

FRIEDEN | LAKE | SCHULTZ

WORLD POLITICS

INTERESTS • INTERACTIONS
INSTITUTIONS

FOURTH EDITION



Understanding Interests, Interactions, and Institutions

THE PUZZLE *What explains the patterns of world politics? Why do interests, interactions, and institutions matter in international relations?*

Above: Iraqi Special Operations Forces patrol Mosul, Iraq, in 2017, amid the destruction sustained during the Islamic State's occupation of the city. Iraq regained control of Mosul in the summer of 2017, after nearly a year of fighting IS insurgents. After U.S. forces withdrew from Iraq at the end of 2011, sectarian rule and continuing violence created the political opening for IS to challenge the regime in Baghdad.

Interests: What Do Actors Want from Politics?

Interests are what actors want to achieve through political action. For example, in international relations we often assume that states have an interest in security—that is, in preventing attacks on their territories and citizens. This interest prompts states to take steps to confront potential enemies and to protect friends whose security is linked to their own. In the showdown with Iraq, an interest in security might explain the U.S. government's desire to remove a regime that threatened American allies in the region and was suspected of developing WMD. As the primary motivations behind actors' choices, interests are the fundamental building blocks of any political analysis.³

More precisely, interests are the preferences of actors over the possible outcomes that might result from their political choices. Interests determine how actors rank the desirability of different outcomes, from most to least preferred. An actor motivated by an interest in money prefers outcomes that give it more money over those that give it less. A state interested in security prefers outcomes that strengthen it and weaken its adversaries over outcomes that have the opposite effect. For example, given the United States' general interest in security, it might prefer a democratic Iraq that is friendly toward American allies and encourages the democratization of other states in the Middle East (Map 2.1). If this best outcome were to prove impossible, the United States' second-best result might be a pro-Western dictator in Iraq. This outcome would be preferable to an anti-American Islamist government, which, in turn, would be preferable to widespread instability and chaos in Iraq and the region more generally. Between each of these broad alternatives, of course, are many intermediate outcomes that can be similarly rank-ordered.

Interests can be many and varied, depending on the specific policy or event under examination. In identifying the interests of an actor, analysts sometimes draw on prior theories of human nature or behavior; at other times, they rely on the statements or actions of the actors themselves; and at other times still, they simply assume that actors have a particular interest. At the most general level, analysts often group interests into three categories: power or security, economic or material welfare, and ideological goals.

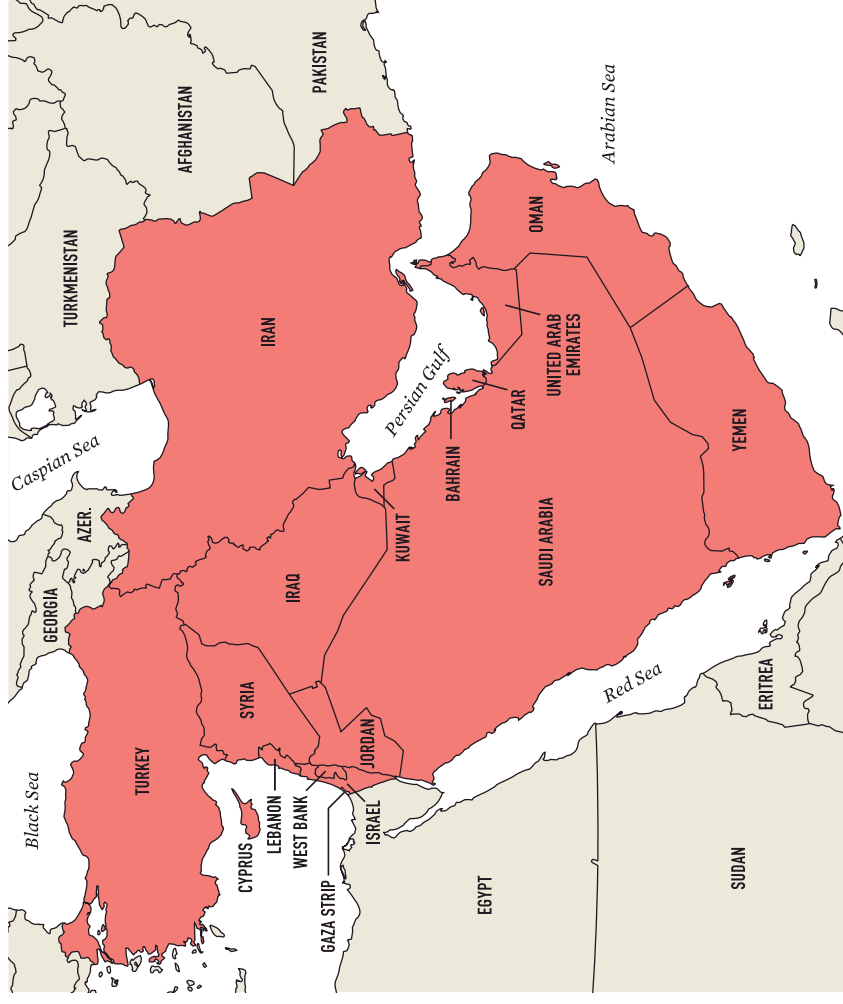
In the first category, all political actors are understood to require a degree of security as a prerequisite to all other goals or, at an extreme, to desire power and the ability to dominate others either as part of human nature or as essential to survival in a competitive international environment. In the second category, political actors

3. For a more extensive treatment of the theoretical and methodological issues in studying interests, see Jeffrey A. Frieden, "Actors and Preferences in International Relations," in *Strategic Choice and International Relations*, ed. David A. Lake and Robert Powell, 39-76 (Princeton, NJ: Princeton University Press, 1999).

interests

What actors want to achieve through political action; their preferences over the outcomes that might result from their political choice

MAP 2.1 *The Middle East*



are presumed to desire a higher standard of living or quality of life, defined largely in terms of greater income, more consumable goods and services, or more leisure time (less work). This second set of interests is not incompatible with the first if we think of economic welfare as the long-term goal and security or power as a means to this end. Finally, political actors may also desire moral, religious, or other ideological goals, including democracy, human equality and dignity, the glory of a particular god, and so on. In this category, ideas often play a key role in shaping what actors want or believe to be good and desirable, including even what it means to be secure or wealthy. Again, there is not necessarily a conflict between these interests and others, as power or wealth may be a means toward ideological ends.

Scholars have long debated whether one conception of interest is more universal, true, or useful than others. Indeed, the three sets of general interests roughly divide

When discussing states as actors, we may use the concept of the *state* in two different ways that are important to distinguish. Scholars sometimes assume that states are motivated by an interest in security—that is, safety from external and internal threats—and in accumulating power as a means to ensure security. These goals are said to be **national interests**, or interests that belong to the state itself. In this usage, the states-as-actors assumption sees international politics as driven by states’ quest for security and power.

Alternatively, the states-as-actors concept serves as convenient shorthand for sets of national leaders acting in the name of their countries. This use of the term reflects the fact that many actions in international politics are taken by individuals who represent the state: political leaders, diplomats, members of the armed forces, or others acting in an official capacity. Hence, we often lapse into language like “the United States threatened Iraq,” when in fact it was certain representatives of the United States who threatened representatives of Iraq. When using the concept of the state as a shorthand for a set of composite interests, we can make no prior assumption about where the interests pursued by those agents originate. Sometimes the state’s representatives act on behalf of a particular domestic interest group—for example, when negotiating a trade agreement that is in the interest of exporting industries. Alternatively, state leaders might act to further their own personal or political agendas. In such cases, the interests that matter are those of the interest group or politician, but when those interests play out at the international level, they are pursued by people acting in the name of the state.

As this discussion suggests, there is no fixed or permanent set of actors in international relations. Like interests, actors are an analytical concept that is imposed on explanations by observers seeking to understand why events happen in a certain way. Selecting the set of individuals who are identified as the actors in any explanation is a choice we make to help account for observed outcomes. There is no right or wrong way to specify the actors in any event or set of events. As with interests, we judge different conceptualizations of actors only by whether they are useful in helping us understand world politics.

For example, the Iraq War was itself conditioned by the prior Persian Gulf War of 1991, which in turn was influenced by the end of the Cold War, and specifically by the Soviet Union’s decision not to try to counter the expansion of U.S. power in the Persian Gulf. The Persian Gulf War was influenced by the Iran-Iraq War of 1980–88, which left Iraq deeply in debt to its neighbors. One might include all of these actors in a complete explanation of the war. But as an initial point of departure, we might prefer a simpler formulation that focuses on the relationship between President Bush and Saddam Hussein as the “key” actors in the run-up to the 2003 war. Even in this more narrow focus, however, we need to decide how to think about President Bush as an actor. We know that Bush made the decision to invade Iraq, but how should we interpret his choice?

We could think of Bush as the head of a state seeking to further the state’s interest in security or access to a key natural resource; in this case, the state is the actor whose interests are driving choices. We could also understand him as a politician pursuing his personal interest in getting reelected to the presidency; in this case, the

national interests

Interests attributed to the state itself, usually security and power.

individual politician is the actor whose political interests are driving the choices. We might also focus on the interests of groups that helped support Bush’s reelection bid, such as oil companies or defense contractors that benefited from the administration’s more aggressive stance toward Iraq. Alternatively, we could think of Bush as an individual motivated by personal ideology about democracy. For any given policy choice, it may be difficult to know for sure which interests are being pursued; indeed, a single decision may further more than one interest. In these cases, we judge any assumption about actors by how useful it is in explaining the overall pattern of events we observe.

Thus, any analysis starts with the question, Who are the actors, and what are their interests? But, as noted above, the analyst must consider how much “history,” or background, is necessary and who the key actors are in any explanation. This is very much a subjective decision by the analyst. In general, we prefer explanations that are simpler over those that are more complex, but how simple a good explanation must be is never defined in the abstract. Moreover, as we will see in the rest of this chapter, this question of which actors and their interests to include cannot be answered by itself, but requires attention to the interactions and institutions in which those actors are embedded. All three concepts—interests, interactions, and institutions—are necessary for a sufficient explanation of any particular event.

Table 2.1 lists key categories of actors in world politics, the interests commonly ascribed to these actors by analysts, and specific examples. The list, of course, is not

TABLE 2.1 Key Categories of Actors and Interests in World Politics

ACTOR	COMMONLY ASCRIBED INTERESTS	EXAMPLES
States	Security, power, wealth, ideology	United States, Canada, China, Switzerland, India, Uruguay
Politicians	Reelection/retention of office, ideology, policy goals	President of the United States, prime minister of Great Britain, Speaker of the U.S. House of Representatives
Firms, industries, or business associations	Wealth, profit	General Motors, Sony, the pharmaceutical industry, National Association of Manufacturers, Business Roundtable
Classes or factors of production	Material well-being, wealth	Capital, labor, land, human capital
Bureaucracies	Budget maximization, influence, policy preferences, often summarized by the adage of “where you stand depends on where you sit”	Department of Defense, Department of Commerce, National Security Council, Ministry of Foreign Affairs
International organizations	As composites of states, they reflect the interests of member states according to their voting power. As organizations, they are assumed to be similar to domestic bureaucracies.	United Nations, International Monetary Fund, Universal Postal Union, Organisation for Economic Co-operation and Development
Nongovernmental organizations, often transnational or international in scope and membership	Moral, ideological, or policy goals; human rights, the environment, religion	Red Cross, Amnesty International, Greenpeace, the Catholic Church

option. A strategy is a plan to do as well as possible, given one's expectations about the interests and actions of others. It is not a guarantee of obtaining one's most preferred result.

Understanding the outcomes produced by the often complex interplay of the strategies of two or more actors can be difficult. A specialized form of theory, called game theory, has been invented to study strategic interactions. We offer a brief introduction to game theory in the "Special Topic" appendix to this chapter (p. 82), focusing on relatively simple games to communicate the core ideas behind strategic interaction.

Cooperation and Bargaining

Interactions can take various forms, but most can be grouped into two broad categories: cooperation and bargaining. Political interactions usually involve both forms in varying degrees.

Interactions are cooperative when actors have a shared interest in achieving an outcome and must work together to do so. **Cooperation** occurs when two or more actors adopt policies that make at least one actor better off without making any other actor worse off. Opportunities for cooperation arise all the time in social and political life. For example, when a group of friends wants to throw a party, they may find that none of them can spare the time or money to do so alone. But if they all contribute a little, they can each enjoy the benefits of throwing the party. The members of a community all benefit if there are good roads to drive on and clean water to drink, but again, most likely no individual alone is able to provide these. If they all agree to pay taxes to a central agency that will provide roads and water, then they can all be better off. A group of firms may share an interest in lobbying Congress for trade protection from foreign imports. By pooling their resources and acting together, they may be more effective at getting their way than they would be on their own. In the international system, states may have opportunities to cooperate to defend one another from attack, to further a shared interest in free trade or stable monetary relations, to protect the global environment, or to uphold human rights.

We will look more closely at each of these types of situations in the following chapters. In the case of Iraq, numerous states in the international community loathed or feared Saddam Hussein's regime, and they may have seen his removal as preferable to the status quo. Some of these chose to cooperate in a military effort to oust Hussein's regime. Foremost among them were the United States and Great Britain, both contributing significant military forces and other resources in the expectation that joint action would make them better off relative to either maintaining the status quo or acting alone.

Cooperation is defined from the perspectives of the two or more actors who are interacting. Even though their cooperation may benefit those actors, it may hurt other parties. The friends agreeing to throw a party together may disrupt their neighbors by making noise late into the night. Firms that cooperate to lobby Congress for trade protection may impose higher prices on consumers. The countries

that cooperated to oust Saddam Hussein clearly made the dictator worse off. Indeed, cooperation is not always an unmitigated good; its benefits exist only for those who adjust their policies to bring about an outcome they prefer.

Figure 2.1 depicts in simple terms the problem of cooperation between two actors. Imagine that two actors can enact policies that have the potential to increase their overall income or welfare. The income of the actors is plotted along two dimensions, with Actor A's income increasing along the horizontal axis and Actor B's income increasing along the vertical axis. Since the concept is easier to illustrate with a divisible good like money, we use dollars in the example, but welfare is the more general concept, which includes not only income but other desired goods or outcomes. All points within the graph represent possible outcomes produced by different combinations of policies chosen by the two actors.

Assume that by cooperating, the two actors can make as much as \$1,000, a limit determined in this case by the available technology and resources. This limit is depicted by the downward-sloping line in Figure 2.1, which shows all the different ways \$1,000 can be divided between the two actors. The point at which the line touches the horizontal axis depicts a situation in which Actor A gets \$1,000 and Actor B gets nothing, the point at which the line touches the vertical axis depicts a situation in which Actor B gets all the money, and every point in between represents different divisions of the maximum feasible income. For example, if the two actors cooperate to make the maximum income in such a way that State A gets \$600, then

FIGURE 2.1 Cooperation

In this world, there is \$1,000 worth of a good that can be captured by State A and State B. In the status quo, State A gets \$200 and State B gets \$200. Through cooperation, both states can improve their outcomes by capturing and sharing the remaining \$600. The green-shaded triangle—defined by the points *q*, *a*, and *b*—outlines all possible superior outcomes.

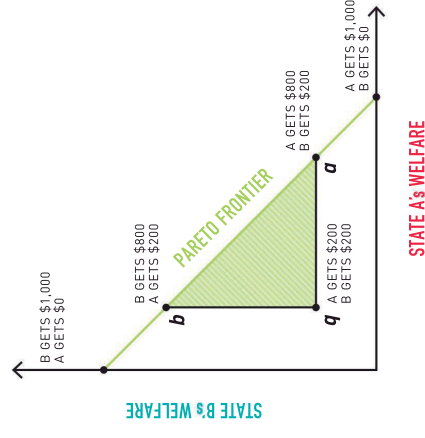
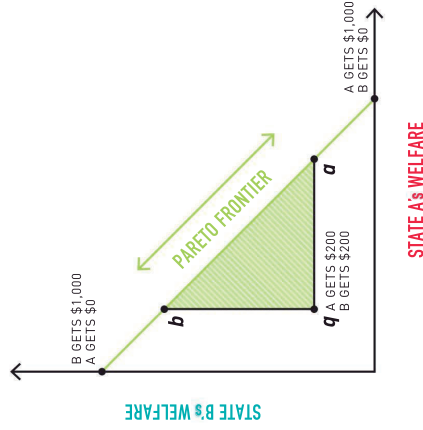


FIGURE 2.3 Cooperation and Bargaining

Through cooperation, State A and State B can improve their joint outcome from the starting point—the status quo—to capture an additional \$600. But they have to bargain over exactly how that \$600 will be divided between them.



worth bargaining over. And if the actors cannot reach a bargain over the division of gains, they may end up failing to cooperate.⁶

Cooperation and bargaining can succeed or fail for many reasons. Just because actors might benefit from cooperation does not mean they will actually change their policies to realize the possible gains. And even though bargaining might seem doomed to fail—after all, why would one actor agree to reduce its welfare?—actors often do succeed in redistributing valuable goods between themselves. We now turn to some of the primary factors that influence the success or failure of cooperation and, later, of bargaining.

When Can Actors Cooperate?

If cooperation makes actors better off, why do they sometimes fail to cooperate? By far the most important factor is each actor's interests. Even when actors have a collective interest in cooperating, situations exist in which their individual interests lead them to "defect"—that is, to adopt an uncooperative strategy that undermines the collective goal. How strong the incentives are to defect goes a long way toward determining the prospects for cooperation.⁷

6. On bargaining and cooperating simultaneously, see James D. Fearon, "Bargaining, Enforcement, and International Cooperation," *International Organization* 52 (1998): 269–305.

7. On the general forms of cooperation reviewed here, see Arthur A. Stein, "Coordination and Collaboration Regimes in an Anarchic World," *International Organization* 36 (1982): 299–324; Duncan Snidal, "Coordination versus Prisoner's Dilemma: Implications for International Cooperation and Regimes," *American Political Science Review* 79 (December 1985): 923–42; and Lisa L. Martin, "Interests, Power, and Multilateralism," *International Organization* 46 (1992): 765–92.

coordination

A type of cooperative interaction in which actors benefit from all making the same choices and subsequently have no incentive not to comply.

Consider the easiest kind of cooperative interaction, what we call a problem of **coordination**. This kind of situation arises when actors need only coordinate their actions with one another, and once their actions are coordinated, none receive any benefit from defecting. A classic example is deciding which side of the road cars should drive on. Drivers have a shared interest in avoiding crashes, so they are always better off if all drive on the right or on the left, rather than some driving on each side of the road. It does not matter which side of the road is selected; indeed, different countries have different rules: cars drive on the right side of the road in the United States and continental Europe, and on the left side in Great Britain and Japan. What matters is that all drivers in the region make the same choice. Moreover, no driver would intentionally deviate from that choice, since doing so would be very dangerous. In short, there is no incentive to defect from the coordinated arrangement.

In the international economy, firms, industries, and even governments face coordination problems all the time, as suggested by the numerous agreements on international standards. There are many ways to encode information to be sent over the Internet, for instance, but all firms producing devices connected to the Internet—computers, smartphones, gaming devices, and the like—are better off coordinating on a single format. Similarly, it is more important that international airline pilots speak a single language so as to communicate effectively with one another and with air traffic controllers worldwide than that they choose any given specific language. In coordination situations, cooperation is self-sustaining because once coordination is achieved, no one can benefit by unilaterally defecting.

A more serious barrier to cooperation arises if the actors have an individual incentive to defect from cooperation, even though cooperation could make everyone better off. Cooperative interactions in which actors have a unilateral incentive to defect are called problems of **collaboration**. This kind of problem is often illustrated by a simple game called the Prisoner's Dilemma. Imagine that two criminals have been detained by the police. The district attorney does not have enough evidence to convict them on felony charges but can convict each suspect for a misdemeanor. She confines the prisoners separately and presents each with the following offer: "If neither of you is willing to testify, I will charge both of you with a misdemeanor and sentence you each to one year in prison. If you defect on your accomplice by providing evidence against him, I will let you go free and will put him in prison for ten years. However, he has been offered the same deal. If he provides evidence against you, you'll be the one behind bars. Finally, if you both squeal on one another, you'll each be charged with a felony, but your sentences will be reduced to five years in exchange for testifying."

Collectively, the prisoners would do best by cooperating with each other and refusing to testify; they would, together, serve a total of only two years behind bars. However, the prisoners are motivated not by the collective outcome but rather by the desire to shorten their own individual sentences. Thus, they have an incentive to rat out the other. Each prisoner reasons as follows: "Suppose my partner stays quiet. In that case, I should defect on him so that I will be released immediately rather than remain quiet and spend a year behind bars. On the other hand, suppose

collaboration

A type of cooperative interaction in which actors gain from working together but nonetheless have incentives not to comply with any agreement.

can prove so difficult, as there is no international authority that can mandate their contributions to global public goods.

As this discussion suggests, some of the problems associated with cooperation are addressed by institutions, which might be able to alter actors' incentives so that their individual interests line up with the collective interest. The role of institutions in promoting cooperation is discussed later in this chapter. Even in the absence of institutions, though, we can identify several factors that facilitate cooperation.

Numbers and Relative Sizes of Actors

It is easier for a small number of actors to cooperate and, if necessary, to monitor each other's behavior than for a larger number of actors to do so. Two actors can communicate more readily and observe each other's actions better than a thousand actors can. Thus, the smaller the number of actors, the more likely they are to cooperate successfully. As we will see in Chapter 7, firms can organize more easily to lobby their governments for trade protection than can consumers, who are typically more numerous. Environmental agreements are easier to monitor and enforce—thus, more likely to be agreed upon—among small groups of countries.

In the case of public goods, moreover, some groups may have a single member or a small coalition of members willing to pay for the entire public good. This could happen if these members receive benefits from the public good sufficient to offset the entire costs of providing it. In such *privileged groups*, the single member or small coalition of members provides the public good despite free riding by others.⁹

As we will see in Chapter 5, international efforts to enforce agreements in civil conflicts generally require that a very powerful state, such as the United States, be motivated to conduct a peacekeeping operation largely on its own. Similarly, success in limiting ozone emissions (see Chapter 13) stemmed in part from the disproportionately large role of the United States, Russia, and Japan in the industries responsible for the emissions. Some analysts attribute the economic openness of the international economy in the mid-nineteenth and mid-twentieth centuries to public goods like the international monetary regime provided unilaterally by Britain and the United States, which were the largest powers in those eras, respectively.

9. On privileged groups, see Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1965).



The United States' disproportionately large role in cooperative organizations such as the North Atlantic Treaty Organization (NATO) gives the country an advantage in renegotiating existing agreements to its benefit. At a May 2017 NATO meeting, U.S. president Donald Trump voiced his skepticism that the other NATO members were pulling their weight in terms of defense spending and sought to secure a better "deal" for the United States.

iteration

Repeated interactions with the same partners.

Iteration, Linkage, and Strategies of Reciprocal Punishment Cooperation is more likely when actors have opportunities to cooperate over time and across issues. The incentive to defect or free ride in any given interaction can be overcome if actors expect to be involved in multiple, repeated interactions with the same partners.¹⁰ In this situation—commonly known as **iteration**—actors can prevent one another from cheating by threatening to withhold cooperation in the future. Even when an actor has incentives to defect in the current interaction, knowing that the other actor will refuse to cooperate with it in the future can offset those temptations. Thus, “good behavior” can be induced today by the fear of losing the benefits of cooperation tomorrow. The threat of reciprocal punishment can be a powerful tool for enforcing cooperation even when actors are tempted to cheat.¹¹ You are more likely to leave a generous tip for the waiter at a local restaurant you think you will frequent in the future—lest you get poor service on another visit—than you are in a restaurant you don't expect ever to visit again.

Countries are less likely to cheat on a trade agreement with a country they trade with more often and expect to trade with again in the future (see Chapter 7). In one particularly telling example, a system of “live and let live” emerged during the trench warfare of World War I. After an initial period of rapid gains, troops on both sides of the war bogged down in fixed trenches within rifle range of one another. Despite incentives to kill the enemy whenever possible, lest he kill you, many areas along the trenches developed a form of restrained cooperation in which, even in the absence of any communication, the troops stationed there in practice did not fire upon one another. Occasional failures of cooperation, when shooting began for some reason, were punished by two-for-one or three-for-one retaliation by the other side. This response usually led back to restraint and renewed cooperation. What made cooperation possible even in this most unlikely of circumstances was the long-term deployment of troops in the same area, creating iteration and reciprocity in action.

Closely related to iteration is the concept of **linkage**, which ties cooperation on one policy dimension to cooperation on other dimensions. Whereas iteration enables victims to punish cheaters by withholding the gains from future cooperation, linkage enables victims to retaliate by withholding cooperation on other issues. Defection on military affairs, for instance, might be punished by withdrawing cooperation on economic matters. One of the reasons the United States and Great Britain have been able to sustain their “special relationship” of deep cooperation, including on Iraq, is that they are bound together on so many different issues. The failure of cooperation on one dimension puts cooperation on other issues at risk and reinforces cooperation on all.

10. On iteration and international cooperation, see Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984). The trench warfare example mentioned in the following text is described in Chapter 4.

11. For the expectation of future punishment to induce current cooperation, however, actors must value the future enough that future gains matter. Everyone discounts the future; that is, they value it somewhat less than the present. A dollar today is worth more to us than a dollar next year, and much more than a dollar received in 20 years. The more actors discount the future, the less likely the threat of future punishment will encourage them to cooperate today. Conversely, the more actors value the future, the more likely the threat of future punishment will encourage cooperation now.

States has, so far, successfully shifted the burden of cutting greenhouse gas emissions onto others. This helps explain the continuing unwillingness of the United States to adhere to international environmental agreements, including the Paris Agreement that finally brought the developing countries into the international environmental regime and thus addressed some of its prior objections (see Chapter 13).

In the case of Iraq, the United States had a great stake in rebuilding that country and ending the violence that killed thousands of U.S. troops. Despite its enormous power in most respects, the United States had a hard time convincing other countries, which were less directly hurt by the status quo, to share the costs of Iraq's reconstruction. Those most in need of agreement are likely to get worse bargains than those who can better tolerate the reversion outcome.

Because bargaining outcomes are determined largely by how each actor evaluates the reversion outcome, power derives from the ability to make the reversion outcome better for oneself and/or worse for the other side. To shift the reversion outcome in their favor, actors have three basic ways of exercising power: coercion, outside options, and agenda setting.

Coercion The most obvious strategy for exercising power is coercion. **Coercion** is the threat or imposition of costs on other actors to reduce the value of the reversion outcome (no agreement) and change their behavior. Thus, states can use their ability to impose costs on others to demand a more favorable bargain than they would otherwise receive. The demand of the United States that Saddam Hussein step down or be removed by force is an example of coercive bargaining that left the Iraqi dictator worse off than before the threat was made. The target, of course, can itself try to impose costs on the challenger. What matters is the net ability to impose costs on the other—that is, the difference between the coercion employed by one side and that employed by the other. If the costs each side can impose on the other are equal, neither party has power. The reversion outcome for both parties will be worse than the status quo and both will be more desperate to reach agreement, but neither will have any greater power over the other. The ability of one actor to impose greater costs on another actor than that other actor can impose on the first is what creates power through coercion.

Means of international coercion include military force and economic sanctions. The ability to impose costs on others and to defend against others' efforts to impose costs on oneself derives in large part from material capabilities—the physical resources that enable an actor to inflict harm and/or withstand the infliction of harm. In coercive interactions among states, these capabilities are often measured in terms of military resources—such as the number of military personnel or level of military spending—as well as measures of economic strength, since economic resources can be converted into military power. The balance of such capabilities among states is a strong predictor (though not the only one) of who wins and who loses in warfare.¹⁷ Similarly, the size of a country's economy has an impact on its

17. See, for example, Dan Reiter and Allan C. Stam, *Democracies at War* (Princeton, NJ: Princeton University Press, 2002).



In coercive bargaining, the side with the larger and more capable military has an advantage. In 2017, China launched its first domestically built aircraft carrier with much fanfare, in a demonstration of its might relative to that of potential enemies.

coercion

A strategy of imposing or threatening to impose costs on other actors in order to induce a change in their behavior.

outside options

The alternatives to bargaining with a specific actor.

Outside Options Actors can also get a better deal when they have attractive **outside options**, or alternatives to reaching a bargain with a particular partner that are more attractive than the status quo. In this case, the reversion outcome is the next-best alternative for the party with the outside option. An actor with an attractive alternative can walk away from the bargaining table more easily than an actor without such an option.

The actor with the better outside option can use its leverage, the threat to leave negotiations, to get a better deal. For example, even though the United States might have preferred to work through the UN to remove Saddam Hussein from power in Iraq in 2003, the U.S. government felt that it had an attractive outside option: acting unilaterally. U.S. military capabilities meant that even though the United States might benefit from international support, it did not feel that such support was necessary to prevail. Thus, while other countries on the Security Council tried to influence U.S. policy in the dispute, their bargaining power was greatly diminished by the fact that the United States felt it could “go it alone.”

Like coercion, however, the relative attractiveness of each actor's outside option is what matters. Both actors may have alternatives, but the one with the

warned the French that their superior military power would not matter: “You will kill 10 of our men, and we will kill 1 of yours, and in the end it will be you who tire of it.”¹⁸ The Vietnamese leader's optimism sprang from the belief that his people were more willing than the French to bear the costs of war. His power stemmed not from military capabilities but from what we will refer to in Chapter 3 as resolve.

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18. Thomas C. Schelling, *The Strategy of Conflict* (Cambridge, MA: Harvard University Press, 1960).
19. This quotation is often cited, and the exact wording sometimes varies. The original source is Jean Sainteny, *L'histoire d'une paix manquée: Indochine, 1945–47* (Paris: Amiot-Dumont, 1953), 231.

game described earlier were both members of an organized crime group, and it was understood that members who rat each other out would find themselves at the bottom of a river wearing cement shoes. In that case, the prisoners would no longer have an individual incentive to defect on each other; the external enforcement by the organization would change the way they rank-ordered the possible outcomes, and cooperation between them now would make sense both individually and collectively.

Similarly, governments provide public goods by compelling individuals to pay for them in the form of taxes; the threat of fines or jail time for failing to pay weakens the incentive to free ride on the contributions of others. Cooperation among private actors within a country may also be enforced by institutions. For example, a sales contract between a customer and a firm can be enforced by courts, whose rulings are backed by the police powers of the state. In short, when institutions have means of imposing punishments for defection, they can effectively enforce cooperation.

Institutions at the international level generally lack the capacity to impose punishments on states. The international system is characterized by anarchy, as explained earlier. Whereas most countries are governed by a state—a central authority with the ability to make and enforce laws within its boundaries—there is no such central authority at the global level. Some people think the UN is a world government, but as we will see in Chapters 5 and 11, this is not the case. Even poor, weak states have more enforcement power over their citizens than the UN has over actors in the international system. It cannot tax its members, raise its own military, or field its own police force.

The condition of anarchy means that international institutions do not generally enforce cooperation among their members. Instead, cooperation at the international level has to be self-enforcing; that is, the members have to police themselves and assume responsibility for punishing defectors. The fact that countries are largely dependent on self-help does not mean that international institutions are useless, but it does shape our understanding of the role they play. In general, international institutions, even informal ones, facilitate cooperation by making self-enforcement easier. They do so in at least four ways: by setting standards of behavior, verifying compliance, reducing the costs of joint decision making, and resolving disputes. Different institutions may emphasize one or another of these tasks, but all are important.

Setting Standards of Behavior

Clear standards of behavior reduce ambiguity and enhance cooperation. For example, parents who tell a teenager, “Don’t stay out too late or else,” invite continuing conflict. What does “too late” mean? “Or else” is also ambiguous. If the parent grounds the teenager for a week, is this “unfair,” as the aggrieved youth will likely claim, or “letting her off easy,” as the parent will likely retort? The costs of such a conflict could be avoided with a clear statement: “Be home by midnight, or you’ll be grounded for a week.” The teenager might still choose to stay out later, but the standard for evaluating lateness and the consequences would no longer be in dispute.

International institutions set standards of behavior in similar ways. The North American Free Trade Agreement (NAFTA) among the United States, Mexico, and Canada contains 22 chapters and 7 annexes of detailed rules governing trade and investment among the three countries, as well as exceptions to general rules for particular practices and industries. Arms control agreements between the United States and the Soviet Union during the Cold War often ran to hundreds of pages, detailing precise numbers for different types of weapons systems and limits on their capabilities. Following the 1991 Persian Gulf War, the UN Security Council passed Resolution 661, prohibiting Iraq from possessing or developing all chemical, biological, and nuclear weapons and any ballistic missile with a range greater than 150 kilometers. It also banned all facilities for the development, support, or manufacture of such weapons, their precursors, or their subcomponents. This resolution defined carefully which weapons Iraq was and was not allowed to possess.

Clear standards of behavior enable others to determine whether an actor is violating an agreement. The aggrieved parties can call violators to account and, if the violations are not corrected, can withdraw from cooperation entirely or impose sanctions. Clear standards are especially important for international agreements, which must be enforced by participants (as opposed to third parties, as in domestic affairs). Without an authoritative third-party enforcement mechanism, such as the courts or the police, there is a real potential for disputes to escalate on account of incomplete or inaccurate information. By accurately identifying violations and violators, international institutions can help defuse potentially costly cycles of reciprocal punishments set off by misperceived violations.

Clear standards of behavior cannot eliminate all disputes. Rules can never address all possible circumstances, and there may well be ambiguous situations that those looking to evade the rules can exploit. Saddam Hussein skirted his obligations under UN Security Council Resolution 661 and played on divisions among the permanent members of the Security Council to avoid complying with restrictions, especially in reporting and inspections. But the resolution was nonetheless important in setting the standard against which his behavior was ultimately judged. Although disputes occur, clear standards help support cooperation by identifying violations and allowing enforcement procedures to function.

Verifying Compliance

In addition to standards against which actors can judge compliance, institutions often provide ways to acquire information on compliance. President Ronald Reagan famously said about arms control agreements with the Soviet Union, “Trust, but verify”—a rough translation of an old Russian proverb.

In many international institutions, self-reporting is common practice: countries are required to submit reports documenting their compliance. Such a procedure might appear weak, but it allows other parties of the agreement to inspect the self-reporting of others, assess those reports against their private knowledge of others’ compliance, and publicize and criticize any inconsistencies. Discrepancies between self-reports and later-verified accounts open the country to further disrepute and possible sanctions. In the fall of 2002, for example, the United States asked the UN Security Council to demand of Iraq a detailed accounting of its WMD

would be the costs of joint decision making. Given the huge costs, societies establish institutions—rules of the road—to routinize decision making, avoid conflicts, and reduce the costs of driving. Smoother traffic flow and faster commutes are the benefits of the institution.

Domestic political institutions similarly operate to reduce the costs of joint decision making. Imagine that a society needed to decide collectively on all matters of policy in the absence of any agreed-upon rules. Every time someone wanted to propose a new policy, he or she would have to get all citizens to figure out how they would decide. Should the policy be enacted by popular referendum? If so, who could vote? Would it pass by a simple majority (50 percent plus one vote), by a supermajority (greater than 50 percent, usually two-thirds), or by unanimous consent? Alternatively, would policy be decided by a subgroup of society? Would this subgroup be a representative body, only the most highly affected individuals, or a single individual? What powers would this subgroup have? Would it be able not only to establish the policy, but also to tax others if necessary to implement the policy?

The list of possible decision-making rules and the alternatives to be considered for each policy are virtually endless. In the absence of some agreed-upon rules on collective decision making, the costs of any policy initiative would be enormous. These might be so large, in fact, that no policy would ever generate sufficient benefits to offset the costs of enacting that policy. Nothing would ever get done. For this reason, societies create political institutions—rules of the political game—that define how joint political decisions will be made. These institutions are useful because they reduce the costs of joint decision making.

International institutions serve to reduce the costs of joint decision making among nations in the same way. The UN was created as a permanent forum where countries could come together to deliberate and attempt to resolve disagreements. Since its founding, the UN and its associated agencies have undertaken 69 peacekeeping operations, fought the Korean War, authorized the 1991 Persian Gulf War, rewritten the law of the sea, managed refugee problems worldwide, fed people displaced by conflict or famine, helped eliminate smallpox globally, and undertaken a host of other activities. A relatively clear set of rules determines which issues get referred to the General Assembly and which to the Security Council, and each body has specific voting rules. These rules reduce the costs of joint decision making among member states just as they do in other social settings. A large number of other international institutions help reduce the costs of joint decision making on a broad range of issues.

Resolving Disputes International institutions also facilitate cooperation by providing mechanisms for resolving disputes. When parties disagree about whether one or more of them have violated an agreement or how to interpret the terms of an agreement, it can be helpful to have determined in advance how to handle such differences. Domestically, disputes are routinely referred to courts for authoritative resolution; in fact, courts are the default forum for dispute resolution, unless the parties to an agreement have specifically consented to other provisions, such

as arbitration. Most international agreements, however, do not contain explicit dispute resolution procedures, and each party may seek to interpret the agreement according to its own interests and be limited only by its desire for a reputation as a “good partner.”

Nonetheless, many international economic transactions regularly delegate dispute resolution to national courts—for instance, agreeing in advance that disputes will be decided according to the laws of the state of New York—or to one of many international arbitration boards. In a limited number of cases, states will create new dispute settlement procedures as part of an agreement, as in the WTO and regional economic blocs such as NAFTA. By creating mechanisms to resolve disputes, actors increase their expectations that others will uphold their commitments, prevent retaliation from escalating out of control, resolve ambiguities in their agreements, and enable mutually beneficial cooperation. Note that the dispute resolution body itself does not have to enforce the rules by punishing violators. Rather, by interpreting rules when they are ambiguous or subject to conflicting interpretations, dispute settlement bodies help identify violator and victim, permit actors to employ self-help sanctions more efficiently, and potentially keep disputes from escalating.

In sum, institutions facilitate international cooperation in important ways. International institutions do not, however, directly enforce cooperation, except in extremely rare cases when they are empowered to punish defectors directly. Rather, despite a well-developed infrastructure of institutions, international politics remains largely a realm of self-help in which states alone must choose whether and how to penalize those who fail to cooperate. What international institutions do, however, is make compliance more likely by clarifying the terms of cooperation, providing information, and lowering the costs of joint decision making—including the costs of deciding when to punish states that choose not to follow the rules.

Whom Do Institutions Benefit?

Institutions may help states cooperate, and in that sense they can make all their members better off. But institutions rarely benefit everyone equally. Institutions are themselves a product of the cooperation and bargaining that brought them into being. They reflect past political bargains, with the winners getting to write the rules or, at least, having a disproportionate say over the rules. As a result, rules are never neutral; instead, they embody the bargaining strength of the actors at the time the rules were written or amended. Thus, all institutions contain what we describe as a policy bias.²²

Institutions bias outcomes in many ways. In the United States, for instance, citizens' interests are represented at the national level through different electoral institutions. These institutions themselves are a reflection of bargaining within the constitutional convention of 1787. The more populous states at the time sought a

22. For a review of the effects of institutions, including policy bias, see Ronald Rogowski, “Institutions as Constraints on Strategic Choice,” in Lake and Powell, *Strategic Choice*, 115–36.

rules, the reason is more often a lack of capacity to live up to their obligations than an attempt to seize an advantage over others.²⁴

Actors comply with institutions for two reasons. First, since many problems in international relations combine both cooperation and bargaining, actors may agree to comply with rules for the broader cooperation they facilitate, even though the outcome of those particular rules is biased against them. In these situations, the value of the cooperation created by the institution outweighs the costs of a relatively disadvantageous bargain. States observe the rules of the WTO not just because other countries might be authorized to punish them for violations, but also because the wider system of free trade that the WTO supports and promotes is of great benefit to them. They fear that defiance of its mandates would place at risk the whole system of trade rules and the gains from trade.

Thus, even the United States, the world's largest trader, complies with the findings of the WTO dispute settlement process. In 1995, the small country of Costa Rica brought suit against the United States in the WTO, for instance, for restrictions on cotton and synthetic-fiber underwear exported from that country. The United States tried to defend its restrictions as necessary to prevent serious damage to its domestic industry, but it was repeatedly found to be in violation of WTO rules. Washington eventually complied, to the protests of domestic producers, even though retaliation from Costa Rica itself would have been but a minor irritant. Similarly, countries abide by the NPT not just because the inspections of the IAEA may reveal cheating that could then be referred to the UN Security Council for possible sanctioning, but also because the restraints on all countries make the world a safer place. In such cases, the prospect of continued, mutually beneficial cooperation restrains the short-run temptation for countries to ignore rules they do not like.

The second reason actors comply with institutions is that they are already in place and often cheaper to use, even if they are biased, than are the costs of creating a brand-new institution that might more fully reflect the actors' interests. Creating new institutions is not easy. As we've discussed, actors must agree on the members, voting rules, and many other procedures that the institution comprises. Since those rules will affect the cooperation and bargains reached, actors will struggle over which rules should be adopted. In the negotiations that eventually led to the end of the Vietnam War, the parties spent more than six months just wrangling over the shape of the table at which they would sit.

The time and effort spent negotiating new rules can be considerable. In the case of an existing institution, the costs of creating a set of rules have already been paid. The costs of any new institution, however better suited to the matter now under discussion, would have to be paid anew. If the policy bias of an institution is small enough, actors may choose to work within the existing rules rather than create new ones from scratch. If the policy bias is too large, actors will choose to

24. See Abram Chayes and Antonia Handler Chayes, "On Compliance," *International Organization* 47, no. 2 (1993): 175–205. This view is criticized in George W. Downs, David M. Rocco, and Peter N. Barsboom, "Is the Good News about Compliance Good News about Cooperation?" *International Organization* 50, no. 3 (1996): 397–406.

disband the institution, ignore it, or reform it.²⁵ In many circumstances, however, they recognize that maintaining the institution, though far from ideal, is less costly than creating a new one.

The benefits of an established forum and set of rules for joint decision making are substantial. Indeed, the United States continues to work through the UN, even though the other member states have failed to approve policies it supports. Despite failing to get UN approval for its invasion of Iraq, by 2006 the United States was once again working vigorously through the Security Council to condemn Iran's past violation of IAEA safeguards and to prevent that country's progress toward acquiring a nuclear weapon. In this case, the cooperation of all major powers was required for effective sanctions to force Iran to the bargaining table and to the successful conclusion of the Joint Comprehensive Plan of Action halting its nuclear program, signed in 2015 and in effect beginning January 2016. The Iran agreement remains controversial, and President Trump has said that he may not certify Iran's compliance in the future. The UN remains the most effective forum for negotiating a common position with other states. Even though the United States has not always gotten its way in the past, the institution remains sufficiently valuable that the United States often prefers to work within rather than outside its rules or to create yet another organization.

Institutions are the rules of the political game. Valued and respected for the cooperation they facilitate, institutions are not, however, a panacea for problems of international cooperation. When the temptation to defect becomes too large, or the fear of being taken advantage of grows too severe, countries will violate the rules—just as actors within countries choose at times to disobey the law. Yet institutions do make international cooperation more likely, and countries that desire cooperation follow the rules more often than we might otherwise expect.

Conclusion: Explaining World Politics

This chapter has outlined the basic concepts of interests, interactions, and institutions that serve throughout the book to unravel a variety of puzzles of international politics.

To illustrate how this analytical framework can be used in concrete ways, we return to the example that opened this chapter. In the Iraq War of 2003, the interests of the United States and Iraq were diametrically opposed, thus throwing the two countries into an interaction of pure bargaining. The United States wanted, at a minimum, to eliminate Iraq's ability to deploy weapons of mass destruction and, at

25. Joseph Jupille, Walter Matile, and Duncan Snidal, *Institutional Choice and Global Commerce* (New York: Cambridge University Press, 2013).

For Further Reading

Avant, Deborah D., Martha Finnemore, and Susan K. Sell, eds. *Who Governs the Globe?* New York: Cambridge University Press, 2010. Explores new patterns of governance within the otherwise anarchic international system.

Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow. *The Logic of Political Survival*. Cambridge, MA: MIT Press, 2003. Integrates interests, interactions, and institutions to explain a wide range of behaviors in domestic and international politics.

Enloe, Cynthia. *Bananas, Beaches, and Bases: Making Feminist Sense of International Politics*. 2nd ed. Berkeley: University of California Press, 2014. Updated edition of a path-breaking feminist analysis of international politics.

Gordon, Michael R., and Bernard E. Trainor. *The Endgame: The Inside Story of the Struggle for Iraq, from George W. Bush to Barack Obama*. New York: Vintage, 2013. Still the definitive history and analysis of the Iraq War.

Jamal, Amaney A. *Of Empires and Citizens: Pro-American Democracy or No Democracy at All?* Princeton, NJ: Princeton University Press, 2012. Important study of the U.S. role in contemporary Middle Eastern politics.

Keohane, Robert O. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton, NJ: Princeton University Press, 1984. Classic statement on the role and importance of international institutions.

Kydd, Andrew H. *International Relations Theory: The Game Theoretic Approach*. New York: Cambridge University Press, 2015. Introduction to game theory with applications to world politics.

Lake, David A., and Robert Powell, eds. *Strategic Choice and International Relations*. Princeton, NJ: Princeton University Press, 1999. Examines interests, interactions, and institutions in detail within the context of international relations theory.

Milner, Helen V., and Dustin Tingley. *Sailing the Water's Edge: The Domestic Politics of American Foreign Policy*. Princeton, NJ: Princeton University Press, 2015. Explores how the interactions of the president, Congress, interest groups, bureaucracies, and the public have influenced U.S. foreign policy since 1945.

SPECIAL TOPIC

A Primer on Game Theory

Game theory is a tool for analyzing strategic interactions. Over the last 50 years, it has been developed and applied broadly in nearly all the social sciences, as well as in biology and other physical sciences—and it is even making inroads in the humanities. Among its earliest and most useful applications was international politics. We provide here a brief overview of game theory to introduce strategic thinking and illustrate concepts discussed in the text.

Imagine two actors, Actor 1 (A1) and Actor 2 (A2), with only two choices, which we call cooperation (C) and defection (D). Since each actor has two choices, there are four possible outcomes to this “game”: both might cooperate (CC), both might defect (DD), A1 might cooperate while A2 defects (CD), and A1 might defect while A2 cooperates (DC). The mapping of choices into outcomes is best depicted using a 2 x 2 matrix, as shown in Figure A.1.^a As defined in the chapter text, the actors’ interests determine how they rank the four possible outcomes from best (4) to worst (1), with higher “payoffs” representing more preferred outcomes. A1’s payoffs are given first in each cell; A2’s are given second.

Both actors choose simultaneously without knowledge of the other’s choices but with knowledge of their own preferences and those of the other actor.^b The outcome we observe is a function of the interaction—that is, the choices of both actors. Each actor can choose only C or D, but their payoffs differ across the four possible outcomes. Suppose A1 chooses C and ranks CC (mutual cooperation) over CD; in choosing C, A1 only partially controls which outcome arises. Having chosen C, A1’s actual payoff depends crucially on whether A2 chooses C (creating CC) or D (creating CD). This scenario highlights a key point: that *strategic interaction depends on the choices of all relevant actors*, and it is most important in explaining situations in which outcomes are contingent on the choices of all parties.

In such a setting, purposive actors—that is, actors who seek their highest expected payoff—choose strategies, or plans of action, that are a best response to the anticipated actions of the other. Sometimes it makes sense for an actor to make the same choice (C or D) regardless of what the opponent does; in these cases, the actor is said to have a *dominant strategy*. In other cases, each player’s best choice depends on what the opponent does. For example, a best response might be to cooperate when the other side cooperates and defect when the other side defects.

Since each player is trying to play a best response, and since each expects the other to play a best response, the outcome of the game is given by two strategies,

a. The same games can be represented in extensive form as a “game tree.” Both are common in the larger literature.

b. In some of the games discussed here, the outcome does not depend on the assumption that the actors move simultaneously.

FIGURE A.3 *Chicken*

		A2	
A1	C	Both drivers swerve; neither is humiliated or harmed.	A1 is "chicken"; A2 "wins."
	D	A1 "wins"; A2 is "chicken."	Both drivers are killed in a serious wreck.
		C	D
A2	C	3, 3	2, 4*
	D	4, 2*	1, 1

of his or her peers. The other driver wins. If both swerve simultaneously, neither is humiliated. If neither turns aside, both risk death in a serious wreck. If turning aside is understood as cooperation and continuing down the middle of the road as defection, the actors' interests are $DC > CC > CD > DD$, as shown in Figure A.3 (note that this is the same preference ordering as in the Prisoner's Dilemma, except for the reversal of the last two outcomes).

Lacking a dominant strategy, the key to one's strategy in Chicken is to do the opposite of what you think the other driver is likely to do. If you think your opponent will stand tough (D), you should turn aside (C). If you think your opponent will turn aside (C), you should stand tough (D). Two equilibria exist (DC and CD). The winner is the driver who by bluster, swagger, or past reputation convinces the other that she is more willing to risk a crash.

Chicken is often taken as a metaphor for coercive bargaining (see p. 66 in the text). Nuclear crises are usually thought of as Chicken games. Both sides want to avoid nuclear disaster (DD), but each has incentives to stand tough and get the other to back down (DC). The state willing to take the greatest risk of nuclear war is therefore likely to force the other to capitulate. The danger, of course, is that if both sides are willing to run high risks of nuclear war to win, small mistakes in judgment or calculation can have horrific consequences.

The Stag Hunt

A final game, which is often taken as a metaphor for problems of coordination in international relations (see p. 58 in the chapter text), is the Stag Hunt. This is one of a larger class of what are known as assurance games.^c The motivating parable was told by political philosopher Jean-Jacques Rousseau. Only by working together can

c. Another common assurance game is Battle of the Sexes. In this game, a couple wants to spend the evening together, but one partner wants to attend a sporting event and the other a movie. The worst outcome for each is to spend the evening alone. Interested readers should model this game and describe its dynamics in terms similar to those for the Stag Hunt and the other games in this appendix.

two hunters kill a stag and feed their families well. One must flush the deer from the forest, and the other must be ready to fire his arrow as the animal emerges. In the midst of the hunt, a lone rabbit wanders by. Each hunter now faces a decision: he could capture the rabbit alone, but to do so he must abandon the stag, ensuring that it will get away.

A rabbit is good sustenance but not as fine as the hunter's expected share of the stag. In this game, both hunters are best off cooperating (CC) and sharing the stag. The next-best outcome is to get a rabbit while the other tries for the stag (DC); however, if both go for the rabbit (DD), they then split the rabbit. The worst outcome for each hunter is to spend time and energy hunting the stag while the other hunts the rabbit (CD), leaving him and his family with nothing. Thus, each hunter's interests create the ranking $CC > DC > DD > CD$, as depicted in Figure A.4.

Despite the clear superiority of mutual cooperation, a coordination dilemma arises. If each hunter expects that the other will cooperate and help bring down the stag, each is best off cooperating in the hunt. But if each expects that the other will be tempted to defect and grab the rabbit, thereby letting the stag get away, he will also defect and try to grab the rabbit. Lacking a dominant strategy, each can do no better than what he expects the other to do—creating two equilibria (CC and DD).

The Stag Hunt resembles the problem of setting international standards (see p. 69 in the chapter text). If a firm expects all others to use one format (C) for encoding DVDs, it should also use that format; if it expects others to use a different format (D), even if that format is inferior, it should use the second format as well. The worst outcome is for it to manufacture a product using the opposite format, leaving it with no compatible users. The Stag Hunt also captures situations in which the primary barrier to cooperation is not an individual incentive to defect but a lack of trust. If we define trust in this context as an expectation that the partner will cooperate, then trust leads to mutual cooperation while a lack of trust leads to mutual defection. (By contrast, in the Prisoner's Dilemma it never makes sense to

FIGURE A.4 *The Stag Hunt*

		A2	
A1	C	Both hunters split the stag.	A1 goes hungry; A2 eats the rabbit.
	D	A1 eats the rabbit; A2 goes hungry.	Both hunters split the rabbit.
		C	D
A2	C	4, 4*	1, 3
	D	3, 1	2, 2*