

Spring 2000

The Political Economy of Security: A Research and Teaching Agenda

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Introduction

The security studies literature is dominated by the traditional realist distinction between "high politics" and "low politics." The former is said to encompass what matters most to states—national sovereignty and security from external attack. All other concerns of state, including its pursuit of economic well-being, are said to be of considerably lesser importance, as befits the designation "low politics." This artificial distinction is considerably overdrawn, even if one uses a narrow definition of security, for several reasons.[1] First, it ignores the material and economic underpinnings of military power and national security that many realists themselves acknowledge as essential components of national power. Second, it takes for granted the independence states have both from the international economy and from domestic political opposition when mobilizing economic resources in support of security objectives. Finally, it glosses over the potential for states to achieve national security objectives in an interdependent world economy by using economic instruments, such as economic sanctions and economic incentives.

This article makes the case for treating the political economy of national security as a distinct subfield of security studies for both teaching and research purposes.[2] It identifies a unique set of "political economy" issues that have a direct bearing on national security calculations. It reviews both the classical geopolitics literature and a growing literature by contemporary international relations scholars that address these issues in an effort to bridge the chasm between political economy and security. Finally, it suggests avenues of further research to flesh out the conditions under which domestic and international economic factors affect the pursuit of national security.

Wealth and Military Power

The first and most fundamental problem with the distinction between high and low politics is that it ignores the well-established economic roots of power. Mercantilists have long asserted that "money is the sinews of war" because wealth translated rather fluidly into military power.[3] In the age of divine right monarchs and mercenary armies, wealthier states could afford larger and better-equipped armies. Following the French Revolution and its introduction of national military conscription, the size of a state's military apparatus no longer depended as directly on

national wealth. Nonetheless, as Napoleon observed, "an army marches on its stomach." [4] The ability to feed, clothe, train and equip the armed forces - all of which depend on economic resources - can play a decisive role in combat. Moreover, in the modern era, wealthier nations tend to have more to invest in research and development of weapons technologies, which can afford them a decisive advantage on the battlefield. For these reasons, both realists and geopoliticians have long identified national wealth and industrial capacity as a component of national wealth. [5] Such reasoning also prompts neorealists to fear the security externalities of economic activity and, therefore, to eschew absolute gains in favour of relative gains. [6]

It is not merely aggregate wealth that affects a state's ability to secure itself. A state must also have access to a wide array of resources (often called "strategic goods") and weapons that can enable it to sustain a war effort. [7] These include, *inter alia*, foodstuffs, metals and minerals used in weapons production, oil and other fuels, and a host of other materials essential to sustaining agriculture, industry and the military in wartime. [8] Consequently, one of the most important dilemmas of "high politics" that states must face is an economic one: should they attempt to produce as many of these strategic requirements as possible domestically, by striving for autarky, or should they trade for them on the international market? The pursuit of autarky - to the extent that it is possible - entails both economic costs, since it promotes economic inefficiency, and strategic costs, since it requires the state to produce defence goods that it may not be well-suited to produce. [9] (Consider for example, the lower quality synthetic oil that Germany had to produce during World War II, due to its lack of domestic crude oil supplies, or the strategic costs that would accrue to a country like Canada if it produced its own fighter aircraft instead of purchasing state-of-the-art United States-built F-18s.) Trading for defence goods, though more economically efficient, is fraught with risks, since it allows adversaries an opportunity to stop shipments or to interfere with deliveries from other states during wartime.

The resource acquisition dilemma is, in fact, part of a broader political economy dilemma with profound security implications: whether to organize the national economy in accordance with the principles of economic nationalism or those of economic liberalism. [10] An economic nationalist strategy, designed to protect domestic industries through subsidies and various tariff and non-tariff barriers to filter out foreign competition, may ensure that a defence industrial base exists to serve the national security effort when needed. It may also promote economic distortions and inefficiencies that reduce national wealth and that can hamper the pursuit of national security. An economic liberal strategy, based on the free market, specialization and comparative advantage, has the advantage of maximizing national wealth and, consequently, the aggregate resources that the state can devote to national defence. [11] Nonetheless, a free market approach has the adverse effect of extinguishing uncompetitive national industries, which means that the state cannot count on them to supply the war effort if it is cut off from international supplies.

At the most basic level, therefore, national wealth, resource allocations and the structure of economic activity can have important consequences for national security. Moreover, since no state - not even the United States or the Soviet Union after World War II - possessed all the resources they required within their own borders, no state is completely autonomous of the international market, which, as we will see in the next section, has profound implications for military strategy.

Trade Dependence and Military Strategy

Because all states depend on foreign trade to at least some degree, economic considerations often play a considerable role in influencing national security policies in preparation for war and wartime military strategies. Much of the business of national security aims to acquire secure access to foreign resources that would not be interrupted in the event of war. Indeed, the primary purpose of colonization was to obtain exclusive ownership and control of overseas resources.[12] Similarly, states can prepare themselves for war by tying the economies of smaller, nearby states to their own in order to secure access to their exports. They can accomplish this by offering them extremely favourable terms of trade that could not be matched on the international market, as Nazi Germany did in Southeastern Europe prior to World War II.[13] Alternatively, as Imperial Japan did in its "Co-Prosperity Sphere" in the 1930s, they could coerce smaller neighbours militarily or conquer them to guarantee access to their exports in the event of a broader war.[14] In a more benign fashion, states could seek military and economic alliances with key suppliers.

In wartime, trade dependence and the importance of supplying the war effort encourage military strategists to target the enemy's economic base as a complement to - or perhaps even a replacement for - battle preparations. As Sir B. H. Liddell Hart argued, grand battles pitting the bulk of the combatants' forces against each other are physically, economically and morally exhausting for both victor and vanquished. An indirect approach, targeting economic targets - such as supply lines, fuel depots, shipments of overseas strategic goods, etc. - can overcome both the enemy's will and the capability to resist, thereby achieving victory more efficiently.[15] Thus, for example, a strategy of naval blockade, that aims to deny the adversary access to critical overseas strategic goods shipments, can paralyze the adversary's war effort.[16] Indeed, many attribute the Allied victory in World War II to the wide British blockade of the North Sea, which deprived Germany of the food, oil, coal and rubber it needed to continue fighting.[17] Similarly, the Germans nearly knocked the British out of World War II with their sustained submarine commerce-raiding campaign, targeting Allied supply convoys in the North Atlantic.[18] Although it has not been used as effectively in a major war, the strategy of strategic bombing - bombing industrial sites, supply depots, infrastructure and population centres behind enemy lines in an attempt to defeat the enemy without a decisive battle on the ground - is the airborne counterpart to naval blockade and commerce raiding.[19] To complement these physical measures to undermine the enemy's strategic resources, economic strategists can wage economic warfare. Economic warfare entails two broad categories of activities. First, national strategists must deny the enemy access to their own strategic resources and manufactures through export embargoes. Second, they must deprive the enemy of imports from important neutral states by using diplomatic and military means to dissuade neutrals from exporting to the enemy, as well as pre-emptive buying to divert supplies from the enemy.[20]

Thus, far from being a trivial concern, economic considerations play a significant role in war-fighting strategy and doctrine because states are more dependent on the international market than realists conventionally assume.

The Political Economy of War Mobilization: Domestic Political Aspects

Not only are states not as autonomous from the international market as the distinction between high and low politics implies, they are not as autonomous domestically either. States do not have automatic access to domestic resources; they must mobilize the money, manpower, industrial capacity and materials necessary to sustain a war effort. In so doing, they must ensure that the domestic costs of war mobilization are not too onerous for the population or powerful societal groups, or they will risk a revolution - like those in Germany and Russia as a result of World War I - which will undermine national security goals.[21] Nonetheless, they must ensure that they obtain sufficient resources to wage war.

National security establishments therefore face two political economy dilemmas of utmost importance. The first involves financing the war effort. The most reliable means of raising revenue is direct taxation, which can provide needed revenue without creating a burden of indebtedness. As the tax burden begins to bite, however, it can lead to domestic political opposition to the war effort and to the government, thereby undermining the military effort. Conversely, debt financing, using both domestic and foreign debt instruments, offers the advantage of tapping into voluntary suppliers of capital. The disadvantage of debt financing, though, is that, in the event of a long and costly war, the state's indebtedness is bound to grow, to the point that it threatens its future power.[22] This is an important reason for the British and French decline after the two World Wars, when they became mired in debt to the United States. Indeed, the financial dilemmas of defence mobilization have given rise to the field of defence economics.[23]

The second dilemma involves raising the manpower, material and industrial contribution to fuel the security apparatus. It can do so within the context of existing state-society relations, by using its existing power resources and policy instruments to levy what it can for the war effort. Such an "accommodational strategy" entails the fewest political costs for the state but, as Michael Barnett observes, it is frequently unable to satisfy all of the state's national security requirements during a severe crisis. Thus, states are frequently compelled to pursue "restructural strategies" that aim to alter state-society relations in order to generate a greater societal contribution to national defence. Either the state can coercively increase its power vis-à-vis society in order to extract a greater contribution, or it can negotiate further limits on state power in exchange for the even larger voluntary contribution it can obtain through liberalization. Coercion, of course, is risky, since it can inspire both domestic resistance and inefficiency. To the extent that the state must bargain with the public and societal interest groups, liberalization constrains its power to mobilize for war in the future. Thus, Barnett observes that state power over the national security realm in both Egypt and Israel weakened as a result of the domestic political bargains they struck between the 1967 and 1973 Arab-Israeli wars.[24]

Thus war mobilization - the quintessential exercise of "high politics" - is fundamentally dependent on matters of political economy that the security studies literature wishes to consign to the category of "low politics."

Economic Interdependence, Economic Statecraft and International Conflict

The reliance of states on both domestic support and international sources of supply in order to meet their security needs not only complicates war mobilization and military strategy, it also affords opportunities for states to achieve their strategic goals through economic means rather than military force. If states can effectively manipulate economic interdependence by deepening international economic ties, imposing economic sanctions or offering economic inducements, they can create incentives for others to behave consistently with their security objectives.

Interdependence and International Conflict

Commercial liberals maintain that when economic interdependence is high between states, the likelihood that states will resort to war to settle their differences declines.[25] Their argument is that, when trade and investment flow freely across national boundaries, the opportunity costs of war in terms of economic exchange are so high as to make the use of force an unattractive option.[26] Furthermore, trade is more efficient than force as a means of extracting resources and wealth from territory, especially since nationalism and modern technology make conquest unprofitable in the contemporary era.[27] Thus, they conclude that liberal states can achieve their national security objectives economically rather than militarily, by erecting a liberal international trading regime.

Although there has been a spate of recent tests of the commercial liberal claim, there is still insufficient empirical evidence either to support or refute it. Some quantitative studies have indeed shown a powerful link between interdependence and reduced international conflict.[28] Other empirical studies - both quantitative and qualitative - however, show either no clear relationship between interdependence and conflict[29] or even some support for the neorealist counter-proposition that interdependence can actually inspire interstate conflict.[30] Still others maintain that intervening variables, such as future trade expectations, the domestic regime type of states or the existence of preferential trading institutions determine the effect that interdependence has on conflict.[31]

These discrepant findings may be explained by the lack of consistency with which these studies operationalize the variable "economic interdependence".[32] According to Robert O. Keohane and Joseph S. Nye, interdependence is characterized not merely by economic interconnectedness, but by economic relations that are mutually costly to break. States are said to be *vulnerable* if they would suffer significant long-term costs if normal economic relations were to be disrupted, but only *sensitive* if policy options are available to them that would mitigate long-term costs.[33] In other words, economic interdependence refers to the importance of economic relations to national economies and the magnitude of costs that would accrue in the event of their termination. Most of the empirical tests of commercial liberalism, however, use different measures of either sensitivity or mere interconnectedness - including trade as a percentage of GDP, aggregate bilateral trade, foreign investment as a percentage of national income, and the share of foreign currencies as a percentage of a state's total reserves[34] - that are not materially equivalent, nor do they fully capture the essence of economic interdependence.[35] Others include measures of the strategically more significant vulnerability interdependence.[36] It is difficult to reconcile the results obtained using these very different independent variables and,

clearly, more carefully co-ordinated research is needed. Nonetheless, it remains plausible that international economic exchange may have some effect on national security decisions.

Economic Sanctions

A second opportunity that economic interdependence affords national security executives is the ability to threaten or impose economic sanctions on another state in order to alter its security policies. Economic sanctions entail a disruption of ordinary economic relations - such as the imposition of measures such as a reduction in financial aid or loans, restrictions on foreign trade or investment, and the seizure of assets - in order to compel a target state to comply with political demands. Sanctions are designed to operate in two ways. First, they impose economic costs on the target state, thereby creating international economic incentives to modify their policies. Second, they cause domestic economic deprivation in the target state, thereby generating domestic political pressure for the target government to comply with the sanctioner's demands, or perhaps domestic efforts to overthrow the existing government and replace it with one that will comply.[37]

Once again, empirical tests have yielded conflicting conclusions about the efficacy of economic sanctions. Some researchers, such as Gary Clyde Hufbauer, Jeffrey J. Schott and Kimberly Ann Elliott, conclude that sanctions can achieve their stated purposes as frequently as 35% of the time.[38] Moreover, as David A. Baldwin argues, sanctions can achieve important political objectives - such as deterring third parties from taking unwelcome actions - even if they fail to achieve their stated purposes.[39] Conversely, studies by Robert A. Pape and others maintain that economic sanctions are rarely effective at achieving important security objectives; when they do appear to "succeed", it is usually an artifact of either military or political pressure or the insignificance of the demands made.[40] A third group of scholars occupies the middle ground, arguing that sanctions succeed only when the right international and domestic political conditions are present[41] or when the sanctioner possesses enough economic power to impose heavy economic costs on the target state.[42]

Despite this muddled empirical record, the increasing use of economic sanctions by the United States and the international community - both in place of, and in tandem with, traditional military and political instruments - indicates that the realms of economics and security are integrally linked.

Economic Incentives

In addition to coercive economic sanctions, the need for states to reach beyond their borders to finance and supply war also presents an opportunity for national security establishments to purchase security with economic incentives and foreign aid. These incentives can take two forms. Short term trade, and financial or technology transfers, can be exchanged for immediate and limited policy changes in a sort of *quid pro quo* with the target government.[43] Alternatively, longer-term preferential trading arrangements can be extended in the hope of influencing the target state's policies in the medium - to long-term. In the latter case, the "influence effect" occurs over time, as domestic groups in the target state develop vested

interests in continuing the economic relationship and pressure the government to avoid policies that endanger it.[44]

Very little empirical testing has been conducted on the efficacy of economic incentives.[45] The little research that has been done, however, demonstrates that it is much more difficult to achieve important political objectives with incentives than it is with coercive economic and political instruments.[46] Two recent episodes - the American and Japanese use of financial and technological incentives to forestall the construction of a weapons-grade nuclear facility by the government of North Korea and the inclusion of economic incentives to cement the Bosnian peace accord - however, indicate that economic inducements may, indeed, serve national security purposes.[47]

Transnationalism and National Security

A final set of issues that fall under the rubric of the political economy of security pertain to the effects of the increasingly transnational organization of economic activity in the contemporary era on national sovereignty and national security policy. While much has been written on transnationalism's assault on sovereignty and national autonomy in the economic realm, very little research has been done to date on its implications for national security.[48] It stands to reason, however, that as corporate investment, decision making, production, marketing and sales take place across national borders and involve shareholders, managers and labourers from multiple countries, the ability of states to pursue the economic nationalist/autarkical security policies discussed above erodes. After all, what constitutes a *national* defence company that should be cultivated and protected to ensure an adequate national defence supply base in case of war: one that operates on national territory, even if it is largely foreign-owned, or one that is nationally-owned, but operates abroad with foreign managers and labourers?[49]

Furthermore, the growing dependence of the military and the civilian economy on computer technology and the increasing speed with which people, goods, services and information cross borders create a host of new national security concerns with which states must deal.[50] These include enhanced risks of terrorism, electronic sabotage and large-scale illegal immigration. Clearly, the organization of economic activity can have profound implications for the pursuit of national security.

Conclusion: A Research and Teaching Agenda

Even with a minimalist, traditional definition of national security, the distinction between national security as "high politics" and economic affairs as "low politics" - popularized and perpetuated during the Cold War, largely as a result of neorealist scholarship[51] - is artificial and inappropriate. States are not as autonomous from either the international market or the domestic political economy as they would have to be for this distinction to be useful. They are dependent on the international market for resources and weapons systems, as well as much of the financial resources needed to safeguard national security. They also cannot take domestic resources for granted when mobilizing for defence, lest they engender a domestic revolt that could undermine national security to a greater degree. Consequently, the political economy of

defence mobilization is of utmost importance to national security policy. Furthermore, national dependence on international sources of supply and the domestic political economy creates the potential to achieve security goals through economic means, such as economic sanctions, incentives or the deepening of international trade. Finally, the current trend of transnationalism complicates the tasks of security establishments and creates a host of new security concerns.

Two recommendations follow from this analysis. First, there is a dearth of research on the political economy of national security. While researchers have recently devoted a lot of attention to economic sanctions and the effect of interdependence on international conflict, we still have little cumulative knowledge in those areas, nor do we have a clear understanding of the conditions under which economic statecraft can achieve security objectives. Moreover, the other areas of intersection between security studies and political economy identified here have been largely ignored by contemporary researchers. Political scientists, economists and historians must make an effort to fill this gap or we will perpetuate an incomplete understanding of the forces that drive national security policy.

Second, it is not logical to teach national security policy as if it were divorced from economic concerns. Instead, greater attention should be paid to the economic underpinnings of national security policy in security studies courses. Furthermore, given the broad range of security issues identified here that pertain exclusively to the political economy of national security, it would be fruitful for political science departments and international security institutes to teach graduate and senior undergraduate seminars on this important subset of both security studies and international political economy.

Endnotes

1. For the case that security must be interpreted narrowly so as to include only military security and threats to national sovereignty, see Stephen M. Walt, "The Renaissance of Security Studies," *Mershon International Studies Review*, vol. 41, no. 2 (1991), pp. 211-39. Others argue, however, that the concept of security must be broadened to include economic and ecological threats, as well as threats to individuals and groups, see Thomas F. Homer Dixon, "Environmental Scarcities and Violent Conflict: Evidence from Cases," *International Security*, vol. 19, no. 1 (Spring 1994), pp. 5-40; Mohammed Ayoob, "Defining Security: A Subaltern Realist Perspective," pp. 121-146 in Keith Krause and Michael C. Williams, eds., *Critical Security Studies* (Minneapolis: University of Minnesota Press, 1997); and Michael T. Klare and Daniel C. Thomas, eds., *World Security: Challenges for a New Century* (New York: St. Martin's Press, 1994). For a review of this contemporary debate, see Sarah Tarry, " 'Deepening' and 'Widening': An Analysis of Security Definitions in the 1990s," *Journal of Military and Strategic Studies*, vol. 1, no. 1 (Fall 1999).

2. For similar perspectives, see Michael Mastanduno, "Economics and Security in Statecraft and Scholarship," *International Organization*, vol. 42, no. 4 (Autumn 1998), pp. 825-854; Jean-Marc F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman, "The Political Economy of National Security: Economic Statecraft, Interdependence and International Conflict," pp. 1-14 in Jean-Marc F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman, eds., *Power and the*

- Purse: The Political Economy of National Security* (London: Frank Cass, 1999); Jonathan Kirshner, "Political Economy in Security Studies After the Cold War," *Review of International Political Economy*, vol. 5, no. 1 (Spring 1998), pp. 64-91; and Ethan Barnaby Kapstein, *The Political Economy of National Security* (New York: McGraw-Hill, 1992).
3. David A. Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985), pp. 72-77.
 4. Martin Van Creveld, *Supplying War* (New York: Cambridge University Press, 1977), p. 40.
 5. Hans J. Morgenthau, *Politics Among Nations*, 6th ed. (New York: McGraw-Hill, 1985), pp. 127-139; A. F. K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980), chap. 2; Klaus Knorr, "Military Strength: Economic and Non-Economic Bases, pp. 183-199 in Klaus Knorr and Frank N. Trager, eds., *Economic Issues and National Security* (Lawrence, KS: Regent's Press of Kansas, 1977); and Stephen B. Jones, "The Power Inventory and National Strategy," pp. 164-186 in W. A. Douglas Jackson and Marwyn S. Samuels, eds., *Politics and Geographic Relationships*, 2nd ed. (Englewood Cliffs, NJ: Prentice-Hall, 1971).
 6. Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization*, vol. 42, no. 3 (Summer 1988), pp. 485-507; and Joanne Gowa, *Allies, Adversaries, and International Trade* (Princeton: Princeton University Press, 1994).
 7. On strategic goods, see William S. Culbertson, *Raw Materials and Foodstuffs in the Commercial Policies of Nations*, vol. 112 (March 1924) (Philadelphia: The Annals of the American Academy of Political and Social Science); Brooks Emeny, *The Strategy of Raw Materials* (New York: Macmillan, 1936); M.S. Hessel, W.J. Murphy, and F.A. Hessel, *Strategic Materials* (New York: Hastings House, 1942); Hugh B. Killough and Lucy W. Killough, *Raw Materials of Industrialism* (New York: Thomas Y. Crowell, 1929); Eugene Staley, *Raw Materials in Peace and War* (New York: Council of Foreign Relations, 1937); David G. Haglund, "The New Geopolitics of Minerals: An Inquiry into the Changing International Significance of Strategic Minerals," *Political Geography Quarterly*, vol. 5, no. 3 (July 1986), pp. 221-240; and Jean-Marc F. Blanchard and Norrin M. Ripsman, "Measuring Vulnerability Interdependence: A Geopolitical Perspective," *Geopolitics*, vol. 1, no. 3 (Winter 1996), pp. 225-246.
 8. In addition, they require adequate supplies of labour, machinery and infrastructure.
 9. See Alan S. Millward, *War, Economy and Society* (Berkeley: University of California Press, 1977); William Carr, *Arms, Autarky and Aggression* (New York: Norton, 1973); and Staley, *Raw Materials in Peace and War*.
 10. See Edward Mead Earle, "Adam Smith, Alexander Hamilton, Friedrich List: The Economic Foundations of Military Power," pp. 217-261 in Peter Paret, ed., *Makers of Modern Strategy* (Oxford: Clarendon Press, 1986); and Baldwin, *Economic Statecraft*, chap. 5.

11. See, for example, David A. Lake, "Powerful Pacifists: Democratic States and War," *American Political Science Review*, vol. 86, no. 1 (March 1992), pp. 24-37.
12. As Staley observes, however, control of resources is less important than access. Therefore, since the enemy can blockade shipments from colonial possessions during wartime, colonial resources a state possesses may be less valuable than those it purchases from a neighbouring ally or neutral supplier. *Raw Materials in Peace and War*, pp. 24-26.
13. Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945).
14. Michael A. Barnhart, *Japan Prepares for Total War: The Search for Economic Security, 1919-1941* (Ithaca: Cornell University Press, 1987).
15. Sir B. H. Liddell Hart, *Strategy* (New York: Praeger, 1967), pp. 351-365.
16. Alfred Thayer Mahan, *On Naval Warfare* (Boston: Little, Brown, 1941), pp. 91-98.
17. Leo Grebler and William Winkler, *The Cost of the World War to Germany and to Austria-Hungary* (New Haven: Yale University Press, 1940), pp. 5-23; and Blanchard and Ripsman, "Measuring Vulnerability Interdependence."
18. Sir Peter Gretton, "The U-boat Campaign in Two World Wars," pp. 128-140 in Gerald Jordan, ed., *Naval Warfare in the Twentieth Century, 1900-1945: Essays in Honour of Arthur Marder* (New York: Crane Russak, 1977).
19. Sir Peter Gretton, "The U-boat Campaign in Two World Wars," pp. 128-140 in Gerald Jordan, ed., *Naval Warfare in the Twentieth Century, 1900-1945: Essays in Honour of Arthur Marder* (New York: Crane Russak, 1977).
20. Yuan-li Wu, *Economic Warfare* (New York: Prentice-Hall, 1952); and Millward, *War, Economy and Society*, chap. 9.
21. See Michael N. Barnett, *Confronting the Costs of War* (Princeton: Princeton University Press, 1992), pp. 3-4. As these revolutions demonstrate, state autonomy from domestic attitudes in the national security realm does not depend solely on regime type. Even authoritarian states can be dependent on key domestic groups. Conversely, even democratic states can be autonomous of domestic opposition over security matters. See Norrin M. Ripsman, "Democratic Institutions and the Governance of Foreign Security Policy: Peacemaking after Two World Wars" (Ph.D. dissertation, University of Pennsylvania, 1997).
22. Kapstein, *The Political Economy of National Security*, pp. 16-19.

23. See, for example, Keith Hartley and Todd Sandler, eds., *Handbook of Defense Economics* (New York: Elsevier, 1995); Gavin Kennedy, *Defense Economics* (London: Duckworth, 1983); and Kapstein, *The Political Economy of National Security*.
24. Barnett, *Confronting the Costs of War*. Barnett suggests a third option, "an international strategy," which pertains more directly to war financing, as I discuss above.
25. See Geoffrey Blainey, *The Causes of War*, 3rd ed. (New York: The Free Press, 1988), chap. 2; Norman Angell, *The Great Illusion* (London: William Heinemann, 1933); and Robert O. Keohane, "International Liberalism Revisited" in John Dunn, ed., *The Economic Limits to Modern Politics* (Cambridge: Cambridge University Press, 1990), pp.186-187.
26. This, of course, presumes that war necessarily interrupts economic relations between combatants. For a recent study that suggests otherwise, see Katherine Barbieri and Jack S. Levy, "Sleeping With the Enemy: The Impact of War on Trade," *Journal of Peace Research*, vol. 36, no. 4 (July 1999), pp. 1-17.
27. For a dissenting view, see Peter Liberman, *Does Conquest Pay? The Exploitation of Occupied Industrial Societies* (Princeton: Princeton University Press, 1996).
28. John R. Oneal, Frances, H. Oneal, and Zeev Maoz, "The Liberal Peace: Interdependence, Democracy, and International Conflict, 1950-1985," *Journal of Peace Research*, vol. 33, no. 1 (1996), pp. 11-28; John R. Oneal, and Bruce M. Russett "The Classical Liberals Were Right: Democracy, Interdependence, and Conflict, 1950-1985," *International Studies Quarterly*, vol. 41, no. 2 (June 1997), pp. 267-293; and S.W. Polachek, "Conflict and Trade," *Journal of Conflict Resolution*, vol. 24, no. 1 (1980), pp. 55-78.
29. Katherine Barbieri, "Economic Interdependence," *Journal of Peace Research*, vol. 33, no. 1 (1996), pp. 29-49; and Norrin M. Ripsman and Jean-Marc F. Blanchard, "Commercial Liberalism Under Fire: Evidence from 1914 and 1936," *Security Studies*, vol. 6, no. 2 (winter 1996/97), pp. 4-50.
30. Barbieri, "Economic Interdependence: A Path Toward Peace or Source of Interstate Conflict"; and Mark J. Gasiorowski, "Economic Interdependence and International Conflict: Some Cross-National Evidence," *International Studies Quarterly*, vol. 30, no. 1 (1986), pp. 23-38. On the neorealist argument that states should be willing to use force to escape the constraints of economic interdependence, see Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), p. 138.
31. See, respectively, Dale C. Copeland, "Economic Interdependence and War: A Theory of Trade Expectations," *International Security*, vol. 20, no. 4, pp 5-41; Paul A. Papayoanou, "Interdependence, Institutions, and the Balance of Power," *International Security*, vol. 20, no. 4, pp. 42-76; and Edward D. Mansfield, Jon C. Pevehouse, and David H. Bearce, "Preferential Trading Arrangements and Military Disputes," pp. 92-118 in Blanchard, Mansfield and Ripsman, *Power and the Purse*.

32. See Norrin M. Ripsman and Jean-Marc F. Blanchard, "Contextual Information and the Study of Trade and Conflict: The Utility of an Interdisciplinary Approach," pp. 57-85 in Rudra Sil and Eileen M. Doherty, eds., *Beyond Boundaries? Disciplines, Paradigms, and Theoretical Integration in International Studies* (Albany: SUNY Press, 2000); and Blanchard and Ripsman, "Measuring Vulnerability Interdependence."

33. Robert O. Keohane and Joseph S. Nye, *Power and Interdependence* (Glenview, IL: Scott, Foresman, 1989), pp. 8-19; R.J. Barry Jones, "The Definition and Identification of Interdependence," pp. 17-63 in R.J. Barry Jones and Peter Willetts, *Interdependence on Trial* (New York: St. Martin's Press, 1984); and Blanchard and Ripsman, "Measuring Vulnerability Interdependence." For the argument that only mutual vulnerability can be considered interdependence, see David A. Baldwin, "Interdependence and Power: A Conceptual Analysis," *International Organization*, vol. 34, no. 4 (Autumn 1980), pp. 471-506; and Kenneth N. Waltz, "The Myth of Interdependence," pp. 205-223 in Charles P. Kindleberger, ed., *The International Corporation* (Cambridge: The MIT Press, 1970).

34. See, for example, Polachek, "Conflict and Trade"; Mark Gasiorowski and Solomon Polachek, "Conflict and Interdependence: East-West Trade and Linkages in the Era of Détente," *International Studies Quarterly*, vol. 30 (1986), pp. 709-729; William Domke, *War and the Changing World System* (New Haven: Yale University Press, 1988); Michael S. de Vries, "Interdependence, Cooperation and Conflict: An Empirical Analysis," *Journal of Peace Research*, vol. 27, no. 4 (1990), pp. 429-444; Edward Mansfield and Rachel Bronson, "Alliances, Preferential Trading Arrangements, and International Trade," *American Political Science Review*, vol. 91, no. 1 (March 1997), pp. 94-107; Oneal *et al.*, "The Liberal Peace,"; and Barbieri, "Economic Interdependence."

35. Such measures may indicate the magnitude of a state's exposure, but not the actual costs that would accrue in the event of a disruption, since they do not consider the availability of alternate sources of supply or the importance of the goods traded. See Blanchard and Ripsman, "Measuring Vulnerability Interdependence."

36. Gasiorowski, "Economic Interdependence and International Conflict"; and Ripsman and Blanchard, "Commercial Liberalism Under Fire."

37. Donald Losman, *International Economic Sanctions: The Cases of Cuba, Israel, and Rhodesia* (Albuquerque: University of New Mexico Press, 1979), p. 1; and Robert A. Pape, "Why Economic Sanctions Do Not Work," *International Security*, vol. 22, no. 2 (Fall 1997), pp. 90-136.

38. See Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered*, 2nd ed., 2 vols. (Washington, D.C.: Institute for International Economics, 1990); Margaret P. Doxey, *International Sanctions in Contemporary Perspective* (New York: St. Martin's Press, 1987); M. S. Daoudi and M. S. Dajani, *Economic Sanctions: Ideals and Experience* (London: Routledge & Kegan Paul, 1983); and Sidney Weintraub, ed., *Economic*

Coercion and U.S. Foreign Policy: Implications of Case Studies from the Johnson Administration (Boulder: Westview Press, 1982).

39. Baldwin, *Economic Statecraft*, pp. 130-144. Indeed, publicly stated objectives may, in fact, be no more than a smokescreen concealing the true purposes of sanctions. In his re-examination of British sanctions against Rhodesia, for example, David Rowe indicates that British leaders had in fact not desired to topple the Ian Smith regime with their oil embargo. Instead, they had merely wanted to send a signal of resolve to the African members of the British Commonwealth that would not be so strong as to invite retaliation from South Africa. "Economic Sanctions Do Work: Economic Statecraft and the Oil Embargo of Rhodesia Reconsidered," pp. 254-287 in Blanchard, Mansfield and Ripsman, *Power and the Purse*.

40. Pape, "Why Economic Sanctions Do Not Work"; Richard N. Haass, "Sanctioning Madness," *Foreign Affairs*, vol. 76, no. 6 (November/December 1997), pp. 74-85; Klaus Knorr, "International Economic Leverage and Its Uses," in Klaus Knorr and Frank N. Trager, eds., *Economic Issues and National Security* (Lawrence: The Regents Press of Kansas, 1977); and Johan Galtung, "On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia," *World Politics*, vol. 19, no. 3 (April 1967), pp. 378-416.

41. Jean-Marc F. Blanchard and Norrin M. Ripsman, "Asking the Right Question: *When Do Economic Sanctions Work Best?*" *Security Studies*, vol. 9, no. 1 (Autumn 1999), pp. 228-264; and, to some extent, Jonathan Kirshner, "The Microfoundations of Economic Sanctions," *Security Studies*, vol. 6, no. 3 (Spring 1997), pp. 32-64.

42. Kim Richard Nossal, for example, argues that only great powers can expect to influence target state behaviour with economic sanctions. *Rain Dancing: Sanctions in Canadian and Australian Foreign Policy* (Toronto: University of Toronto Press, 1994).

43. Daniel Drezner, "Transaction Costs, Conflict Expectations, and Economic Inducements," pp. 188-218 in Blanchard, Mansfield and Ripsman, *Power and the Purse*.

44. Hirschman, *National Power and the Structure of Foreign Trade*, pp. 14-40. See also Rawi Abdelal and Jonathan Kirshner, "Strategy, Economic Relations, and the Definition of National Interests," pp. 119-156 in Blanchard, Mansfield and Ripsman, *Power and the Purse*; and William J. Long, "Trade and Technology Incentives and Bilateral Cooperation," *International Studies Quarterly*, vol. 40, no. 1 (March 1996), pp. 77-106.

45. See David A. Baldwin, *Paradoxes of Power* (Oxford: Basil Blackwell, 1989), chaps. 4, 7.

46. See especially Drezner, "Transaction Costs, Conflict Expectations, and Economic Inducements."

47. Scott Snyder, "North Korea's Nuclear Program: The Role of Incentives in Preventing Deadly Conflict," pp. 55-82 in David Cortright, ed., *The Price of Peace: Incentives and International*

Conflict Prevention (Lanham: Rowan & Littlefield, 1997); and Raimo Väyrynen, "Economic Incentives and the Bosnian Peace Process," pp. 155-181 in Cortright, *The Price of Peace*.

48. On transnationalism and national economic policy, see Robert B. Reich, "Who Is Us?" *Harvard Business Review*, vol. 90, no. 1 (January/February 1990), pp. 53-64. For works that seek a broader understanding of the political effects of transnationalism, see Robert O. Keohane and Joseph S. Nye, Jr., eds., *Transnational Relations and World Politics* (Cambridge: Harvard University Press, 1973); and Thomas Risse-Kappen, ed., *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures, And International Institutions* (Cambridge: Cambridge University Press, 1995).

49. For a similar point, see Reich, "Who Is Us?"

50. See, for example, Robert Mandel, *Deadly Transfers and the Global Playground* (New York: Praeger, 1999); Stephen J. Del Rosso, Jr., "The Insecure State: Reflections on 'the State' and 'Security' in a Changing World," *Daedalus*, vol. 124, no. 2 (Spring 1995), pp. 175-207; and Myron Weiner, "Security, Stability, and Migration," pp. 394-412 in Richard K. Betts, ed., *Conflict After the Cold War: Arguments on Causes of War and Peace* (New York: Macmillan, 1994).

51. Indeed the institutionalization of the dichotomy may be largely due to the dominance of Kenneth Waltz's structural realism in the mid- to late- Cold War era and Waltz's efforts to disarm liberal critics who touted the power of economic interdependence in the late 1960s. I thank an anonymous reviewer from the *Journal of Military and Strategic Studies* for bringing this to my attention.