political science. Hoffmann has questioned—in public if not in print—the discipline's obsession with the intricacies of regime theory. Keohane recalls that when he told Shklar that he was working on *After Hegemony*, she responded that it would be “a small book with large type and large margins” because “there's nothing to say about international cooperation.”⁵⁵ Keohane himself initially yearned to follow in their footsteps. But for the presidency of John F. Kennedy, anti-Communism, and his mother's social democratic admonitions to improve the world, as he tells it, he would have become a political philosopher.⁵⁶

Keohane has always characterized himself as a political theorist, and traces of his fundamental commitment to political philosophy remain in his work. Keohane is above all a conceptual thinker. If other early IPE scholars brought other skills—one thinks of Robert Gilpin's historical sweep, John Ruggie's sociologically informed treatment of ideational factors, Joseph Nye's practical policy engagement, Peter Katzenstein's knowledge of comparative European institutions, Ernst Haas's complex analysis of endogeneity, Stephen Krasner's blunt analysis of power—Keohane's work stands out for its conceptual clarity. Throughout his career, he has focused tenaciously on “big questions” of international relations, more than detailed empirical and methodological issues. He possesses a special ability to distill fundamental conceptual dichotomies and core principles underlying disciplinary debates. In stylizing the positions of his opponents, often more crisply than they had themselves, he succeeded in redefining the contours of the discipline—as we see not just in volumes analyzed above, but in the debates recounted in the edited volumes entitled *Neorealism and Its Critics* and *Neo-Liberalism and Its Critics*.⁵⁷ Often these positions are based on close exegesis of theoretical texts, as in his readings of Hans Morgenthau, Kenneth Waltz, Ernst Haas, and the transaction costs economists. Though his work is informed by a remarkably broad empirical understanding of international relations, Keohane ultimately privileged conceptual clarity over empirical complexity.⁵⁸ This is evident,

⁵⁴ Keohane 2004, 1.

⁵⁵ Keohane 2004, 3.

⁵⁶ Keohane 2004, 1.

⁵⁷ Keohane 1986a; Baldwin 1993.

⁵⁸ Keohane has preferred edited volumes or article- or chapter-length empirical inquiries. A book-length study of American foreign policy over two hundred years remains unfinished.

⁵² E.g., Walt 1987. For a critique see Legro and Moravcsik 1999.

⁵³ Keohane and Nye 1975, 395–96.

for example, in his ambivalent attitude toward the role of “domestic politics” in world politics: His early work with Nye highlighted the fragmentation and complexity of politics among interdependent nations. Yet in *After Hegemony* he sets them aside, preferring to side with Waltz in preference for so-called systemic arguments about power and information—a decision that was, in the end, more aesthetic than empirically grounded.⁵⁹ All these habits of mind can be seen, at least in part, as marks of Keohane’s affinity to normative political theory.

Another indicator of Keohane’s ambivalent position in modern scholarship, poised between political theory and political science, is his attitude toward methodology. He advises students to study methods and might thus be considered—on the basis of his influential methodological writings with Gary King and Sidney Verba—a methodological modernist.⁶⁰ Yet he stresses also—at greater length and, one senses, with more passion—that students “should also have the context, because nothing is more dangerous than addressing a problem in a hard science way without an understanding of the context of the concepts that are involved. It’s bound to be misleading and even dangerous.”⁶¹ One senses that Keohane, for all his encouragement and respect for the application of modern scientific methods in political science, remains ambivalent about the result.⁶²

Keohane’s distinctive “transitional” style of scholarship stands out in sharp contrast to the work of the generation that followed him—that of his students. The younger generation is, and has had to be, far more specialized. They have been *professional* international political economists from the start, practitioners of normal science, within a subdiscipline that has been subjected to a relentless process of specialization. It has sheered off almost entirely from international security, and has developed its own internal theoretical, methodological, and substantive subcategories that proceed increasingly in separate tracks.

Much of this has been for the good. Contemporary scholarship is conceptually more self-aware, with theories now spanning nearly the full spectrum of possible political and social processes. In many areas—such as the study of “endogenous tariff theory” or game-theoretical models of collective action problems—debates are many academic iterations deep, resulting in an extremely high level of methodological and theoretical specialization. Many are trained in statistics, mathematics, economics, or history, and engage in interdisciplinary work. Formal and quantitative

methods have been refined—and we are now in the process, thanks in part to Keohane’s coauthored efforts, of improving qualitative methods.⁶³ Many illogical, imprecise, and invalid claims have been rooted out.

But, like any process of Weberian rationalization, academic specialization comes at a cost to the individual. Each scholar is condemned to say more about less. The fundamental paradigmatic issues to which Keohane devoted his scholarly career have receded into the background. Each scholar lays a brick on the edifice of IR theory, but each is less concerned or less aware about the shape of the wall itself. Political scientists today tend to be more analytic and less synthetic, understanding parts of the whole, but not the system itself. It has become unfashionable in IPE circles to conduct debates about “isms” and “grand theory”—though such debates do occasionally have a tendency to sneak in by other names.⁶⁴ The logic of specialization places each individual in a Weberian “iron cage.”

Keohane himself, by contrast, was fortunate to emerge as a scholar at an earlier moment in the development of the global political economy and in the discipline of international relations—a moment to which his particular training and temperament as a “political theorist” proved remarkably well suited. From 1970 to 1985, these three factors converged to create a foundational body of international relations theory. Yet there would never again come a historical moment when the tectonic shifts in public policy and international relations theory would dovetail so perfectly with one scholar’s instincts as a political theorist. The vocational skills of a “political theorist” no longer fit the state of a subdiscipline that has become too crowded, specialized, and high-tech to make full use of them. No scholar writing on IPE today—whether so inclined or not, and whether possessed of the requisite talent or not—can realistically hope to emulate the style of scholarship and superordinate stature Keohane achieved. Yet without his epochal theoretical breakthroughs, none could be what they are today. It is this that has earned him a unique spot in the history of international relations theory.

⁶³ King, Keohane, and Verba 1994.

⁶⁴ Despite their dismissal of paradigmatic debates, recent works tend to replicate similar categories, distinguishing “international” and “domestic” levels of analysis, “political” and “economic” causes, or dividing the field into theories focusing on “preferences,” “power,” “institutions.” See, for example, Lake and Frieden 1999; Lake and Powell 2000.

⁵⁹ Keohane’s justification for this position is, in the end, essentially aesthetic (Keohane 1984, 25–26, 35, 69; Keohane 1986b).

⁶⁰ King, Keohane, and Verba 1994.

⁶¹ Keohane 2004, 6.

⁶² It is striking that some of his most important theoretical advances were made in collaboration with Nye, who remains even more distanced from these developments.