

Toward a Realist Theory of State Action

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The realities of interdependence dictate that the ability of governments to pursue domestic policies effectively is influenced and constrained by developments in the international system. It is equally evident that the realization of international objectives depends meaningfully on domestic politics and economics. Our purpose in this paper is to lay the foundation for a Realist theory of state action which bridges domestic and international politics. We proceed by positing assumptions about state objectives and deducing strategies relevant to their pursuit. First, we examine conceptions of the state found in classical and structural Realism. Second, we present two models or “faces” of state action which relate the goals of state officials in one arena to the strategies available in the pursuit of such goals in the other. Third, building upon these two models, we put forth several hypotheses which explore the types of challenges to the state that arise in one arena that may trigger responses in the second. Fourth, we introduce variations in domestic and international structures and predict the choice of strategy made by the states across venues. Finally, a concluding section examines the implications of this effort for future Realist inquiry and the study of domestic and international politics.

Introduction

The growing interaction of international and domestic politics complicates the task of state officials seeking to realize objectives in both realms. In both the advanced industrial and the less developed worlds, the realities of interdependence dictate that the ability of governments to pursue domestic economic policies effectively is influenced and constrained by developments in the international economy. The success of domestic policy relies increasingly on the global performance of the nation-state and on the ability of state officials to secure an accommodating international environment.

Author's note: The authors have decided to strike a blow against the tyranny of the alphabet by reversing the order of the names. This is meant to underscore the equality in the contribution each author made in writing this article. The authors wish to acknowledge helpful comments and suggestions by Jeff Frieden, Joanne Gowa, Peter Katzenstein, Robert Keohane, John Ruggie, Ron Rogowski, Crawford Young, and the Editors of *ISQ*.

It is equally evident that the realization of international objectives depends meaningfully on domestic politics and economics. Across much of the globe governments have come to rediscover the significance of the domestic economy to the pursuit of international power, and consequently have sought to restructure or revitalize the former. Gorbachev's provocative reform effort is clearly driven by such a realization, as is, arguably, the European Community's ambitious 1992 program. Two prominent members of the American foreign policy establishment recently warned that the weaknesses of the U.S. economy would be among the most critical and urgent foreign policy challenges facing the next administration (Kissinger and Vance, 1988). Likewise, scholars and practitioners alike have begun to understand that effective international economic cooperation depends not only on the external interests and actions of states, but on their ability to manage, channel, or circumvent domestic political pressures as well.

Much of the recent work in the field of international political economy has been motivated by the problems of interdependence, broadly conceived. Yet, despite the critical and growing significance of domestic and international linkages, political scientists have enjoyed only limited success in conceptualizing and explaining them. As Robert Putnam (1988:427) recently noted, "domestic politics and international relations are often somehow entangled, but our theories have not yet sorted out the puzzling tangles." Indeed, international and domestic politics remain largely separate fields of scholarly inquiry. In the former, the dominant paradigm of structural Realism has tended to abstract from domestic politics and to explain international outcomes—such as system stability, economic openness, or regime creation—as a function of international attributes, principally the distribution of power. Much of the study of domestic politics, on the other hand, still proceeds without devoting systematic attention to international relations.

To be sure, in recent years political scientists have turned their attention to different *aspects* of the relationship between international and domestic realms. The extensive literature on foreign policy studies, for example, has sought to identify the domestic sources of state behavior in the international arena. The most influential work has highlighted the importance of bureaucratic politics in the conduct of foreign policy, and the relevance of institutional networks and state-society relationships in the formulation and performance of foreign economic policy.¹ Conversely, a growing interest has recently emerged, largely among comparativists, in the international sources of domestic politics, or the "second image reversed." This literature has generated rich insights by examining how international factors such as economic size, trade dependence, and war shape domestic political structures (Gourevitch, 1978; Almond, 1985; Katzenstein, 1985; Rogowski, 1987). While each of these studies has made, and likely will continue to make, important contributions, none comes to terms with the fact that international and domestic politics are interactive. Policy made in one arena spills over into the other. Governments act at home to meet international challenges and abroad to solve domestic problems, often simultaneously. What are needed are conceptual frameworks that address not only the impact of one on the other, but the interplay between domestic and international factors.²

In this paper, we propose one possible framework. Because of its unique position at the intersection of the domestic and international political systems, we place the state at the center of our analysis.³ Although interactions between international and

¹ This is the task of the so-called "bureaucratic politics" literature that came into prominence in the late 1960s. The seminal contribution is Allison (1971) and, in the foreign economic policy literature, Katzenstein (1978).

² Putnam's recent work (1988) is an important contribution in this regard.

³ We define the nation-state as the territorial unit. The state, in turn, is defined as politicians and administrators in the executive branch of government. Our primary focus is on the goal-oriented behavior of politicians and civil

national politics take place at many levels, our view is that the activities and choices of state officials, situated between these domains, are particularly important.⁴ We assume that state officials have both international and domestic goals, and we are interested in the ways they pursue domestic goals within the international system and international goals within the domestic system.

Our analysis is embedded within the Realist tradition in the belief that international anarchy and the pursuit of national power are central to understanding both domestic and international politics. We focus on classical Realism because of the fruitful (if implicit) conception within this school of the state as an organization distinct from society and purposive in character. At the same time, we draw upon the more formal and systematic analytic approach characteristic of structural Realism.

Thus, our purpose in this paper is to lay the foundation for an explicit Realist theory of state action which bridges domestic and international politics.⁵ Our task is essentially integrative. Many of the hypotheses developed below already exist in the international relations literature—often as “stylized facts.” The framework set forth in this paper, however, seeks to pull together otherwise disparate strands into a coherent, theoretical whole. We proceed by positing assumptions about state objectives and deducing strategies relevant to their pursuit. First, in order to set forth the framework that follows, we examine conceptions of the state found in classical and structural Realism. Second, we present two models or “faces” of state action which relate the goals of state officials in one arena to the strategies available in pursuit of such goals in the other. Third, building upon these two models, we put forth several hypotheses which explore the types of challenges to the state that arise in one arena and may trigger responses in the second. Fourth, we introduce variations in domestic and international structures and predict the choice of strategy made by the state across venues. Finally, a concluding section examines the implications of this effort for future Realist inquiry and the study of domestic and international politics.

Realism and the State: Classical and Structural

Within the Realist tradition three arguments are central (Keohane, 1983; Vasquez, 1983; Gilpin, 1984). First, the international system is dominated by sovereign nation-states, each beholden to no higher authority than itself. It is, in other words, anarchic. Second, the relations between nation-states are fundamentally competitive, although this does not preclude the possibility of cooperation in the pursuit of national interests. Finally, with a system so constituted, nation-states behave purposively in the pursuit of power and material well-being. Despite these common arguments, important differences exist among Realists, including conceptions of the

servants as they respond to internal and external constraints in an effort to manipulate policy outcomes in accordance with their preferences. An underlying presumption is that these preferences are partially, if not wholly, distinct from the parochial concerns of either societal groups or particular government institutions, and are tied to conceptions of the national interest or the maximization of some social welfare function. See Ikenberry, Lake, and Mastanduno (1988:10).

⁴ The major and perhaps more widely accepted alternative to the Realist, state-centered approach developed here focuses not on the state as an organization situated between the domestic and international political systems, but on social groups which define their material interests by their “international situation” and pursue their desires through the mechanism of the state. See Ferguson (1984), Gourevitch (1984), and Frieden (1988). There are many well-known problems with this society-centered alternative, including the inherent problems of choosing the appropriate level of interest aggregation and measuring the strength of various domestic groups. Given these problems, we believe it is useful to propose a state-centered approach to studying the nexus of international and domestic politics. Ultimately, the choice between alternatives will be based on their relative explanatory power.

⁵ It is important to underscore the partial nature of our enterprise. Because we focus only on strategies and goals which bridge the domestic-international divide, and self-consciously ignore other approaches or strategies which do not, we cannot and do not purport to have a complete theory of state action.

state. These differences are particularly evident between the older, classical Realism and the newer, structural Realism.

Classical Realism has been concerned primarily with the sources and uses of national power in international relations. These issues lead the analyst to focus on power relations between nation-states as well as the character of government and its relation to society. Within classical Realism, exemplified in the works of Morgenthau and Carr, one can identify implicit notions of the state as an agent of the larger nation. Classical Realists frequently refer to “statesman” who, as representatives of the nation-state, are predominantly concerned with monitoring and responding to changes in the international system. Morgenthau describes the tasks of statesmen (or “representatives of the nation”) as follows: “They speak for it, negotiate treaties in its name, define its objectives, choose the means of achieving them, and try to maintain, increase, and demonstrate power” (Morgenthau, 1985:118). The lines between the state, on the one hand, and the economy and society, on the other, are not boldly or theoretically drawn in classical Realist writings. Yet an implicit notion of the state that is at once separate from and interactive with society can be detected.

There are two critical components to this implicit classical Realist conception of the state. First, as suggested above, the state is distinct from domestic society. The concept is not simply that of “government” aggregating or responding to societal interests or demands. Rather, “statesmen” or “agents” of the nation-state are assumed to possess a realm of autonomous behavior. The state’s central mission is the conduct of foreign policy, and carrying out that task is what legitimates and differentiates statesmen from the rest of society. Second, in the pursuit of foreign policy, the state must draw upon the society and economy for material resources and political support. In effect, the state’s external policies depend critically on what it can extract from its domestic system. In the pursuit of foreign policy, the state finds itself giving great attention to strengthening, shaping, and developing domestic material and political resources. The sources of national power are many—political, economic, and military. The ability to project this power abroad hinges in important respects on the deftness of state officials in cultivating public opinion, educating the citizenry, and bolstering the authority of government institutions (see Morgenthau, 1985; Carr, 1962: Chapter 8). The classical Realists tell us that the state’s external power position cannot be divorced from its internal situation and capabilities. The statesman must be an astute diplomat, but he must also be an able student of domestic politics.

It should be emphasized that while the classical Realists rely heavily on notions of the state and its relations to society, these notions remain implicit. There is no attempt to analyze systematically or theorize about the state’s ability to marshal domestic resources or opinion. Moreover, the analysis itself is only partial. Classical Realists acknowledge that the nature of domestic politics is vital in sustaining or limiting the state’s international goals. Yet they leave aside how international policies might be used in the service of the state’s domestic goals.

Structural Realism represents an attempt to develop more rigorous and deductive theories about the international system and the constraints on foreign policy. Far more so than their classical counterparts, structural Realists are sensitive to the levels of analysis and the placement of their arguments within them. Their central task is to delineate the impact of the international structure on international outcomes. The structure of the international system is understood in terms of an ordering principle, such as anarchy, and a particular distribution of power. These characteristics constitute truly international sources of the behavior of nation-states. Importantly, because their concern is with the international sources of international outcomes, structural Realists tend for purposes of analysis to collapse the state and nation-state into one entity. With this merging of the two concepts, domestic politics and structures are eliminated from the approach.

Kenneth Waltz's analysis is the strongest and most prominent expression of this structural Realist approach. In constructing his international theory, Waltz evokes the analogue of the market. The international system is similar in structure to the market in that both are systems created through the actions of self-regarding actors. The system, Waltz argues, is the unintended yet inevitable and spontaneously generated outgrowth of activities by nation-states concerned fundamentally with their own survival. Different types of systems generate different international outcomes; Waltz argues, for example, that multipolar systems tend to be less stable than bipolar ones (Waltz, 1979).

Other structural Realists address more proximate international outcomes such as policy coordination and regime creation and maintenance. While motivated, perhaps, by how developments in these areas affect the domestic political economy, the focus is nonetheless on the international sources of international outcomes. The "theory of hegemonic stability," for example, represents an attempt to account for such outcomes as international economic openness and regime strength in terms of the distribution of economic capabilities among the major powers of the system. Given the power and interests of dominant states, it is hypothesized that hegemony will lead to openness and stable regimes.⁶

In their attempts to explain recurring patterns of international behavior, structural Realists, and Waltz in particular, are highly critical of reductionist approaches. Waltz concludes that "it is not possible to understand world politics simply by looking inside of states" (Waltz, 1979:65). In its pure form, however, the alternative theory constructed by structural Realism does not require scholars to look inside nation-states at all.

In summary, structural Realist theory treats the internal characteristics of nation-states as given. Changes in the behavior of nation-states and in system outcomes are explained not in terms of changes in internal characteristics of nation-states, but in terms of changes in the system itself. Because they are interested in international causes and consequences of state action, structural Realists direct us away from domestic politics and therefore do not provide us with the equipment necessary for investigating the relationship between domestic and international systems.⁷ In analyzing international politics in a more systematic, self-consciously theoretical fashion, structural Realism constitutes a significant improvement over its classical predecessor. This progress, however, has been gained at the expense of some of the richness of the earlier variants of Realism. In what follows, we attempt to combine the rigor of structural Realist theory with the sensitivity to state-society relations found in classical Realism.

The Two Faces of State Action

The literature on domestic strategies for the pursuit of domestic objectives, largely the purview of comparative political studies, and that on international strategies for the pursuit of international objectives, the domain of structural Realism, are already well developed. Given our particular interest in exploring the nexus between international and domestic politics, we develop two complementary models of state action. The first examines domestic strategies for the pursuit of international goals;

⁶ See Keohane (1980, 1984) and Krasner (1976, 1983). In *After Hegemony*, Keohane is critical of the "crude" version of hegemonic stability theory, in part for its inadequate attention to domestic politics (1984:35). His own revision and extension of the theory, however, focuses not on domestic politics but on international regimes and their functional attributes.

⁷ In their critical review of the regimes literature, Haggard and Simmons (1987) fault structural Realism for neglecting domestic politics. This neglect is ironic, since the early versions of what became the structural Realist literature (e.g., Keohane and Nye, 1977) were concerned with domestic politics and the impact of interdependence on it. Putnam (1988) argues that domestic politics fell out of focus as the literature came to emphasize regimes.

the second, international strategies for the pursuit of domestic goals.⁸ In combination, the models provide a framework for understanding why and under what circumstances state officials use their unique position, situated between domestic and international arenas, to achieve their objectives. The two models are united by the assumption that the state's ultimate goal is survival. From this we deduce more proximate international and domestic goals. Together, these constitute the *minimal* goals of the state. States do many things only tangentially related to survival. Yet any state—whether pre-capitalist, capitalist, centrally planned, relatively autonomous, or wholly autonomous from society—must assure its survival (and that of its nation-state) prior to pursuing other objectives.

International Goals and Domestic Strategies

Our first model accepts the Realist contention that the proximate international goal of any state is the acquisition of power and wealth. Power and wealth are valued because they provide the means to insure both the state's survival and to pursue other goals within an anarchic and competitive international system. Power, as Realists remind us, is a currency with which to purchase security and other valued political goods. Wealth, as Jacob Viner and others have argued, is a necessary means to power, and the two are in long-run harmony (Viner, 1948).

The concern with power and wealth creates two domestic strategies all states must pursue. First, state officials *mobilize resources* and intervene in the economy to stimulate economic growth and enhance the wealth of society as a whole. The state, in other words, performs a role in the economy similar to the "encompassing coalitions" identified by Mancur Olson (Olson, 1982). It acts, following Pareto's famous distinction, not *for* the good of the community but in the interests *of* the community.⁹

This strategy of internal mobilization can take two forms. A state can directly control and allocate production through planning, nationalization, or other means. This is particularly effective when the nation-state needs to undertake a "big push" or Great Leap Forward to catch-up with competitors who have industrialized earlier (Gerschenkron, 1962). Direct mobilization also tends to be most efficacious in the extensive growth phase of economic development. The state can also indirectly intervene in the economy to facilitate the accumulation of societal wealth.¹⁰ It can create more efficient property rights, provide an atmosphere conducive to technological innovation, dismantle rent-seeking coalitions, or insulate itself from such coalitions (North, 1981; Olson, 1982; Rosenberg and Birdzell, 1986). Mobilization is,

⁸ In these models, we put forth a conception of the state as an actor in both the domestic and international realms (see also Ikenberry, Lake, and Mastanduno, 1988). The notion of the state as an international actor is widely accepted, perhaps because of the collective nature of many policies in this arena. As domestic politics often focuses on distributive or redistributive issues, the role of a relatively unified and autonomous state in this realm is certainly more constrained—and may be analytically problematic. Nonetheless, we argue vigorously for the utility of our conception of the state as a domestic actor. Douglass North (1981) has examined the role of the state, often under pressure from internal and external competitors, in setting domestic property rights. Levi (1988) has used a similar framework to explore tax systems. Stepan (1978) and Trimberger (1978) provide accounts of the efforts of states to restructure their domestic societies. We believe that our own work also supports this conception. Ikenberry (1988) examines the state-led politics of American oil decontrol in the 1970s. Lake (1988) analyzes the international and, in turn, statist origins of American tariff policy in the late nineteenth and early twentieth centuries. Both of these policies deal with quintessentially "domestic" issues. Mastanduno (1988) has examined American export controls from a state-as-actor approach, a policy that more clearly bridges the domestic and international arenas. These studies do not demonstrate conclusively the utility of a conception of the state-as-actor in domestic politics, but they do suggest that the approach is plausible and analytically fruitful.

⁹ Pareto is cited in Krasner (1978:12).

¹⁰ This general argument is presented by Polanyi (1957).

in an important sense, an investment in international power. By expanding wealth, the state helps create the resources necessary to sustain military expenditures, stimulate technological innovation, and otherwise expand the political and economic bases of power. But while generally beneficial, mobilization is not without costs. Direct mobilization requires an expensive administrative apparatus and, over time, introduces inefficiencies into the economy. In indirect mobilization, on the other hand, costs incurred in persuading non-state actors to expand production are probably more important. To the extent that mobilization reduces rents previously enjoyed by groups in society, it may also entail substantial domestic political costs to the state.

Second, the state *extracts resources* from society for military expenditures, foreign aid, contributions to international organizations, propaganda, and other exercises of international power. Wealth provides the basis for international power, but it is not synonymous with power. The state must convert wealth into power by taxing, requisitioning, or expropriating social resources.¹¹ States clearly differ in their abilities to make claims on national resources (see Lamborn, 1983). In authoritarian or totalitarian countries it is often possible to construct a command economy in which extraction occurs through the state's direct control of the means of production. Even within democratic capitalist societies, states differ in their extractive abilities. Centralized and insulated states, it is often argued, are better able to extract social wealth than decentralized and constrained states (Krasner, 1977). While the form of extraction will differ according to the strength of the state relative to its society, all states must still convert wealth into power.

Like mobilization, extraction does entail costs and may generate discontent from affected societal groups. More importantly, extraction diminishes the present and future wealth of the nation-state. Only if extracted wealth is redistributed by the state to societal groups with higher rates of marginal returns will extraction expand national wealth. Using extracted resources for international power purposes, on the other hand, consumes rather than produces wealth.

Consequently, a trade-off exists between the two strategies of mobilization and extraction. Mobilization is the creation of wealth and an investment in power. Internal extraction is the creation of power and the consumption of wealth. As extraction increases, the state is likely to redouble its efforts at mobilization, but the effectiveness of the latter may decline because 1) the sum of investable wealth is now lower and 2) incentives for future wealth creation are undermined by discouraging investment and introducing inefficiencies into the economy. These problems are less acute in direct mobilization, yet that strategy by its very nature involves the introduction of greater economic inefficiencies. Extraction is necessary but costly in its long-term effects on the nation-state's ability to compete in the anarchic international system. Therefore, states will seek an equilibrium between extraction and mobilization which satisfies their immediate power needs while enhancing the future power capabilities of the nation-state.¹²

Domestic Goals and International Strategies

As noted above, the ultimate goal of the state is assumed to be self-preservation. While the survival of the state in the international arena requires the defense of the sovereignty and territorial integrity of the nation-state, domestically it demands that the state meet and overcome challenges from, and maintain the support of, societal

¹¹ A good discussion is found in Knorr (1975).

¹² This dilemma is discussed in the context of statebuilding in the early modern period by Tilly (1985), Hirschman (1978), and North (1981).

groups and coalitions. This is the case both for the state as an organization and for the incumbents who occupy dominant positions in the state apparatus at any given moment. In their efforts to maintain support and overcome opposition, state officials pursue two more proximate goals. First, they seek to acquire control over resources in order to coopt or coerce challengers and reward supporters. Obviously, the greater the challenges confronted by state officials to their power and authority, the more resources they will require. Second, state officials seek to preserve their legitimacy. An intangible asset of the state, legitimacy is the acceptance on the part of domestic groups of the state's claim to the exercise of decision-making authority. The greater the legitimacy enjoyed by state officials, the less they must rely upon coercive or compensatory strategies; conversely, as legitimacy wanes the need for such strategies, and thus for control of the resources associated with them, becomes more pressing.¹³

In light of their domestic goals, the two most important international strategies state officials can pursue are *external extraction* and *external validation*. External extraction refers to state efforts to accumulate resources from outside its borders that can be of use in achieving domestic objectives. It may be direct, involving the transfer of external resources to the state itself; or it may be indirect, involving the transfer of such resources to domestic society, a portion of which, in turn, the state may extract. The effective use of external extraction enhances the ability of states to meet their domestic goals by increasing the resources available for coercion or compensation. Moreover, gaining access to externally-generated resources may allow states to reduce internal extraction and thereby ease the domestic political pressure often associated with this latter strategy. Most forms of external extraction rely either overtly or covertly on coercion. Even the pursuit of free trade under American hegemony, an indirect extractive strategy which also improved the well-being of many countries, required that the United States alter the behaviors of other nation-states (Lake, 1988:50–52). Because of this reliance on coercion, relatively powerful countries are likely to be more successful in their attempt at external extraction.

External validation refers to attempts by state officials to utilize their status as authoritative international representatives of the nation-state to enhance their domestic political positions. Like external extraction, this strategy may take a variety of forms. For new states (i.e., those that have come to power in the wake of internal revolutions), external validation involves first and foremost the quest for diplomatic recognition. Gaining the recognition of the international community appears to be an exceptionally powerful means for a nascent state to establish legitimacy in the eyes of its domestic population. That the refusal or withdrawal of diplomatic recognition is one of the most potent weapons used by states, short of military intervention, to undermine the domestic political position of others serves as testimony to the importance of this form of external validation. At a more basic level, scholars have noted the relationship between the evolution of the nation-state system with its international norms of sovereignty and the consolidation of the state's claims over national territories (see Giddens, 1985; Ruggie, 1983; and Ashley, 1984). Here, the state's *sui generis* domestic position as sovereign representative of society is dependent in some sense on the recognition of other states within the international system.

It is difficult to generalize about the relationship between the pursuit of our two external strategies, extraction and validation. Clearly, they have the potential to be

¹³ We are referring here to the Weberian argument concerning the organization of legitimate authority. Systematic incentives exist for rulers to organize power in ways that establish or preserve the legitimacy of government institutions and decision-making. In the modern period, the state has found legal-rational authority to be the most effective method for the organization of political power. See Weber (1978, Vol. 1:212–16). For a recent discussion of this argument and its bearing on the behavior of modern state officials, see Schmitter (1985).

mutually reinforcing. By participating in international organizations, elites in developing countries may enhance both their status at home and their ability to extract resources from advanced industrialized nation-states. The potential conflicts are equally apparent. Given the widespread acceptance of national self-determination since 1945, the practice of imperialism as an extractive strategy clearly detracts from a state's efforts at external validation.

In summary, all states seeking to survive possess the international goals of power and wealth, from which the need for internal mobilization and extraction follow, and the domestic goals of control over resources and the preservation of legitimacy, which suggest the international strategies of external extraction and validation. This inventory of state goals and strategies provides systematic reasons why states, seeking to advance their own interests, will move across the domestic-international divide. The importance of these strategies and how and why they might be pursued is discussed in the following sections.

Exploring the Two Faces of State Action: Challenge and Response

Building upon the framework developed in the last section, we now explore the types of challenges to the state arising in one arena that may trigger responses in the other arena. We consider whether and how the state will respond domestically, first, to changes in its long-term international power and, second, to changes in the immediate security threats that it confronts. Next we examine possible international responses by the state to challenges to its domestic political stability. Because we are primarily concerned here with exploring responses across arenas, we do not attempt to analyze the full range of possible responses to any particular challenge. The propositions in this section refer to the responses of states irrespective of their particular domestic or international structural positions. In the next section we develop propositions that accommodate variations in these factors.

H1: As the long-term power of the nation-state declines, the state will increase its internal mobilization. A detrimental shift in the power of the nation-state undermines the ability of state officials to achieve their international objectives. Faced with such a threat the state is likely to respond on both domestic and international fronts. In the domestic arena, extraction might be an effective short-run remedy, but over time it is likely to undermine the economic and political bases of national power. Thus, to the extent state officials perceive their decline of power to be enduring, they are more likely to respond in the domestic arena with mobilization rather than extraction. Mobilization, unlike extraction, has the potential to enhance the long-term power of the nation-state by stimulating economic growth and investment.

Historically, mobilization has been a common response by state leaders who fear that their national position, and thus their national security, is threatened by their relative backwardness (Gerschenkron, 1962). Stalin's strategy of rapid industrialization and the Meiji Restoration sought to enable Russia and Japan, respectively, to elevate their international ranking and prestige and to compete more effectively with the great powers of the West. More recently, the prominence that officials within the European Community have given to the ambitious 1992 liberalization reforms reflects a wide-spread concern that the nation-states of Western Europe may be in danger of falling behind the technologically more dynamic societies of America and Japan, and represents an attempt to redress this imbalance over the long term.¹⁴

¹⁴ In their quest for technological parity, European Community officials have placed considerable emphasis on indirect mobilization, specifically the removal of all remaining intra-Community barriers to the free movement of labor and goods across national borders. See "A Survey of Europe's Internal Market," *The Economist*, July 9, 1988.

Proponents of industrial policy in the U.S. and economic reform in the Soviet Union share a similar concern over the relative economic decline of their nation-states and a belief in the desirability of alternative mobilization strategies.

Similarly, failure to pay adequate attention to internal mobilization can be costly for the nation-state. Sixteenth-century Spain paid dearly for neglecting its domestic economic base in pursuit of external extraction through the plundering of precious metals from the New World (Dehio, 1963:47). For reasons suggested below, late nineteenth-century Britain similarly relied primarily on international responses, such as portfolio investment, and thereby failed to arrest its decline. In a well-known study Robert Gilpin warned that the postwar United States, by emphasizing a strategy of foreign direct investment, risked following a similar path (Gilpin, 1975).

H2: As external security threats increase, the state will increase its internal extraction. More immediate threats to a nation-state's security arise when adversaries achieve unforeseen technological breakthroughs of military significance, or initiate direct military or economic confrontations. The immediacy of such challenges dictates that they be met, if possible, in the short-run. In such cases, extraction enjoys advantages over mobilization. Extraction allows the state to gain rapid access to society's resources, which can be used to meet the threat to national security.¹⁵ States facing such threats may attempt mobilization yet simultaneously will be compelled to increase extraction, despite the potential long-term costs to the economy of adopting this strategy.

The most obvious examples of this domestic response involve the nation-state at war, or preparing for it. During World War II, Britain and Germany devoted half their economic resources to the military effort, obviously a far greater proportion than either state had been accustomed to committing to defense during peacetime (Knorr, 1975:47). Similarly, postwar American defense spending reached its peak as a percent of GNP during the Korean war, not only to pay for American participation but also to prepare for what many U.S. officials perceived as an imminent military conflict with the Communist world. It should also be noted that states unwilling or unable to extract in the face of perceived security threats will find their options to be severely constrained. The Johnson Administration faced this dilemma over Vietnam, and its unwillingness to raise taxes decisively shaped the manner in which it conducted the war.

H3: As domestic political instability increases, the state will pursue external extraction and validation. Political instability varies along a continuum from declining public support for state incumbents to revolutionary upheaval that threatens the integrity of the state as an organization. In response to such minor and major threats to their domestic position, states can draw upon a vast array of domestic strategies. We hypothesize that states will engage in international strategies as well, since such strategies can enhance the ability of the state to satisfy the proximate domestic goals jeopardized by instability.

External validation can enhance the legitimacy or popular support of state officials. Leaders of unstable regimes in the developing world have attempted to use the New International Economic Order (NIEO) and the international exposure associated with it to bolster their domestic status (Krasner, 1985). Similarly, President Richard Nixon attempted to neutralize the impact of Watergate by engaging in highly visible diplomatic encounters with Soviet leaders. Partly in response to the

¹⁵ Lamborn, in his discussion of the constraints on the extractive capabilities of states, recognizes the importance of the level of perceived external threat. See Lamborn (1983:131, 137–38).

discontent generated by the socialist economic experiment, in the early 1980s French President Mitterand took a more interventionist role in foreign affairs, notably in Africa. One might argue that at that time the Libyan and Iranian regimes empowered themselves domestically by provoking and confronting the United States. Finally, and at the extreme, states may even go to war to resolve domestic political problems (see Mayer, 1969).

External extraction can be used to generate resources, which in turn can be used to reinforce the domestic position of the state. The resources provided by OPEC's dramatic reversal of the terms of trade enabled member states to reduce the burdens of domestic extraction and potentially coopt the sources of domestic discontent. Similarly, the French state has been able to extract considerable resources from the European Community through the common agricultural policy, thereby subsidizing farmers who comprise an important voting bloc (Zysman, 1978).

Because states participate in both international and domestic systems, opportunities exist for solving problems that arise in one domain by taking actions in the other. Consequently, analysis that focuses exclusively on state action in only one domain risks being misleading or incomplete. Structural Realists, for example, make a theoretical commitment to explain international outcomes by reference to characteristics of the international system. The problem here is that states may respond to international events through domestic actions or, alternatively, domestic problems may intrude on international relations in ways that are not understandable in terms of the prevailing character of the international system. If Realists are interested in explaining state action, systematic attention must be paid to interaction between systems.

Integrating the Two Faces of State Action: Strategies and Choices

Drawing upon the two previous sections, we now introduce variations in domestic and international structures and predict the choice of strategy made by states. Our approach here differs from the one used in the last section. There we examined the determinants of state action and presumed that all states would respond in similar ways to domestic and international challenges. In this section, we pose constraints on state action which differ across states. In doing so, we attempt a preliminary synthesis of the two faces of state action.

States differ in their domestic and international structural positions. Following Waltz (1979), by international structure we mean primarily the distribution of capabilities or power, defined as the ability to influence the behavior of foreign state and non-state actors. While international power is clearly a continuum, we distinguish for analytical purposes between states which are internationally "strong" or "weak."

Similarly, the structural position of a state in relation to its society varies along a continuum from decentralized and constrained by societal groups to centralized and insulated from society.¹⁶ Important differences exist in the capacities of states to influence and shape the society and economy. In specifying the domestic structural capacities of states, scholars have focused on such institutional factors as the autonomy of administrative organizations and the presence or absence of policy tools. Again, for reasons of analytic convenience, we distinguish between "soft"

¹⁶ We have elsewhere criticized the weak state–strong state distinction as developed by Katzenstein, Krasner, and others. See Ikenberry, Lake and Mastanduno (1988:1–14). Foremost among our points of contention is that the concept of weakness and strength does not tell us enough about the specific sources of state power and the instruments available to any particular state. We recognize, however, that the simple dichotomy is useful for comparative purposes in a "first-cut" or preliminary explanation. Future work should, of course, seek to further refine this distinction even in its comparative usage.

(decentralized and constrained) and “hard” (centralized and autonomous) states.¹⁷ Soft states may do little more than register the demands of societal groups or, at best, resist private demands. Hard states are able not only to resist societal forces but actively to reshape aspects of the economy and society.¹⁸ Mixed cases exist, of course. The small European states examined by Katzenstein (1985) combine the centralized decision-making of hard states with a high degree of societal penetration characteristic of soft states—albeit societal influence channeled through centralized peak associations. The centralization of these states and societies suggests that they incline toward the hard end of our continuum. Their policy postures also tend to bear out this presupposition. While subtlety is lost with any analytic simplification, and in individual cases subtle differences may be all-important, we nonetheless believe that this distinction between soft and hard states is useful for comparative purposes.

H4: Soft states will rely on international strategies to a greater extent than will hard states. Conversely, hard states will rely on domestic strategies to a greater extent than will soft states. More restricted by social actors, decentralized and constrained states are less able to mobilize internally and extract resources than their hard state counterparts. Because they are limited in their ability to act at home, such states will tend to emphasize international strategies for the pursuit of state goals and ultimately for their survival. Centralized and insulated states, on the other hand, have a greater range of choice between venues. While they may still act internationally, their choice of strategy will be more weighted toward domestic strategies than in soft states.

H5: Internationally weak states will emphasize domestic strategies more than will internationally powerful states. Likewise, powerful states will emphasize international strategies more than will weak states. Weak states are more constrained in their ability to achieve their goals through international action. As a result they, more so than internationally powerful states, will focus their attention on internal mobilization and extraction. More powerful states are better equipped to extract resources from abroad, since the possession of wealth and power generally enhances their ability to accumulate further increments of it.

H6: Soft states will rely on internal extraction to a greater extent than will hard states. Hard states will rely on internal mobilization to a greater extent than will soft states. For reasons similar to those developed in H4, soft states are less powerful relative to society than are hard states and they implement domestic strategies with greater difficulty. They are less able to dismantle rent-seeking coalitions or insulate themselves from such groups. Enacting efficient property rights may also be difficult as groups clamor for special favors. Faced with this constraint, the state is likely to engage in greater extraction to maintain or increase its international power. In effect, the state becomes another rent-seeking actor (Krueger, 1974; Buchanan, Tollison, and Tullock, 1980; Conybeare, 1982; Olson, 1982). As we argued above, extraction is necessary for all states to convert wealth into power. Even hard states, as a result, will

¹⁷ Immanuel Wallerstein also distinguishes between strong and weak states (1974). But in doing so he fails to separate international and domestic dimensions of strength. As we note, and as critics of Wallerstein observe, the two spheres of state strength are not identical and, indeed, are frequently quite divergent (Zolberg, 1981).

¹⁸ John Zysman, who is interested in the divergent abilities of advanced industrial states to become involved in industrial adjustment, focuses on three structural elements: mechanisms of recruitment in the national civil service, the degree of centralization within government civil service, and the extent of independence from legislative oversight (Zysman, 1983:300). See also Katzenstein (1976; 1978), and Krasner (1978: Chapter Three). The term “soft state” comes from Myrdal (1968:895–900). See also Waterbury (1985). In a similar fashion, the term “soft regime” is used by Kahler (1985:368).

extract social resources. Yet because they are better able to reshape society and insulate themselves from rent-seekers, hard states will engage in internal mobilization more than will soft states.

H7: Internationally weak states will emphasize external validation more than will stronger states. Internationally powerful states will engage in external extraction to a larger extent than will weak states. External extraction often requires an ability to influence other nation-states, to get them to do what they would otherwise not do. Internationally powerful states, with more capabilities at their disposal, are better able than weak states to implement this strategy. As a result, weak states—more so than strong ones—will resort to external validation, which typically does not require coercive capabilities.

Taken together these hypotheses yield a synthesis of the relationship between domestic and international structures and strategies. The synthesis is presented in Figure 1.

Soft states rely on international strategies to a greater degree than do hard states (H4). If they are also internationally weak, they will emphasize domestic strategies more than do strong states (H5). Thus we can expect soft, weak states to combine a reliance on internal extraction (H6) and external validation (H7). This is the strategic mix currently employed by certain states in the developing world, and it leads to an unfortunate predicament. Plagued by the demands of rent-seeking coalitions, state elites find themselves extracting resources from domestic society for redistribution to social claimants and to themselves (Bates, 1981; Levi, 1981). In seeking help from the international arena these states are forced by their subordinate position to rely primarily upon multilateral bargaining in the United Nations (such as in the NIEO) and other forms of symbolic international politics to maintain domestic legitimacy. Being ill-equipped to mobilize resources domestically or extract resources internationally, these states are compelled to pursue strategies that tend to reinforce their domestic weakness and do little to expand their international power.

Internationally powerful, soft states, such as the United States, will emphasize a strategy of international (H4, H5) extraction (H7). Throughout the post-war period,

| | | <u>International Structure</u> | |
|---------------------------|------|--|--|
| | | Weak | Powerful |
| <u>Domestic Structure</u> | Soft | Internal Extraction External Validation | External Extraction |
| | Hard | Internal Mobilization | Internal Mobilization External Extraction |

FIG. 1. Strategies and constraints.

the United States has relied on a strategy of international extraction (albeit indirect) by creating and maintaining international economic regimes. American state officials constructed a free trade regime, renegotiated this regime to sanction non-tariff barriers to trade as the country's competitive position began to wane, and created an international monetary regime based upon seigniorage and the dollar (Parboni, 1981). In short, American officials convinced other states to participate in international arrangements that reinforced and enhanced the global power of the United States. Yet, as suggested by the recent tendency of the U.S. to run large budget and trade deficits and finance them with foreign capital, reliance on external extraction diminishes the incentives for state officials to engage in internal mobilization, sowing the seeds for later decline. As was the case for soft, weak states, over the long run the strategic preference of a soft, powerful state works to the detriment of its competitive position.

Hard states that are internationally weak will emphasize the domestic strategy (H4, H5) of internal mobilization (H6). Unable to coerce other nation-states, these states will turn inward and use their domestic strength to stimulate growth and the accumulation of national wealth to meet both international and domestic needs. Such a strategy characterized late nineteenth-century Japan and the Soviet Union and China in the periods after their respective revolutions. Similarly, the postwar Japanese state provided a variety of administrative and economic incentives designed to foster economic growth and international competitiveness.

Finally, hard, internationally powerful states have a wide range of strategies open to them but will rely more heavily than others on a combination of internal mobilization (H6) and external extraction (H7). France has sought to stimulate growth and enhance its technological prowess. As a mid-level international power, it has also engaged in external extraction through its relations with the European Community and its export promotion strategies targeted at the developing world. The Soviet Union provides a second example. In the early postwar period it pursued internal mobilization through an extensive growth strategy, and external extraction in its relationship with Eastern Europe (Bunce, 1985). Having reached the apparent limits of that strategy by the early 1970s, Soviet leaders sought to use economic links with the West for purposes of external extraction. They hoped, in vain, that technology transfer and subsidized credits could serve as a substitute for much needed decentralizing economic reforms in stimulating economic development.¹⁹ For the purposes of our analysis, it is interesting to note that the current Soviet predicament stems not from the pursuit of internal mobilization but from the manner in which that strategy has been pursued. Over the long run, direct state-led mobilization has proven to be a less effective means to accumulate wealth than has indirect market-led mobilization. Not surprisingly, a central thrust of Gorbachev's current reform program involves the use of market incentives within the framework of a command economy.

In this section we have examined how variations in international and domestic structural positions combine to affect the strategic preferences of state officials. The framework put forth is more comprehensive than that found in the existing international relations literature. The "domestic structures" literature, for example, holds the international position of states constant and predicts foreign economic strategy by varying state-society relations (Katzenstein, 1978). Such an approach cannot account for differences in the strategies adopted by states with broadly similar domestic structures yet disparate international positions. Similarly, it would have difficulty explaining changes in strategy that took place in any given state over time,

¹⁹ On U.S. attempts to exploit the Soviet predicament, see Mastanduno (1985).

as its domestic structure remained the same and its international position shifted. Structural Realism, on the other hand, holds domestic structure constant and predicts strategy based on international position. Such an approach is inadequate in accounting for variations in strategy among states, or within the same state over time, when international position remains constant but state-society relations vary. By combining the two sets of variations in an integrated framework, the approach outlined above offers greater explanatory power.

Conclusion

A general theory of international relations, as others have noted, requires a theory of state action.²⁰ Realism claims to provide such a theory. Yet as we have seen, classical Realists, who appreciate the multidimensional nature of state action, fail to develop its logic in a rigorous fashion. Structural Realists, on the other hand, collapse the distinction between state and nation-state and thereby develop only part of the logic of state action. It is ironic that the Realist tradition places the state at the center of its analysis but fails to develop a comprehensive theoretical appreciation of its nature or logic. Since states are organizations that participate in both international and domestic political arenas, it is not surprising that the pursuit of goals in one arena influence actions in the other.²¹ States may both respond to international events through domestic actions and attempt to solve domestic problems through international actions. This is an observation few analysts would disagree with but one which has yet to be systematically incorporated into general theories of international (or domestic) politics.

The alternative framework presented in this paper attempts to move beyond existing Realist theories. It places the state at the center of the analysis and develops a range of strategies, across domestic and international arenas, available to state officials in pursuit of their objectives. It also deduces, given the domestic and international structural position of the state, which strategy or combination of strategies the state is likely to pursue. By taking into account both the domestic and international constraints on the state, and by articulating both the domestic and international choices available to the state, we are able to provide a more comprehensive, integrated approach to the analysis of state behavior.

An adequate empirical test of the propositions generated by this approach is beyond the scope of the present paper. The illustrations provided, however, should be sufficient to indicate the potential utility of the approach. It yields insights, for example, into the problem of great-power decline. Our model suggests that soft, powerful states will be compelled, by the combined logic of their domestic and international positions, to pursue a dominant strategy of external extraction. This is so despite the fact that over the long run that strategy, when employed at the expense of internal mobilization, tends to erode the power that gave rise to it initially. The model captures the irony that states, in pursuit of wealth and power, undertake short-term strategies that diminish their long-term ability to acquire and accumulate those assets.

This approach should also prove useful in exploring the dilemmas of underdevelopment. Dependency theorists argue that underdevelopment is a function of a nation-state's international predicament—its position in the global division of labor—while their critics emphasize internal characteristics such as the strength of

²⁰ Keohane (1983) notes: "Understanding the general principles of state action and the practices of governments is a necessary basis for attempts to refine theory or to extend the analysis to non-state actors." See also Gilpin (1981:15).

²¹ The logic of this two-sided image is also explored in Ikenberry (1986).

the state. Our approach combines the insights of the two and moves beyond each of them by positing that soft, weak states are driven to pursue strategies that ultimately perpetuate underdevelopment, while hard, weak states have the potential to extricate themselves from that condition. The latter assertion is largely consistent with the “dependent development” school, which assigns a prominent role to the state and its ability to bargain with multinationals in accounting for divergent paths of development (Evans, 1979).

Finally, the model presented here is potentially useful in anticipating the broad shifts in foreign policy that accompany changes in the structural position of a state. The Soviet Union prior to 1945 emphasized internal mobilization, while in the postwar period, as it acquired great-power status, it increased its emphasis on external extraction. Similarly, as soft states move from international weakness to strength, we would anticipate a shift from an emphasis on internal extraction and external validation to one on external extraction. In part, this consideration underlies the fear, shared by allies and adversaries, of contemporary Germany or Japan translating their formidable economic power into independent military strength. Alternatively, as weak states move from hard to soft domestically, we would expect them to place greater weight on external validation. One might explore, for example, whether the interest of the post-Facist democratic state of Spain in joining NATO and the EEC might serve as partial support for this hypothesis.

These are simply some of the issues that might be explored in the context of this model. They can be understood essentially as suggestions for further research. Scholars have been increasingly interested in the relationship between domestic and international systems. Our contention is that a focus on the state and an appreciation of its dual environment provide a basis for developing a systematic theoretical understanding of that relationship. The framework developed here also suggests that international relations scholars and practitioners alike would benefit from increased attention to state-society relations and, in particular, the ways in which the national economy is organized for the pursuit of international power. The conduct of foreign policy depends not only on relations between nation-states but also on supposedly “domestic” politics.

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