

# Alliance Participation, Treaty Depth, and Military Spending

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## Abstract

How does alliance participation affect military spending? Some argue that alliance membership increases military expenditures, while others contend that it produces spending cuts. I argue that deep formal defense cooperation modifies the impact of alliance participation on military expenditures. Treaty depth reveals a tradeoff between reassurance and control of allied military spending. When security-seeking non-major powers join deep alliances they usually decrease military spending. Joining shallow alliances often increases non-major power military spending, however. I test the argument by creating a measure of alliance treaty depth and employing it in a multilevel model. The research design generates new empirical evidence linking alliance participation and percentage changes in state military spending from 1816 to 2007. I find that deeper alliance treaties tend to decrease non-major power military spending, and shallow alliances often increase military spending. This result helps scholars and policymakers better understand a central question about alliance politics that has been debated in scholarship for decades.

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# 1 Introduction

Scholars of international relations have long acknowledged that there are two ways for states to increase their security. They can invest in indigenous military capability or form alliances (Morgenthau, 1948; Altfield, 1984; Morrow, 1993). Because both policies provide security, broadly defined, alliance participation should change how states invest in military capability. But exactly how alliances influence military spending remains unclear.

Existing scholarship contains contradictory theoretical predictions and evidence on the question of alliance participation and military spending. One view expects alliance participation will reduce military spending e.g., (Morrow, 1993; Conybeare, 1994). The other predicts alliance participants will spend more on defense e.g., (Diehl, 1994; Morgan and Palmer, 2006). This paper addresses the divide by using alliance treaty design to explain when alliance participation leads to more or less defense spending. In doing so, it helps clarify a longstanding debate about alliance politics.

Debate between the two perspectives largely ignores heterogeneity among alliances,<sup>1</sup> which is essential to alliance politics scholarship (Morrow, 1991; Leeds, 2003*b*; Leeds and Anac, 2005; Fordham, 2010; Mattes, 2012; Benson, 2012; Poast, 2013; Johnson, Leeds and Wu, 2015). Given differences in alliance design and membership, alliance participation could plausibly increase or decrease defense expenditures. In this paper, I use variation in alliance design and membership to predict how alliance participation affects military spending.

In particular, I emphasize how treaty depth modifies the impact of alliance participation on military spending. Deep alliances formalize extensive defense cooperation between members, which provides reassurance. In addition to commitments of military support, deep treaties require defense coordination and cooperation among alliance members.

Deep and shallow alliances have different effects on non-major power military spending. Par-

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<sup>1</sup>See DiGiuseppe and Poast (2016) for an important exception.

ticipation in deep alliances allows non-major powers to reduce military spending due to greater treaty credibility and reduced allied leverage on defense spending. Joining a shallow alliance often increases non-major power military spending because realizing foreign policy gains from alliance participation depends on defense spending, as states face a higher risk of abandonment and allies use credible threats of abandonment to demand investment in military capability. The argument focuses on non-major powers because these states clearly show the tradeoff between reassurance and leverage on military spending.<sup>2</sup>

I employ a novel research design to test my argument. First, I develop a latent measure of alliance treaty depth. I then incorporate that measure into a multilevel model which estimates how alliance characteristics modify the impact of total defense expenditures within an alliance on percentage changes in military spending. Allied capability is a useful proxy for alliance participation because it combines the effects of joining an alliance and changing allied capability during the treaty membership, both of which shape the impact of alliances on military spending. Multilevel modeling matches my conditional argument and estimates heterogeneous effects of alliance participation that are specific to individual treaties. I fit the model on a sample of non-major power states from 1816 to 2007 and find that while deep alliances decrease percentage changes in non-major power military spending, shallow alliances increase spending. Although deep alliances reassure, they also facilitate reduced defense spending.

The argument and findings illuminate a salient debate in US foreign policy about the costs and benefits of alliances. Advocates of deep engagement (Brooks, Ikenberry and Wohlforth, 2013) and restraint (Posen, 2014) in grand strategy have different views of alliances. Proponents of restraint argue that the United States should withdraw from many alliances, because allies spend too little on defense, which then increases US defense spending (Preble, 2009). Advocates of continued deep engagement argue that the benefits of alliances exceed the costs and believe that the problem of low allied military spending is overstated (Brands and Feaver, 2017). If efforts to reassure

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<sup>2</sup>I explore the process connecting alliance participation and military spending for major powers in a separate paper.

allies through treaty depth then decrease allied military spending, it will be difficult to compromise between these two positions.

The paper proceeds as follows. First, I summarize competing claims on alliance participation and military spending. Then I describe my argument in more detail. After the argument, I present the research design and results. The final section concludes with a discussion of the results and implications for scholarship and policy.

## **2 Do Alliances Increase or Decrease Military Spending?**

Scholarship on alliance participation and military spending is divided between two views. Each predicts a different average effect of alliance participation by emphasizing one aspect of alliance politics.

Substitution and public goods arguments predict that alliances reduce defense spending as states can replace security from military spending with security from alliances. Olson and Zeckhauser (1966) argue that alliances are subject to a collective action problem because security from an alliance is a public good. Because alliance security is neither rivalrous nor excludable, members contribute inadequate resources to collective defense. Alliance members can “free-ride” and smaller states exploit larger partners. Lower spending allows alliance members to consume more non-defense goods, but the alliance provides suboptimal security.<sup>3</sup> Substitution arguments recognize that states employ one policy in place of another (Most and Starr, 1989). Alliances provide security without requiring additional military spending (Morrow, 1993; Conybeare, 1994). Given extra security, states rely on their allies and reallocate military spending to other goods. Both the substitution and public goods models expect that alliance participation reduces military spending due to the opportunity costs of military expenditures. States want to rely on their allies for security because higher defense expenditures leave fewer resources for other goods (Fordham,

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<sup>3</sup>Sandler and Forbes (1980), Oneal (1990) and Sandler and Hartley (2001) all modify the public goods logic while relying on Olson and Zeckhauser’s core intuition.

1998; Fearon, 2018).

A contradictory perspective asserts that alliance participation increases military expenditures. Several arguments predict higher military spending by alliance members. All share an intuition that states increase military spending to support their alliance commitments. Diehl (1994) argues that alliances create new foreign policy obligations, necessitating extra military spending. Because alliances expand what a state can achieve in international relations, states might increase military spending to pursue other foreign policy goals (Morgan and Palmer, 2006). For example, buffer states use conscription to make themselves a more attractive alliance partner (Horowitz, Poast and Stam, 2017). Others assert that cooperation within alliances generates higher defense spending (Palmer, 1990; Quiroz Flores, 2011). These predictions of a positive correlation between alliance participation and military spending contradict expectations of lower military spending by alliance members.<sup>4</sup>

## 2.1 Mixed Evidence

Debate between the contradictory views of alliances could be settled by a consistent set of results, but mixed findings reinforce the theoretical division. Some studies find a positive association between alliance participation and military spending. Others find a negative relationship.<sup>5</sup>

General studies of military spending and alliances compare many states through dummy indicators of alliance participation, which collapse alliances into a state-level measure. This design compares states with an alliance to those without. Table 1 summarizes previous results from general models of alliance participation and military spending. There is one negative, three positive and two null estimates of the correlation between alliance participation and spending.

Unlike general studies, specific research designs estimate how states respond to military spend-

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<sup>4</sup>Senese and Vasquez (2008) argue that military spending and alliances are part of a conflict spiral of simultaneous growth in military expenditures and alliance participation, which suggests that conflict behavior drives any correlations between alliances and military spending.

<sup>5</sup>Because tests of the public goods model use military spending as a share of GDP as the their outcome of interest, I do not include most of those results in this summary.

	Decrease	Increase	Null
Most and Siverson (1987)			X
Conybeare (1994)	X		
Diehl (1994)		X	
Goldsmith (2003)			X
Morgan and Palmer (2006)		X	
Quiroz Flores (2011)		X	

Table 1: General findings of the association between alliance participation and military spending.

ing by a few key allies. If states reduce their own military spending as allied spending rises, specific studies conclude alliances decrease military spending. Most evidence of reduced military spending by alliance members comes from alliance-specific designs (Barnett and Levy, 1991; Morrow, 1993; Sorokin, 1994; Plümper and Neumayer, 2015; George and Sandler, 2017). Other specific studies find states increase their military spending as allied spending rises, however (Conybeare and Sandler, 1990; Chen, Feng and Masroori, 1996).

The mixed empirical results reflect a theoretical problem. Both perspectives make unconditional claims about the average effect of alliance participation on military spending. With one exception (DiGiuseppe and Poast, 2016), scholarship on alliance participation and military spending ignores differences between alliances. Treaty obligations and membership vary widely across alliances, however (Leeds et al., 2002). Conflict (Leeds, 2003*b*; Benson, 2012) and trade (Long, 2003; Long and Leeds, 2006) are two domains where alliance design shapes the consequences of treaty participation. Building on this work, I focus on one key difference between alliances that can help us understand their heterogeneous effects on military spending: the depth of military cooperation in the treaty.

### 3 Argument

Deep military cooperation in an alliance treaty modifies the impact of alliance participation on non-major power military spending. Given greater treaty credibility in a deep alliance, joining

these alliances often reduces non-major power defense spending. Conversely, fear of abandonment in shallow alliances means non-major power participants in these alliances often increase defense spending.

I start the argument by describing problems of opportunism and enforcement in alliances. Then I discuss the role of deep formal military cooperation. Last, I show how alliance depth affects the connection between alliance participation and non-major power military spending.

### **3.1 Opportunism in Alliances**

Alliances are a form of international cooperation. Promising military support through a treaty generates a credible commitment of intervention (Fearon, 1997; Morrow, 2000). Allied support then helps members achieve crucial foreign policy goals like deterrence or winning wars (Walt, 1990; Snyder, 1997). States form alliances to draw on allied capability (Fordham and Poast, 2014), which advances their foreign policy goals.

Allied capability shapes the consequences of alliance participation. The presence of an alliance treaty formalizes when a state can expect military intervention (Morrow, 2000). The paper of a treaty does not give an alliance value, however. An alliance is only as useful as the capability allies provide. More allied capability increases the value of an alliance, all else equal (Johnson, Leeds and Wu, 2015).<sup>6</sup>

Alliance treaties and the capability the aggregate can support many foreign policy aims. This flexibility facilitates exchange between alliance participants with different foreign policy goals and military capabilities. One common exchange occurs in asymmetric alliances between major and non-major powers (Morrow, 1991). Large states form asymmetric alliances to increase their foreign policy influence, while smaller partners gain protection from external threats.

Not all alliances are asymmetric,<sup>7</sup> but the divergent motives of large and small partners reflect

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<sup>6</sup>A binary conceptualization of alliance participation assumes all alliances are equally valuable.

<sup>7</sup>130 of 289 ATOP alliances with offensive or defensive obligations are asymmetric pacts with at least one major and one non-major power, but a further 122 alliances are symmetric treaties between non-major powers.

general tendencies in alliance politics. Major power alliances often address the global balance of power and issues of influence across the globe. Smaller non-major powers tend to be less ambitious in their alliances and emphasize immediate security.

As a result, there are distinct processes behind non-major and major power alliance participation and the consequences of their alliances. Here I focus on non-major powers to ensure theoretical and empirical parsimony. The above framework where states consider allied capability and treaty design combines capability aggregation and diverse foreign policy interests in a way that does not apply as cleanly to major powers. My argument also provides novel insights about non-major powers. Some scholarship and popular discourse assumes that non-major powers uniformly reduce military spending in alliances. I challenge this assumption by showing that realizing increased security from alliance participation for non-major powers sometimes requires additional military spending.

Allied support and cooperation is extremely valuable in international politics. As with all cooperation, alliance members must account for opportunism, or “behavior with guile” (Williamson, 1985). Even as states commit to an alliance, they can also benefit from defecting and taking advantage of allied cooperation. Sometimes the perceived benefits of defection outweigh the long-run benefits of cooperation, so alliance members face an enforcement problem (Fearon, 1998; Koremenos, Lipson and Snidal, 2001).

Alliances generate two related forms of opportunism.<sup>8</sup> First, states often violate their alliance obligations and abandon their partners (Berkemeier and Fuhrmann, 2018). The risk of abandonment means alliance members must provide assurances of their commitment. Second, there may be a temptation to lower defense expenditures, which reduces the total capability of the alliance.<sup>9</sup> Though states add to the collective military capability of an alliance through their military spend-

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<sup>8</sup>Some argue that entrapment is a third form of opportunism (Snyder, 1984), but entrapment may be rare (Kim, 2011; Beckley, 2015)

<sup>9</sup>The public goods model of alliances calls this tendency free-riding. I do not use this language because it implies reduced defense spending is problematic. But exchange in asymmetric alliances, or the reduction of threat in general, may make reduced spending acceptable.



ing, they can also reduce defense spending and rely on their partners (Olson and Zeckhauser, 1966; Morrow, 1993; Conybeare, 1994; Sandler and Hartley, 2001). Abandonment and reduced military spending are related because greater treaty credibility increases the temptation to lower military expenditures.

As DiGiuseppe and Poast (2016) observe, some alliances have fewer credibility concerns due to members' political regime type. They show that defense pacts with democracies lower defense spending, as democracies make more credible commitments. This insight about conditional credibility is a useful starting point because credibility is multifaceted. To give three examples, depth, unconditional military support (Benson, 2012; Chiba, Johnson and Leeds, 2015) and issue linkages (Long and Leeds, 2006; Poast, 2012, 2013) are also sources of credibility.<sup>10</sup> I focus on depth because this alliance characteristic provides theoretical leverage to predict when alliance participation increases and decreases military spending, which reveals a tradeoff between reassurance and defense spending.

Moreover, treaty depth is a common policy choice. Though states probably do not change their political regime to reassure allies, they often form deep alliance treaties. Over half of defensive or offensive ATOP alliances have some depth, so my argument clarifies how a common source of credibility shapes alliance politics. Because deep alliances contain costly commitments, depth reduces the perceived risk of abandonment. Costly promises allow alliance members and potential adversaries to infer the credibility of the alliance (Leeds, 2003*b*; Fuhrmann and Sechser, 2014).

Greater alliance depth and credibility does not alleviate incentives to reduce military spending, however. Enforcing cooperation on defense effort is difficult. Normative appeals to common interests are ineffective. Though verbal communication or "cheap talk" has value in international politics (Trager, 2010), it is unlikely to overcome the opportunity costs of defense spending. Even after reducing defense expenditures, alliance members retain foreign policy benefits and can re-allocate resources to other priorities. The ability to reduce defense spending and spend more on

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<sup>10</sup>Though the argument emphasizes depth, the research design accounts for multiple sources of alliance credibility.

other goods sometimes motivates states to form alliances (Kimball, 2010; Allen and DiGiuseppe, 2013).

Alliance members must have leverage to command increases in allied defense spending. Leverage either comes from a credible threat to abandon states who spend too little or control over allied policies. Policy control of allied spending decisions holds when the alliance reflects hierarchical relationships like an informal empire (Lake, 1996). Without such direct influence, states must possess a credible threat to leave the alliance over low defense spending. Otherwise, allies will dismiss weaker signals and threats due to uncertainty and incomplete information.

Reassuring allies reduces the credibility of threats to abandon states that spend too little on defense. States cannot simultaneously reassure their allies and maximize leverage on defense spending. As alliance members use costly commitments to reassure, partners can reduce defense spending.

In less credible treaties, such as alliances between erstwhile rivals, failure to contribute makes abandonment more likely, so members have less freedom to reduce defense spending (Niou and Zeigler, 2019). Moreover, although states in less credible alliances increase their foreign obligations, they also face a greater risk of abandonment. As alliance members hedge against abandonment and partners use that concern as leverage, the foreign policy benefits of alliance participation become contingent on military spending. Thus, alliances with less credibility will tend to increase military spending.

Treaty depth highlights this tradeoff between reassurance and leverage, as participation in these treaties often reduces percentage changes in non-major power military spending. Stipulating deep cooperation reassures partners and reduces leverage to check reductions in military expenditures. Credibility from treaty depth also promotes efficiency gains from coordinated defense effort.

## 3.2 Alliance Treaty Depth

Alliance depth is the extent of defense cooperation formalized in the treaty. Deep alliances require additional policy coordination and military cooperation beyond a promise of military support. While shallow alliances stipulate more arms-length cooperation between members, deep treaties lead to closer cooperation.

Defense cooperation in a deep alliance takes many forms. Allies can form an integrated military command, provide military aid, commit to a common defense policy, provide basing rights, set up an international organization or undertake companion military agreements. All of these obligations move alliance members away from an arms-length partnership towards close cooperation via policy coordination and regular interaction, while imposing monetary and policy autonomy costs.

One example of a deep alliance is a 1948 defense pact between the United Kingdom and Jordan, which includes unconditional military support, basing rights, military aid, official military contact, and an Anglo-Transjordan Joint Defense Board. This is a deeper alliance than a 1912 treaty between Greece and Bulgaria which only commits to mutual defense and consultation if either state is attacked by Turkey. Increasing military coordination adds ties between alliance members beyond a promise of military support.

Alliance depth reassures partners and reduces leverage on defense spending. Deep alliances are more credible because defense cooperation is costly. Making costly commitments of bases, policy coordination, or aid reassures allies. Depth is especially useful because alliance members face a time inconsistency problem. Alliance treaty fulfillment depends on shared foreign policy interests (Morrow, 2000; Leeds, 2003a), so changing foreign policy interests threaten alliance fulfillment (Leeds and Savun, 2007). A deep alliance makes a series of repeated transfers, and states can signal commitment by maintaining those transfers.<sup>11</sup> By reassuring allies, deep treaties reduce leverage on the issue of military spending.

On the other hand, shallow alliances increase leverage. These treaties have some basic cred-

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<sup>11</sup>Conversely, eliminating these transfers reduces the credibility of the whole alliance.

ibility from hands-tying signals (Fearon, 1997), as well as the audience Morrow (2000) and reputational (Gibler, 2008; Crescenzi et al., 2012) costs of violation. Even so, threats to abandon low-spending allies are more credible than in a deep alliance where partners have taken pains to reassure their partners. In a shallow alliance, members must hedge against abandonment, which partners use as leverage to discourage low defense spending. Under these circumstances, maintaining the foreign gains of alliance participation often requires increased defense spending, because low military spending might endanger the treaty or expose states to adverse consequences if they are abandoned. As a result, participation in shallow alliances increases military spending.<sup>12</sup>

Beyond credibility and leverage, deep alliance treaties also change the consequences of alliance participation by facilitating more efficient defense spending. States often use alliances to formulate joint war plans (Poast, 2019), which allows alliance members to provide specific capabilities. Specialization means members of deep alliances spend less on the military but retain foreign policy benefits. Alliance credibility and efficiency gains are inseparable. States will only specialize if they believe the alliance is reliable (Leeds, 2003a).

In summary, participation in deep alliances will decrease non-major power military spending.<sup>13</sup> By giving non-major powers more security, deep alliances allow them to reduce defense spending. For security-conscious non-major powers, abandonment is a serious concern. Depth reassures non-major powers and reduces allied leverage over their defense spending.

To illustrate the logic, consider two related alliances from the inter-war period. A 1920 treaty between France and Belgium (ATOPID 2055) added commitments of military aid and policy coordination to defensive obligations. Given this depth, the Franco-Belgian alliance reduced Belgian defense expenditures, even with a joint occupation of the Ruhr. A more limited treaty with only

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<sup>12</sup>One objection to this argument is that deep alliances are more valuable to members, which gives allies leverage on defense spending. Although alliance value adds some leverage, it cannot offset reducing the credibility of threats to abandon low-spending allies. Value increases leverage because states fear their allies will abrogate a valuable alliance, and deep alliances counteract this essential concern.

<sup>13</sup>This implies that the negative effect of credibility swamps any extra defense spending from implementing deep alliance provisions. Such an effect is plausible, as contributions to alliances are a small part of defense spending, and non-major powers rarely use basing rights in deep alliances to deploy their troops abroad.

military support between France, Belgium, the United Kingdom, Italy and Germany (ATOPID 2130) increased Belgian spending, on the other hand.

These brief examples and the argument suggest that treaty depth modifies the impact of alliance participation on non-major power military spending. Shallow alliances often increase military spending, and deep alliances usually reduce spending. Moving from thinking about depth in binary terms to a model where depth is a continuous concept, there should be a negative correlation between treaty depth and the impact of alliance participation on non-major power military spending as the positive effects of shallow treaties turn towards negative effects in the deepest alliances. This implies three separate hypotheses, one about shallow alliances, another about deep alliances, and the third about how changes in treaty depth modify the association between alliance participation and military spending.

HYPOTHESIS 1: ON AVERAGE, PARTICIPATION IN SHALLOW ALLIANCES WILL INCREASE PERCENTAGE CHANGES IN NON-MAJOR POWER MILITARY SPENDING.

HYPOTHESIS 2: ON AVERAGE, PARTICIPATION IN DEEP ALLIANCES WILL DECREASE PERCENTAGE CHANGES IN NON-MAJOR POWER MILITARY SPENDING.

HYPOTHESIS 3: AS ALLIANCE TREATY DEPTH INCREASES, THE IMPACT OF ALLIANCE PARTICIPATION ON PERCENTAGE CHANGES IN NON-MAJOR POWER MILITARY SPENDING WILL DECREASE.

The three hypotheses predict how percentage changes in non-major power military spending differ under deep and shallow alliances. Percentage changes in military spending express changes in spending as a share of the previous year's defense budget. This variable is an appropriate outcome of interest, in part because it expresses the opportunity costs of military spending. All else equal,<sup>14</sup> a larger increase in spending relative to the previous year's defense budget imposes

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<sup>14</sup>Especially holding economic growth constant.

more constraints on other goods. Using percentage changes also facilitates comparisons across diverse states and years.

To understand the consequences of alliance participation for military spending, I focus on allied capability rather than a simple dichotomous indicator of participation. My argument starts with the premise that states form alliances so that allied capability supports their foreign policy goals. States do not respond to a treaty per se, rather they respond to expectations that the treaty creates about allied support. Therefore, alliance members are really responding to allied capability and alliance participation affects military spending through joining an alliance as well as changing allied capability after the treaty forms. In previous scholarship, general research designs address the first path, while specific designs focus on the latter. Conceptualizing alliance participation in terms of allied capability encapsulates both designs, creating a unified approach to understanding how alliances affect military spending.

Because my argument focuses on differences between deep and shallow treaties, the research design must measure alliance treaty depth and show how depth modifies the impact of allied capability on military spending. I use a measurement model to infer treaty depth from formal content, then connect alliance characteristics to military spending with a multilevel model. The next section describes the research design in more detail.

## **4 Research Design**

The research design involves two steps. First, I develop a latent measure of treaty depth for alliances with military support. Second, I employ that measure in a multilevel model to estimate how treaty depth modifies the impact of alliance participation on military spending. I estimate the multilevel model in a sample of non-major powers from 1816 to 2007. The next section describes the measure of alliance treaty depth.

## 4.1 Measuring Alliance Treaty Depth

Formal treaty commitments reflect alliance depth.<sup>15</sup> Therefore, I use observed alliance treaty characteristics to infer depth, which could produce two types of measures. The first measure is an additive index of treaty depth, where treaties with multiple commitments have higher index values.

(Leeds and Anac, 2005) develop such a related ordinal measure by assigning alliances military institutionalization scores of zero, one or two based on the extent of investment in joint action required by the alliance treaty. The result is a coarse measure of alliance depth which may mask differences between alliances, especially if alliance characteristics vary in how much depth they add. This measurement strategy imposes equal weights on different depth sources. For example, it treats an integrated military command and military bases as equivalent sources of depth. I assess that theoretical assumption with a more flexible measurement strategy.

I employ latent variable modeling to create a continuous measure of treaty depth that makes more nuanced distinctions between alliances. The specific measurement model uses correlations between alliance treaty content and unobserved formal depth to predict the depth of each treaty. With this approach, theory identifies the relevant correlates of the latent concept, but the data drives how much each variable contributes to the key concept.

Measurement models have a rich history in political science (Clinton, Jackman and Rivers, 2004; Treier and Jackman, 2008; Fariss, 2014). My particular measure builds on work by Benson and Clinton (2016), who use a latent variable model (Quinn, 2004) to measure alliance scope, depth and capability. I emulate Benson and Clinton's approach, but use a different concept, sample of alliances and estimator. First, Benson and Clinton (2016) define depth as the costliness of the alliance in general, so they include measures of economic issue linkages and secrecy. My definition of depth only includes military cooperation, because I view issue linkages are a separate source of credibility. Given their broad definition of depth, Benson and Clinton also include neutrality pacts

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<sup>15</sup>Of course, formal treaty obligations may not be fully implemented, but formal depth is more likely to produce practical depth than treaties with no depth.

in their sample of alliances. I am only interested in offensive and defensive alliances, however. As for the estimator, the latent variables influence the form of the dependence structure and the form of the marginal distributions the latent value estimates in some latent variable models. I use a different estimator that does not have this limitation (Murray et al., 2013).<sup>16</sup>

Due to the limits of ordinal measures and key conceptual differences with Benson and Clinton's latent measure, existing measures of treaty depth do not fit my purposes in this paper. See the appendix for more detailed comparisons and evidence that Leeds and Anac (2005)'s measure of institutionalization produces similar inferences. I create a new measure of treaty depth in offensive and defensive ATOP alliances using a semiparametric factor analysis.

I use a Bayesian Gaussian Copula Factor Model (Murray et al., 2013) to measure alliance treaty depth. Murray et al's model improves inferences from mixed factor analysis for continuous, ordinal, and binary observed data by relaxing distributional assumptions. Given discrete observed variables and non-Gaussian latent variables, the dependence among the latent variables and their marginal distributions are both influenced by the latent variables. This approach breaks the dependence between the latent factors and marginal distributions by using copulas to encode the dependence among the latent variables.<sup>17</sup> Beyond the semiparametric aspect, this measurement model is a standard ordinal factor analysis.

I estimated the measurement model using observed data from 289 alliances with offensive or defensive obligations in the alliance-level ATOP data (Leeds et al., 2002). I examine alliances with military support because prior studies of alliance participation and military spending focus on these treaties. Indicators of treaty depth include military aid, bases, international organization formation, integrated military command, defense policy coordination, subordination of forces in wartime, specific contribution requirements, and commitments to form companion military agreements.<sup>18</sup>

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<sup>16</sup>I show in the appendix that these three differences produce different inferences about latent treaty depth.

<sup>17</sup>Copulas are a distribution function on  $[0, 1]^p$  where each univariate marginal distribution is uniform on  $[0, 1]$ .

<sup>18</sup>These are the variables Leeds and Anac (2005) use, with the addition of the companion military agreements dummy



The argument suggests there is a single factor underlying variation in all eight indicators, so I fit the model with one latent factor.

I used Parameter expanded Gibbs sampling, the default generalized double Pareto (GDP) prior, 20,000 burn-in iterations of the MCMC chain, and 30,000 samples thinned every 30 observations to ensure convergence. The estimates include posterior distributions for the factor loadings and the latent factor.

I use the posterior mean of the latent factor for each alliance to measure treaty depth, so each alliance has its own depth value. The posterior mean captures the expected depth of an alliance treaty, conditional on its formal promises. Figure 1 describes the latent depth of ATOP alliances with defensive or offensive commitments from 1815 to 2016. There is substantial variation in alliance treaty depth, which has several sources. The top panel in Figure 1 shows the factor loadings from the latent variable model, which are essentially the correlations between these observed variables and the latent factor. Policy coordination, integrated military command, and formal organizations are the three largest correlates of depth. The other five factors have roughly comparable associations with latent treaty depth.

The bottom panel of Figure 1 plots the posterior means and uncertainty of the depth estimates against the start year of the treaty. Many treaties have no deep military cooperation, and are clustered on around -0.8. 171 alliances have a depth score higher than -0.6 because at least one source of depth is present. Even after accounting for uncertainty, it is possible to distinguish between some alliances.

Although the values of the latent measure are not intrinsically meaningful, differences between treaties on the latent scale are informative. The median of treaty depth is -0.11, and the mean is 0.02. The median treaty is the Organization of American States (OAS), which includes a formal international organization (ATOP ID 3075). There are many shallow treaties that only include military support. One such alliance is an 1855 pact between France, the UK and Sweden (ATOPID 1190) which promises defense and consultation.

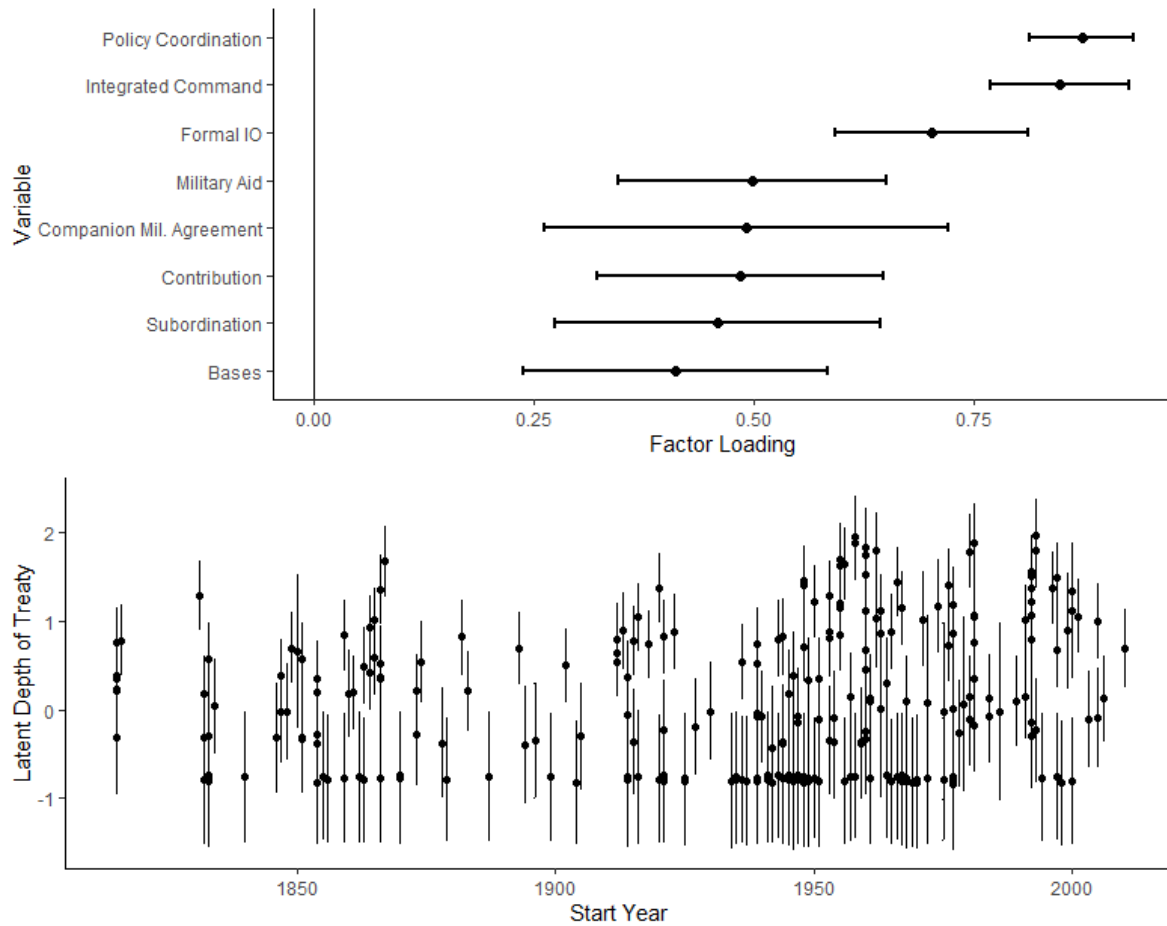


Figure 1: Summary of the latent measure of alliance treaty depth for 289 defensive or offensive alliances from 1816 to 2016. The top panel is a histogram of mean alliance treaty depth. The bottom panel plots mean treaty depth (points) and the standard deviation (error bars) against the start year of the treaty.

The three deepest treaties are a 1993 alliance between Russia and Tajikistan (ATOPID 4470), a 1958 alliance between the UAE and Yemen (ATOPID 3345), and a 1981 pact between Gambia and Senegal (ATOPID 3930). All these alliances stipulate extensive defense cooperation. The alliance between Russia and Tajikistan includes military aid, bases, a companion military agreement, and integrated military command. The other two treaties attempted to establish a federation through military support, international organizations, basing, and defense policy coordination.

The latent measure has some face, concept, and discriminant validity. As an example of face validity, the Gambia-Senegal federation requires deeper cooperation than arms-length commitments of military support. Shallow treaties promise little beyond military support, matching my conceptualization of treaty depth. Last, Figure 1 shows that this measure can distinguish between deep and shallow commitments.

My argument uses variation in treaty depth between alliances to explain percentage changes in military spending. Differences in depth at the alliance level modify the impact of alliance participation on percentage changes in military spending at the state-year level. Therefore I use a multilevel model to estimate the association between treaty depth and military spending. The next section summarizes this estimation strategy.

## **4.2 Multilevel Model**

Multilevel modeling bridges levels of analysis (Steenbergen and Jones, 2002; Gelman and Hill, 2007). My model estimates heterogeneous effects of alliance participation on military spending as a function of alliance characteristics. I make inferences about how alliance characteristics like formal depth modify the impact of individual alliances on military spending. To facilitate computation and interpretation, I fit the model using Bayesian estimation in STAN (Carpenter et al., 2016). See the appendix for details of the weakly informative prior distributions and evidence the chains converged.

This research design is more complicated than a panel data model like the estimator used by

DiGiuseppe and Poast (2016).<sup>19</sup> But the multilevel components add substantial value, especially by connecting the argument and research design. I argue that treaty depth modifies the impact of alliance participation on growth in military spending. This means the research design should compare the impact of different alliances on military spending. The multilevel model explicitly compares the impact of participation in deep and shallow alliances by estimating how the changes in treaty depth modify the consequences of alliance participation.

Standard research designs employ state-level proxies for alliance characteristics, which compare states rather than alliances. This practice of aggregating alliances at the state-year level of analysis may produce misleading inferences (McElreath, 2016, pg. 356). Averaging or otherwise aggregating alliance characteristics at a different level of analysis changes the mean and variance of key independent variables, which then affects inferences. Multilevel modeling avoids this problem by retaining the structure of the data.

Multilevel modeling incorporates several key characteristics of alliance data. First, states can participate in more than one alliance and alliances have heterogeneous effects on military spending. The multilevel model estimates the specific impact of each alliance on members' military expenditures. Aggregating multiple alliances into a single state level will mask possible heterogeneous effects of individual treaties. Partial pooling of these alliance-specific parameters generates reasonable estimates for each alliance, which can then be used to compare treaties.

Furthermore, multiple alliance characteristics modify the consequences of alliance participation. The multilevel model captures multiple sources of heterogeneity in how alliances impact military spending. In a panel estimator with state-level proxies for alliance characteristics, accounting for correlated aspects of alliance design is difficult. Treaty depth is correlated with other aspects of alliance membership and design, so this step is important.<sup>20</sup> Panel estimates that account for one or two alliance characteristics can only do this by averaging different parts of a state's al-

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<sup>19</sup>See the appendix for results from several models with state-level indicators of alliance depth.

<sup>20</sup>For example, I show in another paper that democratic alliance membership and treaty depth are correlated.

alliance portfolio, including a series of dummy variables, or subsetting the data. Averaging reduces the alliance-level variation that is theoretically interesting, and analysis of multiple subsets risks generating spurious findings through multiple comparisons. In a multilevel model, I can account for how multiple alliance characteristics change the consequences of alliance participation by including other variables besides treaty depth in an alliance level regression. Therefore, my estimate of how treaty depth modifies the impact of alliance participation on military spending holds other alliance characteristics constant. The next section details the model specification.

#### 4.2.1 Model Specification

This multilevel model connects two distinct regressions. The base is a state-year-level regression, which includes the impact of alliance participation. A second alliance-level regression modifies the effect of alliance participation on military spending, like an interaction.

The state-year-level regression starts with a distribution for the outcome:

$$y \sim student_t(\nu, \mu, \sigma) \quad (1)$$

$y$  is the dependent variable—percentage changes in military spending. I model the outcome using a t-distribution with degrees of freedom  $\nu$  to address heavy tails.<sup>21</sup>  $\sigma$  is analogous to the error term in a frequentist regression as it captures unexplained variation.  $\mu$ , the mean of the outcome, depends on several factors.

$$\mu = \alpha + \alpha^{st} + \alpha^{yr} + \mathbf{W}_{n \times k} \gamma_{k \times 1} + \mathbf{Z}_{n \times a} \lambda_{a \times 1} \quad (2)$$

Percentage changes in spending are a function of an overall intercept  $\alpha$ , state and year varying intercepts  $\alpha^{st}$  and  $\alpha^{yr}$  and a matrix of state-level control variables  $\mathbf{W}$ . The  $\mathbf{Z}\lambda$  term incorporates alliance participation.

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<sup>21</sup>I estimate  $\nu$  directly.

$\mathbf{Z}$  is a matrix of state participation in alliances. Columns correspond to each of the  $a$  alliances in the data, and rows to state-year observations. If a state is not in the alliance, the corresponding cell of the matrix is zero. If a state is part of the alliance in a given year, the matrix element contains the log of total allied military spending, which is normalized by year.<sup>22</sup>

I use total allied spending in the alliance participation matrix to match the theoretical emphasis on allied capability.  $\mathbf{Z}$  encodes a quasi-spatial indicator of alliance participation for all  $a$  alliances in the data. States can be members of multiple treaties at once, so observations are not neatly nested. This specification allows each alliance to have a unique impact on military spending as states participate in multiple treaties.

$\lambda$  is a vector of parameters which estimate the impact of participation in specific alliances on military spending. Because the non-zero elements of  $Z$  are allied spending, the  $\lambda$  parameters capture alliance members' response to allied capability. Each alliance has a unique  $\lambda$ . The  $\lambda$  parameters have shared distribution, so I assume alliances are similar but different in how they impact military spending.

The second part of the multilevel model uses alliance characteristics to predict how alliance participation is associated with percentage changes in military spending. The  $\lambda$  parameters are the outcome in an alliance-level regression. As a result, the impact of alliance participation on members' military spending depends on treaty characteristics, including depth. In this second-level regression:

$$\lambda_a \sim N(\theta_a, \sigma_{all}) \quad (3)$$

and

$$\theta_a = \alpha_{all} + \beta_1 \text{treaty depth} + \mathbf{X}_{a \times l} \beta \quad (4)$$

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<sup>22</sup>Normalization keeps the parameters on similar scales, which is important for modeling. I selected normalization theoretically and corroborated this choice by comparing models fit with different ways of expressing allied capability. See the appendix for details.

In the alliance-level regression,  $\mathbf{X}$  is a matrix of the  $l$  alliance-level control variables and  $\alpha_{all}$  is the constant. Adding  $\sigma_{all}$  means predictions of  $\lambda$  are not deterministic—the alliance level regression contains an error term. A larger  $\sigma_{all}$  indicates more variation in how alliance participation impacts military spending. The second-level regression includes treaty depth, and each  $\beta$  parameter modifies the impact of alliance participation on percentage changes in military spending. The  $\beta$ s are like marginal effects in an interaction.

Treaty depth impacts military spending by modifying the consequences of alliance participation. Changing treaty depth shifts  $\lambda$ , which in turn affects military spending.  $\beta_1$  compares deep and shallow treaties. Hypothesis 3 predicts  $\beta_1$  will be negative for non-major powers.

In this model, the  $\beta$  parameters capture how key alliance characteristics modify the impact of alliance participation on military spending. The  $\lambda$  parameters express the impact of participation in each alliance, permitting heterogeneous effects of individual treaties. Again, using alliance characteristics to modify the impact of alliance participation matches my conditional argument. I now describe the sample and key variables in the analysis.

### 4.3 Sample and Key Variables

I estimate the multilevel model on a sample of non-major power states from 1816 to 2007. I identify non-major powers using a measure of major power status from the Correlates of War Project. Alliance participation data comes from the ATOP project (Leeds et al., 2002). I focus on participation in defensive and offensive treaties, because prior studies of alliances and military spending examine these treaties. The sample contains 8,668 observations and 192 alliances.

The dependent variable is percent changes in military spending, which is calculated as:

$$\% \text{ Change Mil. Expend} = \frac{\text{Change Mil. Expend}_t}{\text{Mil. Expend}_{t-1}} \quad (5)$$

I used the Correlates of War Project's data on military spending to measure percentage changes in

spending (Singer, 1988).<sup>23</sup> The annual percentage change in spending equals that year's change in spending as a share of the previous year's military spending. Thus, annual changes are benchmarked to previous spending levels. To facilitate model fitting, I apply the inverse hyperbolic sine transformation to this variable.<sup>24</sup>

Using percentage changes in military expenditures as the dependent variable helps the research design. The level of military spending is not stationary for most states, especially in longer panels. Thus, using percentage changes in spending reduces the risk of spurious inferences. Benchmarking changes to prior expenditures also facilitates comparisons across states and over time.

The key independent variable is the mean latent depth of each alliance. This variable enters the model in the alliance-level regression and I expect will have a negative coefficient. I also include several state and alliance-level controls, which I describe in more detail in the appendix.

## 5 Results

I find support for all three hypotheses. Because shallow alliances tend to increase military spending and deep alliances often decrease spending, treaty depth and the effect of alliance participation on non-major power military spending are negatively correlated. Results are based on 2,000 samples from four chains, with 1,000 warm-up iterations. To facilitate model fitting, I employed a non-centered parameterization of the varying intercepts and a sparse matrix representation of  $\mathbf{Z}$ . Standard convergence diagnostics indicate the chains adequately explored the posterior.<sup>25</sup>

Because I use Bayesian modeling to estimate the association between treaty depth and percentage changes in military spending, each coefficient has a posterior distribution—the likely values of the coefficient conditional on the priors and observed data. There are no indicators of statistical

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<sup>23</sup>Estimating the model on different military spending data produces similar results: see the appendix for details.

<sup>24</sup>This transformation applies to positive, negative and zero values. It has minimal impact on values between -1 and 1, but pulls in large positive values, which range as high as 140. Inferences about treaty depth and other alliance characteristics are comparable with and without the transformation.

<sup>25</sup>See the appendix for details on convergence and other robustness checks.



significance. Instead, I use the 90% credible intervals of the parameters and calculate the negative posterior probability for the treaty depth coefficient to assess Hypothesis 3.<sup>26</sup> Figure 2 summarizes the results, including the estimated substantive effect of a large increase in treaty depth.

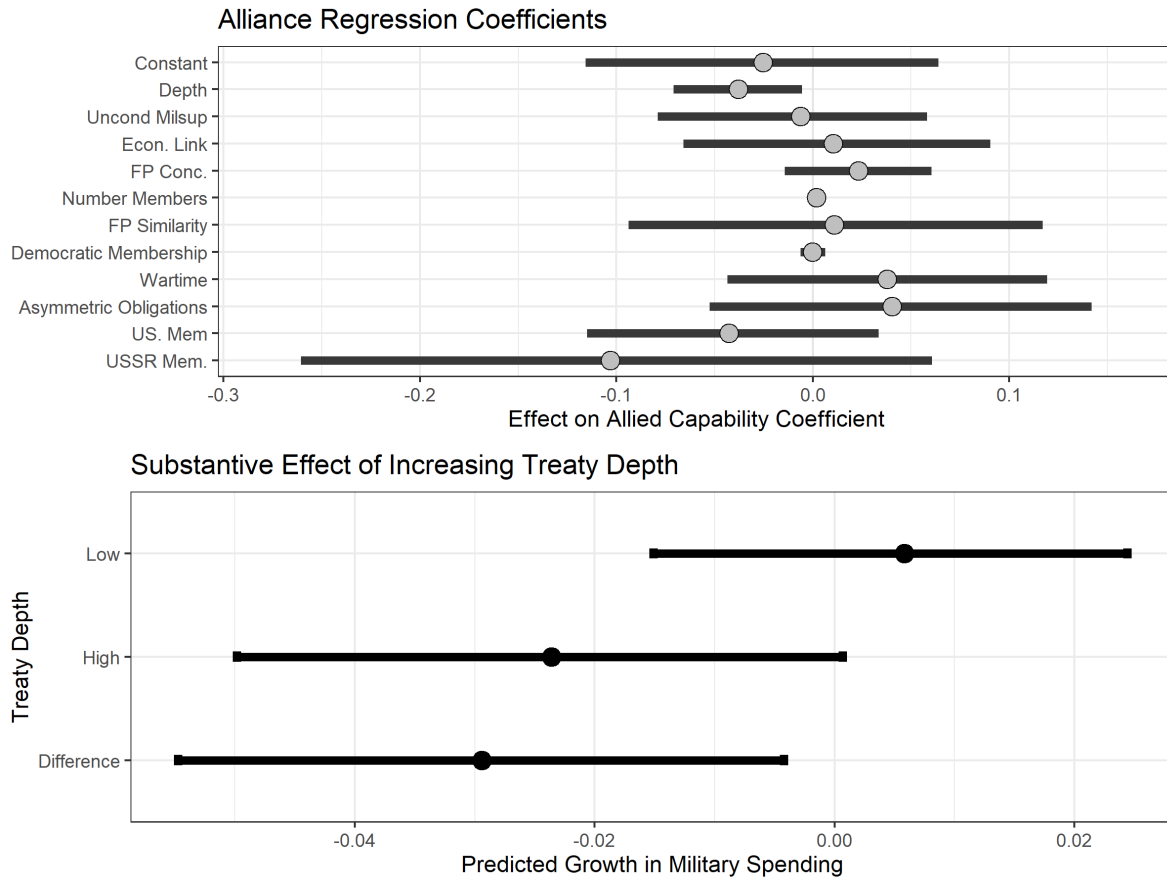


Figure 2: Summary of alliance-level regression results from the multilevel model. The top panel shows the 90% credible intervals to summarize the posterior densities of coefficients in the alliance-level regression. The bottom panel plots the estimated substantive effect of participation in an alliance with average capability for a deep and shallow treaty, as well as the difference between deep and shallow alliances. In both panels, points mark the posterior mean, and the bars encapsulate the width of the credible interval.

The preponderance of evidence matches Hypothesis 3, as shown in the top panel of Figure 2. There is a 97% chance treaty depth is negatively correlated with the impact of alliance participation on percent changes in military spending for non-major powers. Also, the 90% credible interval for

<sup>26</sup>I use 90% intervals because inferences about 95% intervals are sensitive to simulation variance in Bayesian analysis.

treaty depth does not include zero.

This alliance-level regression coefficient has a substantively important effect on growth in military spending. I assess this substantive effect by simulating the effect of changing treaty depth from the minimum value of -0.8 to 1.5, which is in the fourth quartile. Holding other alliance covariates at their modes or medians, this increase in depth reduces a hypothetical  $\lambda$  by .08 in expectation. Shifting  $\lambda$  then produces a substantial difference in military spending growth, as shown in the top right panel of Figure 2. That panel plots the 90% intervals for predicted growth in military spending in the shallow alliance, predicted spending growth in a deep alliance, and the difference between those two scenarios. Assuming the hypothetical alliance has median capability, the difference in spending growth between the shallow and deep treaty has a mean of .03. The 90% credible interval of this predicted fall in military spending due to increasing treaty depth ranges from -0.055 to -0.004. Moving from a shallow to a deep alliance treaty leads to lower military spending growth, all else equal.

The substantive importance of treaty depth is also evident in patterns in the  $\lambda$  parameters, which broadly correspond with Hypotheses 1 and 2. Each  $\lambda$  measures the impact of treaty participation, so if treaty depth has a large influence on alliance participation, it will appear in the  $\lambda$  estimates. On average, participation in deep alliances should have a negative effect on members' percent changes in military spending and shallow alliances should have a positive effect. Therefore, there should be a negative trend in the expected value of  $\lambda$  as treaty depth increases.

The top panel of Figure 3 plots the expected value of  $\lambda$  across the range of treaty depth. As expected, shallow treaties often have positive  $\lambda$  values for non-major powers,<sup>27</sup> which corresponds to Hypothesis 1. Most of the deepest treaties have a negative  $\lambda$ , which matches the prediction of Hypothesis 2. Because other treaty characteristics and unmeasured factors also influence the  $\lambda$  estimates, there is tremendous variation in how alliance participation impacts non-major power

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<sup>27</sup>All the negative  $\lambda$  estimates in alliances with minimal depth are treaties between the Soviet Union and Eastern European states during the Cold War.

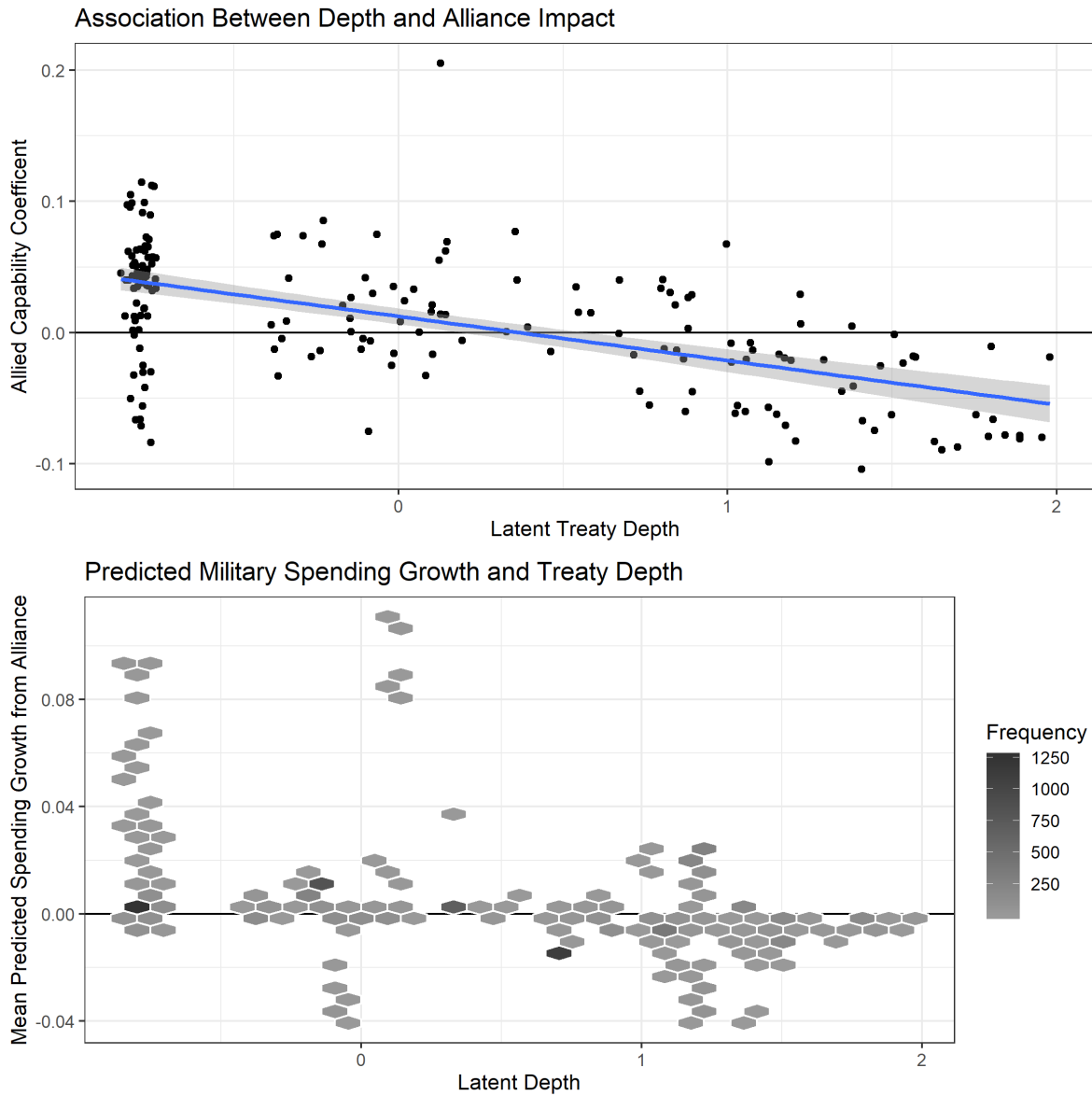


Figure 3: Summary of the predicted effect of alliance participation across the observed values of treaty depth for 192 alliances from 1816 to 2007. The top panel plots the mean of each  $\lambda$  parameter by treaty depth. The bottom panel plots 9,000 state-alliance year predictions of the effect of alliance participation, which combines the  $\lambda$  value for the alliance and capability value for that state-year observation. Darker colors indicate more data points in the particular hexagon.

military spending.

Because they reflect the impact of allied capability, the  $\lambda$  values are not direct predictions of how alliance participation affects military spending. Therefore, I multiplied the capability values in the alliance membership matrix by the  $\lambda$  parameters to generate 9,124 alliance-state-year predictions.<sup>28</sup> The bottom panel of Figure 3 shows the distribution of these predicted effects. This figure is a scatter plot, where each point marks the mean estimated effect of participation in a particular alliance on growth in military spending for that year. I combined the points into hexagons to address overplotting. Darker hexagons mark areas with more points.

These predictions show how each  $\lambda$  translates into military spending growth. As Hypothesis 1 predicts, participation in shallow alliances regularly increases military spending. Many state year alliances with shallow alliances see little effect on military spending, however. As treaty depth increases, more alliances reduce military spending growth among their members.<sup>29</sup> Some deep alliances have a negligible effect on military spending despite large  $\lambda$  values because they aggregate comparatively little capability. The same pattern holds in the top and bottom panels of Figure 3, which corresponds to the expectations of Hypotheses 1 and 2.

In summary, I find that treaty depth modifies the impact of alliance participation on military spending. Participating in deep alliances often reduces military spending, while being part of a shallow alliance often increases it. This has important consequences for our view of alliance participation and military spending.

## 6 Discussion

My findings add to our understanding of alliance participation and military spending and address debates over whether alliance participation increases or decreases military spending. Claims alliance participation only increases or decreases military spending are incomplete. My argument

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<sup>28</sup>These estimates hold all state-level covariates like threat and regime type constant.

<sup>29</sup>Wartime alliances are the main exception to this trend.

shows how treaty depth modifies the impact of alliance participation on military spending and builds on other conditional arguments (DiGiuseppe and Poast, 2016).

Whether alliance participation increases or decreases military spending depends on treaty depth. Compared to no alliance at all, joining a shallow treaty usually increases military expenditures, while participation in a deep alliance often lowers defense spending. The impact of alliance participation on non-major power military spending tends to decrease with treaty depth. There are many alliances that increase non-major power military spending.

How do the findings compare to prior evidence on alliance participation and military spending? Connecting my results with earlier evidence requires renewed attention to specific and general research designs. General studies compare states in an alliance to those without one. Specific studies estimate responses to allied military spending in a few treaties.

The results encompass specific and general studies through my use of allied capability to measure alliance participation and estimates from both levels of the multilevel model. My research design emulates specific studies by estimating the unique impact of participation in individual treaties. The alliance-level coefficients compare treaties to assess the general role of alliance characteristics.

My alliance-state-year predictions in Figure 3 raise a point existing literature and my own argument spend minimal time on—many alliances have little effect on military spending. Many of the predicted effects of alliance participation are quite close to zero, which implies that allied capability does very little for non-major power military spending. While there are alliances that increase and decrease member's military spending, these treaties are somewhat exceptional.

There are a couple limitations to the above results. First, my findings only address formal treaty depth. The measure of treaty depth only includes formal promises, in part because informal depth is harder to observe. As a result, my test of alliance depth may be conservative—it does not capture phenomena that should have a similar effect. It may be also overstate the findings if depth in the formal is not implemented, however.

Strategic alliance design is another possible weakness of the test. Domestic politics (Davis, 2004) and democracy (Chiba, Johnson and Leeds, 2015) may lead to arms-length cooperation, for example. To address this issue, I controlled for correlates of alliance participation and treaty depth at each level of the model, but selection into different alliances could still produce unobserved differences between alliances I cannot adjust for.

Despite these limitations, the argument and results provide valuable insights about alliance participation and military spending. I explain when alliance participation is associated with increases or decreases in military spending among non-major powers, addressing debate between contradictory views of alliances. I provide evidence that how alliance participation impacts military spending depends on state capability and alliance treaty depth using a new measure of alliance treaty depth and a multilevel model. The argument and findings have implications for scholars and policymakers.

## **7 Conclusion**

Alliance participation does not uniformly increase or decrease military spending. Rather, participation in deep alliances often decreases military spending, while participation in shallow alliances often increases spending. This relationship reflects a tradeoff between reassurance and leverage on defense spending in alliances.

There are several implications of my findings. First, they reinforce the importance of accounting for heterogeneity among alliances. Alliances have heterogeneous effects on the risk of war, trade and military spending (Leeds, 2003*b*; Long and Leeds, 2006; Benson, 2012; DiGiuseppe and Poast, 2016).

The distributional consequences of changes in military spending within states are another salient implication. By altering military spending, treaty design affects the domestic political economy of alliance members. The economic consequences of alliance participation are a pos-

sible subject for future research.

Besides their scholarly value, the argument and evidence help inform policy debates. Tradeoffs in alliance treaty design add to our understanding of why some alliances reduce military spending and possible policy responses. Reassurance from deep alliances leads to lower defense spending. States can use deep cooperation to increase alliance credibility, but they lose leverage as a result.

The United States is currently wrestling with the implications of treaty depth. Washington has often decried allies who provide too little for their own defense (Lanoszka, 2015). But allies are able to maintain low military spending partly because the United States makes deep commitments.

Reducing the depth of US alliances could generate credibility problems, however. Low allied defense spending may be the price of credible commitments. Therefore, this paper reveals a tradeoff—it is not an unconditional call to reduce the depth of US alliances. Adjusting existing treaties may be more difficult than designing new alliances and will have other ramifications. The full consequences of shifting treaty depth require additional scrutiny.

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