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# 1 Introduction: from interdependence and institutions to globalization and governance[1]

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(2002)

This volume contains essays written (several in conjunction with co-authors) between 1990 and 2001. All of them revolve around issues of interdependence, institutions, and governance in world politics. They address a wide variety of different problems, but they do so, I believe, from the standpoint of a consistent analytical framework. That is, there is a view of how the world works embedded in these essays, each of which reveals a different aspect of this multifaceted understanding of world politics.

The purpose of this introduction is, first of all, to elucidate this conception of how the world works. It is both individualist and institutionalist, regarding institutions both as created by human action and as structuring that action. The principal motor of action in this view is self-interest, guided by rationality, which translates structural and institutional conditions into payoffs and probabilities, and therefore incentives. But my conceptions of self-interest and rationality are broad ones. Self-interest is not simply material; on the contrary, it encompasses one's interest in being thought well of, and in thinking well of oneself. One's self-interest is not divorced from one's principled ideas or identity but closely connected with them. Furthermore, not all action is necessarily self-interested: actions such as those of firemen rushing into the burning World Trade Center on September 11, 2001, reflect commitment and courage rather than interest.

The resulting conception of how the world works is complex, seeking to take into account subjectivity as well as objectivity, primal urges for power as well as institutional constraints, principled beliefs and worldviews that cannot be validated as well as rational calculation. It therefore lacks parsimony. The core of my contribution to this view of the world has been to explore how international institutions operate, in the context of interdependence. But my exploration of institutions and interdependence has taken place in the context of an awareness of how they are affected by other, broader factors. Hence, I do not assume that institutions and interdependence are the most important aspects of contemporary world politics, that they somehow contain the unique key to history. Indeed, they only make sense if they are fit into the larger puzzle.

What follows is part intellectual autobiography, part elaboration of connections among views, and presumably part rationalization of arguments that I now see as more closely connected than they may have originally been.[2] After all, to a considerable extent we invent the past. Nevertheless, I believe that this reconstruction is not pure invention; and it can be at least partially tested by reference to the essays that appear, with minor stylistic or grammatical changes but without substantive changes, in this volume.

I begin with the concept of interdependence, as discussed and elaborated by Joseph S. Nye and myself in 1977. I next discuss what I call "institutional theory" and its research program, then turn to its implications for the study of international law. From there, I move to the two key buzzwords of our own day – globalization and governance – and try to show how, in discussing those concepts, I used and elaborated the framework of analysis developed earlier in the study of institutions and interdependence. At the end of this introduction, I refer to an essay that illustrates how my way of understanding world politics can be applied to contemporary events. Shortly after September 11 I set myself the task of asking about the implications of that attack for theories of world politics, in particular for the theories with which my own work is associated. My response was not meant to be comprehensive, since scholars with other specialties would respond from their own distinctive perspectives. But since this essay should illuminate both the value and the limitations of my own approach, it is included as Chapter 12 of this volume.

## From interdependence to institutional theory

Over thirty years ago, astute observers of the world political economy began to comment on striking increases in economic connections among societies and the growing role of multinational corporations (Cooper 1968; Vernon 1971). Meanwhile, the literature on the European Community, pioneered by Ernst B. Haas, focused on how economic interdependence affected arrangements for governance (Haas 1958). Nye and I picked up on these themes, beginning with our edited special issue of *International Organization* on transnational relations (Keohane and Nye 1972), a term that we did not invent but that we did insert into the literature on world politics.

At that time the buzzword for these changes was "interdependence". In the 1970s, Nye and I built a theory elucidating the notion of "complex interdependence," an ideal type for analyzing situations of multiple transnational issues and contacts in which force is not a useful instrument of policy. We defined interdependence itself more broadly, to encompass strategic issues involving force as well as economic ones. In our analysis, interdependence is frequently asymmetrical and highly political: indeed, asymmetries in interdependence generate power resources for states, as well as for non-state actors. *Power and Interdependence*, published first in 1977, elaborated this theory and applied it to fifty years of history (1920–1970) in two issue-areas (oceans and money) and two country relationships (US Australia and US–Canada). There were a number of gaps in our analysis, some of which we acknowledged a decade later,[3] but the analysis of the relationship between asymmetrical interdependence and power continues to be useful, as illustrated by Chapter 12.

*Power and Interdependence* contained an incipient theory of institutions, in the form of what Nye and I called an "international organization model of regime change (Keohane and Nye 1977, 54–58). But this theory was not well-developed. What preoccupied me for seven years after the publication of *Power and Interdependence* was the puzzle of why states establish international regimes – rule-oriented institutions that limit their Members' legal freedom of action. In *After Hegemony: Cooperation and Discord in the World Political Economy* (1984), I presented a theory of international institutions based on rationalist theory, in particular economic theories of the firm and of imperfect markets. I argued that institutions perform important tasks for states, enabling them to cooperate. In particular, institutions reduce the costs of making, monitoring, and enforcing rules – transaction costs – provide information, and facilitate the making of credible commitments. In this theory, the principal guarantors of compliance with commitments are reciprocity (including both threats of retaliation and promises of reciprocal cooperation) and reputation. A brief summary of the major arguments of this theory, and a discussion of its evolution, is contained in Chapter 2 below.

My formulation of institutional theory has often been referred to as "liberal institutionalism" or "neo-liberal institutionalism." These labels do not appeal to me, not just because they are awkward. My theory does have its roots in liberalism, as Chapters 3 and 11 demonstrate. But the connotations of liberalism are multiple and misleading. My theory has nothing to do with the view that commerce leads necessarily to peace; that people are basically good; or that progress in human history is inevitable – all propositions sometimes associated with liberalism. Nor is it connected with the view that liberty should have priority over equality and social justice, much less with the "neo-liberalism" of the past decade: the so-called "Washington Consensus" that dictated the dismantling of much governmental regulation of markets in developing countries. My liberalism is more pessimistic about human nature and more cautious about causal connections running from economics to politics than some versions of classical liberalism; and I have never been a supporter of the "Washington Consensus" in its strong neo-liberal form. Since attaching a "liberal label" to my perspective generates such a need for explication, it seems better to leave it off entirely.

"Institutionalist" is descriptive of my work, since it emphasizes the significance of institutions and seeks to explain them. Using this term is not meant as a claim to intellectual hegemony. Indeed, there are many other institutionalist theories, often with quite different concepts, and implications, than my own (March and Olsen 1995, Chapter 2; March and Olsen 1999; Ruggie 1998; Ruggie 1999). However, I regard my own formulation as having as good a claim to the adjective "institutionalist" as any of its competitors. When I

refer below to "institutionalist theory," I refer to my own version of institutionalism.

The theory in *After Hegemony* was rather stylized: as in *Power and Interdependence*, differences in domestic politics were deliberately overlooked for purposes of simplification. This is not to say that the importance of domestic politics was denied: quite the contrary. But the theory did not encompass domestic politics. Indeed, the theoretical gap created by the omission from the theory of domestic politics was sufficiently wide to drive many dissertations through it. Some of my former students have been leaders in this effort. They have analyzed the impact of domestic politics on world politics, in the context of a sophisticated understanding of interstate politics and the roles played by international institutions and non-state actors.[4]

The fact that my former students have written over a dozen books linking domestic politics and international relations is not only gratifying to me personally; it illustrates a broader aspect of American graduate education that is often overlooked. The resumés of scholars normally include only their own work. But the puzzles that they recognize but fail to address may be as important to their own students, and to their field as a whole, as their own contributions. Paths that lead through open doors may beckon more strongly to aspiring scholars than imposing intellectual edifices, no matter how impressive. And the explorations of graduate students instruct their professors. Graduate education is a process of interchange, not merely of transmission.

The theory developed in *After Hegemony* and closely related writings (e.g. Keohane 1986b) was strongly affected by my research on trade, monetary, and energy issues – all questions of material self-interest in which reciprocity played a substantial role. On the whole, the same framework fits environmental issues quite well (Haas, Keohane and Levy 1993; Keohane and Levy 1996). Perhaps this congruity should not be surprising, since similar questions arise of cross-border externalities and economic competition. On both sets of issues, monitoring of agreements is important and is carried out largely under the auspices of international institutions, while enforcement takes place through state action, legitimated through such institutions.

Environmental issues do have a moral dimension that is largely missing from the economic questions emphasized in *After Hegemony*. Principled ideas, concerned with right and wrong, play a significant role in mobilizing publics on issues such as ozone depletion, pollution of the oceans, and global warming. Such principled ideas play an even more prominent role on questions of human rights. And causal ideas, specifying connections between cause and effect, are important in policy debates in both issue-areas, as well as in other arenas of world politics.

Intrigued by the role of ideas, and their connections to rationalistic frameworks of analysis, Judith Goldstein and I began to explore the role of ideas on policy in the early 1990s (Goldstein and Keohane 1993). The role of ideas, of course, has been a long-standing theme in the work of a number



of distinguished students of international relations, including my own mentor, Stanley Hoffmann (1987), Hedley Bull (1978), and Martin Wight (1992). Goldstein and I, however, were particularly interested in reconciling theories of rational choice, with which we were sympathetic, with our view that ideas are significant in world politics. We distinguished among three types of beliefs: worldviews, principled beliefs, and causal beliefs. Worldviews are illustrated by religion, principled beliefs by doctrines of human rights, and causal beliefs by Keynesian or monetarist theories of macroeconomics. All three types of belief affect policy, but they do so differently.

Goldstein and I went on to suggest that ideas exert effects along three causal pathways: (1) as "roadmaps," (2) as focal points where there is no unique equilibrium, and (3) as embedded elements of institutions. Our essay is not reprinted here both because it is well-known and easily accessible, and because it forms an integral part of an edited volume to which it served as an introduction. But my thinking since the early 1990s has been deeply affected by my appreciation, heightened by work on this project, of the role of ideas in world politics. As noted below, my recent work on international law seeks to explore how the ideas incorporated in legal thinking affect persuasion and practice in world politics.

As these remarks imply, I disagree with the frequently-heard criticism that the role of ideas is necessarily de-emphasized by a view of the world that is based on an individualist ontology and a neo-positivist epistemology. It is individuals who have beliefs, although of course these beliefs are formed through social processes, and are perpetuated through societies that outlive individuals. As social scientists, we can investigate the impact of these beliefs through theoretical and empirical work, exploring how variations in ideas – between individuals and between groups – help to account for variations in behavior. Of course we have to be alert to the operation of social norms and practices, and shared memories – so we should not adopt an unsocialized, atomistic notion of human beings. Man, as Aristotle pointed out, is a social animal. But in my view we should focus on individuals as the principal unit of analysis, as long as we keep in mind their interactions in society, and the historical and cultural contexts within which they live. This means that the analyst goes back and forth between individual and society, regarding both seriously, but always seeking to explain individual behavior, and aggregate it upward, rather than to theorize about society without considering whether the resulting propositions are consistent with patterns of individual behavior. In this way, we can give our theories micro-foundations and avoid the reification of abstract concepts or the positing of a collective consciousness for which there seems to be little scientific evidence.

The most important work on the role of ideas in world politics has been done not by me but others. The politics of human rights are not well-explained by the reciprocity-based logic of institutionalist theory: states do not retaliate for human rights violations by others by abridging human rights themselves (Hathaway 2001). On other issues, such as the use of weapons of

mass destruction, principled ideas and organizational cultures seem to have played an important a role in accounting for behavior (Katzenstein (ed.) 1996; Legro 1995). "Constructivist" writing on world politics has emphasized, as did work drawing on psychology earlier (Jervis 1976), the importance of subjectivity: the beliefs by which our images of the world are constructed in shaping world politics (Wendt 1999). Major work on the role of ideas has also been done by such scholars as Goldstein, Martha Finnemore, Margaret Keck, Friedrich Kratochwil, Henry R. Nau, my former student Daniel Philpott, Thomas Risse, John Gerard Ruggie, and Kathryn Sikkink.[5]

## Institutional and realist theory

It should be clear from this discussion that I do not claim that institutional theory is a comprehensive theory of world politics. I still believe it to be superior to a crude realism that fails to incorporate international institutions as important entities (Mearsheimer 1994/95; Keohane and Martin 1995). But as Peter Katzenstein, Stephan Krasner and I have argued (Katzenstein *et al.* 1999b), a stylized competition between realism and institutionalism is not particularly conducive to new insights, now, in our field. Sophisticated versions of realism – both of the classical and structural varieties – share a great deal with my version of institutionalism, epistemologically and ontologically. They are all concerned with issues of power, including state power (Keohane 1983). Indeed, it is one of the silliest criticisms of my own work that it ignores power, as the titles of my major works from the 1970s and 1980s make clear.[6] Realism and institutionalism, in my formulation, are actor-oriented, individualist theories whose practitioners follow neo-positivist standards of evidence. They are by no means incommensurate paradigms; rather they are labels for loosely grouped interpretations that differ along a variety of dimensions. These dimensions include the intensity of competition in world politics, the role of rules and norms, the nature of information available to actors, and the linkages and separations between issue-areas.

Realism is a useful "first cut" at understanding world politics, but its vision of the field is too limited to make it a good comprehensive doctrine. Too much is left out: not only institutions, but also transnational relations, domestic politics and the role of ideas. Realism is long on structure, short on process.

Due to its limitations, realism is a poor candidate to correct the flaws in much institutionalist work that have been noted above: failure to theorize domestic politics, and an under-emphasis on the role of ideas. Realist cannot correct these flaws because it shares them, even in a more pronounced way. Waltz's *Theory of International Politics* (1979) abstracts away from domestic politics, just as my own book of the mid-1980s, *After Hegemony* (1984) does. This is not to say that either Professor Waltz or I were unaware of its importance: Waltz, for instance, wrote a whole book on the subject before



developing his system-oriented theory (Waltz 1967). But it is difficult to construct a theory that simultaneously takes into account relations between states and relations within them, and that remains parsimonious.[7]

Classical realism – as in the hands of Carr (1946) and Morgenthau (1948) has discussed the role of ideas, but more recent structural realism, as notably developed by Waltz and Robert Gilpin (1981), has omitted it. The lack of extensive and sophisticated understanding of the role of ideas in world politics – which would have to include Nazism, communism and fundamentalism as well as human rights thinking and environmental awareness – hampers us particularly now in the wake of the September 11, 2001 attacks on the United States. These attacks illustrate the role of religion – overlooked by both of these secular approaches – in world politics. What Nye labeled "soft power" in the 1990s is not a monopoly of secular society, much less of the United States. Chapter 12 of this volume emphasizes this point.

The implication of these remarks is that two major trends in the study of world politics during the 1990s need to be continued and extended: the analysis of how domestic and world politics interact, and the investigation of the role of ideas in world politics. The brand of liberalism represented by the work of Andrew Moravcsik (1997) and Anne-Marie Slaughter (1995) is a valuable way to analyze the former; constructivist theory offers promise in understanding how ideas matter (Finnemore and Sikkink 1999).

In breaking into the theoretically complacent world of realist thinking, it was expedient to emphasize the distinctive value of institutionalist theory, even while recognizing the contributions of realism (Keohane 1983). And in the heat of subsequent controversy, it has been all too easy to overstate differences between institutional and realist theory, and perhaps to overemphasize the superiority of the former (Keohane 1989, Ch. 1; Keohane 1993). No perspective has a monopoly on wisdom: realism, theories focusing on domestic politics, and theories emphasizing subjective beliefs all have a role to play. Contestation between different approaches can play a positive role in social science scholarship, pushing advocates to sharpen their theories and to test them in more convincing ways. But if the contending approaches become conflicting schools of warring scholars, with graduate students signed up as in one camp or another, they become what Albert Hirschman (1970) once called "paradigms as hindrances to understanding."[8]

## Institutionalism and the puzzle of compliance

The institutionalist theory that I developed in *After Hegemony* created only a promissory note on a major issue: that of compliance. In a world without centralized government, why should states comply with obligations that had become inconvenient? One set of problems might arise from deliberate deception, although prudence on the part of others could limit those dangers. A more pervasive set of problems could arise as a result of time: events may adversely change the cost-benefit calculus of state compliance. Why, one asks,

should states guided by rational self-interest comply with obligations that have become inconvenient?

I sought in the late 1980s and 1990s to explore these questions in an historically-oriented inquiry focused on United States foreign policy. I learned a great deal in the process, but failed to come up with either a comprehensive theory or satisfactory systematic evidence. On the theoretical side, my initial hunch was that concerns about reputation would ensure fairly regular compliance. In the record of United States foreign policy I did indeed find much concern with reputation, but I also found a consistent pattern, when commitments were inconvenient, of ingenious attempts to design policies to avoid reputational constraints.

US policy-makers in the late eighteenth century made the Jay Treaty with Britain (1795), which effectively abrogated a treaty of alliance with France, dating from 1778, while, in the text of the treaty, denying any such abrogation. In 1810 the United States seized West Florida from a weak Spain, concocting the tale that West Florida had actually been ceded to the United States in the Louisiana Purchase. Such an account required, as Henry Adams later wrote, "that Spain had retroceded West Florida to France without knowing it, that France had sold it to the United States without suspecting it, that the United States had bought it without paying for it, and that neither France nor Spain, although the original contracting parties, were competent to decide the meaning of their own contract" (Adams 1986: 468). In 1814, United States negotiators with Britain distinguished between agreements with "European nations" and "savages." A provision in the treaty providing that the United States restore to the Indians the rights and privileges that they had before the War of 1812 was dismissed by US negotiator Albert Gallatin as "nominal," and it became a dead letter.[9] In the 1880s the United States reneged on Chinese immigration treaties, and in the years before 1901 it successfully pressured Britain into renegotiating an 1850 treaty on Central America, on threat of violation. After World War II, the United States broke a UN embargo of Southern Rhodesia, failed for fifteen years to pay its UN dues, threatened unilaterally to reinterpret the 1972 ABM treaty with the Soviet Union, and defied United Nations General Assembly resolutions in the 1980s condemning US interventions in Latin America.

Of course it would be wrong to generalize from these violations of commitments, since many other commitments were kept. In other words, focusing on broken commitments creates severe selection bias (Achen and Snidal 1989; King, Keohane and Verba 1994). The strategy I tried, of examining commitments that were politically contested, also introduced selection bias, since contestation of commitments was obviously correlated with the dependent variable: whether commitments were kept or broken. Yet including all commitments would have created an unmanageable number of commitments, the vast majority of which would not only never have been questioned, but which would be theoretically irrelevant since they would have remained convenient. That is, maintaining them continued to be in the interest of the United States as interpreted by its leaders; hence it could not be inferred that the commitment itself had any effect on observed behavior.



More progress on this subject has been made by other scholars. Ronald Mitchell (1994) studied oil pollution by tankers at sea and showed that attempts to limit discharges failed, since tanker captains had strong incentives to violate the rules and the capacity to do so; but that standards for new equipment succeeded by changing both incentives and capacity. Beth Simmons (2000) has provided the most telling evidence for the efficacy of treaty commitments by focusing on Article VIII of the IMF agreements, which enables states voluntarily to commit themselves not to restrict payments on current account. She finds that accepting the legal commitment to maintain current account openness helps to explain subsequent behavior, after controlling for a variety of other relevant factors. Her interpretation of her findings points strongly to reputation as the key motivation for maintaining such commitments even in times of economic difficulty.

Although I am naturally somewhat chagrined by my own failure to solve the puzzle of compliance with commitments, I gain considerable satisfaction from the fact that at least for some issues it is being analyzed successfully within the framework of a rational-institutionalist theory. What matters for the fruitfulness of a theory is not the work of an individual, but the effort of a research community that is sufficiently intrigued or inspired by the theory to develop it creatively and test its implications systematically. There emerges a division of labor within this community among those who create the original theoretical intuitions, who specify the theory, who test it systematically, and who explore the wider implications of the findings that emerge. Since these capabilities are rarely all found in a single person, it is shortsighted to make any one of them the litmus test for productive scholarship. It is clear from my career that I am better at proposing new explanations, beginning to specify them as a theory, and exploring their wider implications, than at formalizing or testing hypotheses systematically. In a sense, then, my contributions can only be validated by others, which makes me very grateful to them for their creativity, intelligence, and effort. The fact that many of the major contributors to the institutionalist research program are former students of mine, naturally imbues this gratitude with feelings of pride.

If pride in one's own accomplishments and those of one's colleagues increases over time, even more does humility. Humility is probably not a positive attribute for a young scholar: one has to believe that one's own ideas are superior to conventional wisdom in certain areas, which requires, for an untested scholar, a certain arrogance. Certainly few colleagues who encountered me during my 30s would have listed humility as one of my virtues. Over time, however, one's personal failure to solve certain problems or keep up with certain technical advances does induce humility. So does the broader recognition that one's own theory – in my case,

institutional theory – is only a partial approach to world politics, which needs to be combined with other perspectives.

## Liberalism, sovereignty and security

One way of thinking about institutions and interdependence is to view interdependence as the context within which international institutions operate. Institutions are, in this view, a response to interdependence. The tradition of modern thought that is most conducive to this framing of the issue is that of liberalism, discussed in Chapter 3. Liberalism as an approach to international relations emphasizes individuals, seeks to understand collective decisions, and, in an ethical sense, promotes human rights and validates attempts to ameliorate the human condition. Sophisticated liberalism combines strands of commercialism, republicanism and regulatory politics. Attempts to regulate transnational activity occur as a response to economic interdependence, in the context of pluralistic democracy. Liberalism reaffirms the attempt of institutionalists to seek to understand politics for the sake of designing institutions that will promote cooperation, welfare, and human rights.

As I indicated above, liberalism has many variants, not all of which are consistent with one another. Hence as a general perspective, it does not offer specific normative guidance. My own form of liberalism is discussed in greater detail in Chapter 11. It emphasizes that interdependence among human beings produces discord, which generates a need for institutions. But it also stresses that institutions can be oppressive. My brand of liberalism is therefore hardly the naively overoptimistic doctrine caricatured by Voltaire in *Candide*, whose hero goes from disaster to disaster proclaiming that he is in "the best of all possible worlds." My liberalism recognizes the arguments of Judith Shklar's "liberalism of fear," while still holding out hope for progress. My intellectual heroes include James Madison, for his recognition that institutions must be designed to check one another, and John Rawls, for his construction of a moral theory based on adopting a standpoint of impartiality. I believe that institutions, including international institutions, should be accountable to those they govern. It is also desirable that they rest insofar as possible on honest persuasion rather than on coercion or bargaining based on asymmetrical resources; and that they encourage public participation. My own liberalism, while resolutely anti-utopian, nevertheless offers normative as well as positive guidance for public policy.

Sovereignty is important from this perspective because it illuminates a central tension in contemporary liberalism. Commercial liberalism emphasizes the benefits of the division of labor, hence favors greater openness and the institutions needed to assure openness. Republican liberalism, on the contrary, stresses the importance of self-determination and democracy within well-defined boundaries, so that the public can exercise effective control over self-seeking private actors. From the standpoint of commercial liberalism, sovereignty is a problem; from the standpoint of republican liberalism, it is



an essential guarantee. It is therefore not surprising that contemporary debates about openness often pit proponents of sovereignty against opponents of it, and divide the traditional right as well as the traditional left.

During the 1980s, theories of world politics were rather sharply subdivided into those dealing with security and those concerned with issues of political economy. In fact, the field virtually bifurcated into two specialties, which were often seen as having little relationship to one another. In *After Hegemony* I even defended "abstracting from military issues" as a way of focusing more clearly on "the economic origins of change" (Keohane 1984: 41).

Even during the Cold War, this view was quite problematic, as the impact of Ronald Reagan's military buildup on Soviet power, and indirectly on the world economy, was soon to demonstrate. The end of the Cold War made this separation between political-military issues and political-economic ones even more untenable. In *Bound to Lead* (1990), Nye developed a persuasive argument about the centrality of American power, which linked security tightly to political economy.[10] Some work I did with colleagues at Harvard on international institutions after the Cold War (Keohane, Hoffmann and Nye 1993) reinforced my interest in explaining how institutional theory could illuminate security issues.

Two results of my renewed interest in security affairs, beginning in the early 1990s, appear as Chapters 4 and 5. Chapter 4 reprints an essay on sovereignty and institutional change, written in 1992–93 and published in 1995. This essay delineates what I call "Hobbes's Dilemma": that concentrating power to create order at a domestic level can create predatory, oppressive states that are a danger to world order. The historic liberal solution – institutions founded not on idealism but on an understanding of self-interest – is, in my view, relevant not only to domestic constitutionalism but to the creation of international regimes. Locke and Madison are the intellectual heroes of this essay. Sovereignty is an institution created for international society; like other institutions, it undergoes change in response to environmental conditions. In the OECD area, characterized by what Nye and I called complex interdependence (Keohane and Nye 1977), sovereignty is changing from a territorially-defined barrier to a bargaining resource.

Writing when western action in the former Yugoslavia was at its weakest and most vacillating, I distinguished sharply – probably too sharply – between the situation under conditions of complex interdependence and that in "zones of conflict." Since I did not anticipate the terrorist threat, I expected that after the collapse of the Soviet Union the United States would, in these areas, "be reluctant to intervene, except where this can be done at low cost" (p. 78). Even before the events of September 11 invalidated this forecast, armed intervention by NATO in Bosnia and Kosovo showed that in conflicted areas of the world, sovereignty was becoming less of a barrier to action than I had anticipated.

The second article on security issues, reprinted here as Chapter 5, is "risk,

threat and security institutions," with Celeste A. Wallander. According to both this chapter and the previous one, the transaction costs–informational theories of international institutions developed in *After Hegemony* also pertain to security issues in which the participants have common or complementary interests. States that seek to cooperate on security issues also need to devise institutions that facilitate cooperation by making promises credible, providing information, and reducing other costs of agreement. Once successful institutions have been developed, it is easier to adapt them to respond to change than to create entirely new ones, particularly if the institutions have a "hybrid" quality, with practices that can be transferred at relatively low cost to new situations. The claim of Chapter 5, written in 1997–98 and published in 1999, is that NATO, as such a hybrid institution, is "changing from an exclusive alliance focused on threats to an inclusive security management institution concerned chiefly with risks" (p. 108). From the perspective of 2002, such a transformation seems to be occurring with breathtaking speed, as Russia is drawn more closely into NATO decision making. The events of September 11 have pushed NATO much more rapidly down a path that, according to Professor Wallander and myself, it was already following earlier.

## From institutions to law

In the later 1980s and early 1990s a few innovative legal scholars began to use institutionalist theory. Kenneth Abbott (1989) systematically reviewed and commented on institutionalist theory in a major law review article. Anne-Marie Slaughter (1993), writing under her former name of Burley, essentially argued that political scientists were speaking legal prose without recognizing it: that we were theorizing about institutions that generations of legal scholars had described, though not explained.[11] At about the same time the General Agreement on Tariffs and Trade (GATT) was being transformed from a non-binding system into the legally binding system that became the World Trade Organization (WTO) in 1995. Both in the world of ideas and in the real world of international institutions, the separation between institutions and law seemed more and more tenuous.

My own aversion to international law had been forged in graduate school, when the "world peace through world law" work of Louis Sohn and Grenville Clark and Louis B. Sohn (Clark and Sohn 1960) had seemed utterly divorced from Cold War reality. More influential in my own training were the critiques of legalism by the realists E.H. Carr (1946) and George F. Kennan (1951). Perhaps as a reaction to my own tendency toward personal moralism, I have always been allergic to preaching as a substitute for analysis. But by the early 1990s I had recognized that international law did not have to be textual, formalistic and separated from real political problems and ethnical dilemmas. Friendship with Abram and Antonia Chayes, and with Anne-Marie Slaughter (a student of Abe Chayes) had helped to teach me that, as



had my acquaintance with the ideas and arguments of Ken Abbott, Tom Franck, and Harold Koh.[12]

The immediate occasion for studying law was provided by the invitation to give the Sherrill Lecture at Yale Law School in 1996. I used time on leave the preceding fall to read in the legal literature for that lecture, which appears as Chapter 6 below. From the lecture it was a short step to collaboration on a special issue of *International Organization* focusing on legalization in world politics, which appeared in the journal in 2000 and in book form in 2001 (Goldstein *et al.*, 2001). The conceptual paper for that volume, and a chapter on legalized dispute resolution, appear as Chapters 7 and 8 below.

I think that the analysis of legalization undertaken by my colleagues and myself is consistent with my overall framework for the analysis of world politics. I begin with actors – individuals and organizations – pursuing their interests as they see them, and guided by the values they internalize. These actors use resources at their disposal, including force, material capabilities, and persuasive ideas, to seek to achieve their objectives. The actors are located in structures of power that provide incentives for action, by affecting the payoffs of various strategies; they are also located within organizations, which delegate authority to various agents. Individuals respond to incentives in a broadly rational way; organizations may do so also, depending on how they are structured. Rationality does not mean full information, or the ability to calculate perfectly; instead, it is the "bounded rationality" of Herbert Simon (1996). In contemporary world politics, states are usually the most important actors, although they are by no means alone. They have to contend with transnational actors, and with structures of transnational as well as interstate relationships. Both sets of actors, state and non-state, also deal with institutions in two important senses: as inherited patterns of rules and relationships that can affect beliefs and expectations, and as potential tools for the pursuit of their own objectives.

To understand politics within this framework, one first looks for the key bargains that create policies and establish coalitions. One can think of these bargains as reflecting the equilibria of games, which create institutions, which then, in turn, establish or solidify equilibria so that these institutions, and particular policies, persist (Shepsle 1986). The viability of these institutionalized agreements, however, depends not merely on the interests, capacities, and beliefs of the participants, and on the nominal rules of the institutions, but also on their consistency with broader sets of beliefs and expectations held by other actors or coalitions that control political resources.

Legalized institutions, with precise obligations interpreted by third parties, often impose particularly strong constraints on political actors, as well as providing opportunities for innovative strategies that involve legal action. The success of these strategies is frequently dependent on whether implicit coalitions can be formed, and bargains made, among actors playing well-defined legal roles, including judges. Strategic interaction is central both to politics and to law. Beliefs and institutions, as well as material capabilities, are

crucial to strategic interaction. Indeed, the outcomes of strategic interactions may depend as much on how rules are interpreted – a key focus of international legal scholarship – as on the wording of the rules themselves. World politics and the processes of international law can only be understood, therefore, from multiple perspectives, which encompass issues of state power, non-state action, domestic politics, institutions, processes of interpretation, coalitions and bargaining, and the persuasiveness of competing sets of ideas. Understanding how international legal scholars work helps one see issues of interpretation and persuasion in a more subtle way.

## From interdependence to globalism

These articles do not make reference to "globalization" or "globalism." However, my recent work is cast in those terms. What explains the shift?

The cavalier answer to this question would be that when a new buzzword comes to our faddish field, it is more effective to redefine and reinterpret it than to ignore it. Interdependence was the buzzword of the 1970s, but it had been used in sloppy ways that limited thought. In *Power and Interdependence*, Nye and I sought to redefine and reinterpret it as an analytically useful concept. We disparaged "rhetorical" uses of the phrase and defined interdependence as referring to situations characterized by reciprocal costly effects among actors. We explicitly rejected the view that interdependence was necessarily benign and declared our skepticism about the naïve view that "rising interdependence is creating a brave new world of cooperation to replace the bad old world of international conflict" (Keohane and Nye 1977: 10). We therefore sought to make interdependence into a useful analytical tool that did not prejudge conclusions.

When globalization became the buzzword of the 1990s, my first reaction was to regard it as journalistic hype: interdependence in flashier but less revealing garb. Indeed, Helen Milner and I entitled a book that we edited in 1996, "internationalization and domestic politics," rather than "globalization and domestic politics," since "globalization" seemed to imply an answer to the question we were asking about convergence or divergence of national policies (Keohane and Milner, eds, 1996). But it is frustrating to try to row against a strong tide, or to sail directly into the wind. To be heard, the scholar has to speak to the concerns of his era in the language of his era. Doing so gets people hooked; then one can proceed to the analysis that may increase their understanding, or at least raise questions about their preconceptions.

At one level, then, "interdependence" was simply overtaken by "globalization" as the fashionable language to describe increases in economic openness and integration. But at a deeper level, changes in terminology reflect changes in reality. The most comprehensive work on globalization of which I am aware defines it as a set of processes that embody "a transformation in the spatial organization of social relations and transactions" generating transcontinental flows and networks. This book distinguishes four aspects of



globalization: extensity (the stretching of space), intensity, velocity, and impact (Held *et al.* 1999: 16). Globalization moves beyond linkages between separate societies to the reorganization of social life on a transnational basis. As John Ruggie commented on an earlier version of this introduction: globalization is to interdependence as Federal Express is to the exchange of letters between separate national post offices.

We should notice, however, the semantic differences between these two terms. Interdependence refers to a *state of the world*, whereas globalization describes a *trend* of increasing transnational flows and increasingly thick networks of interdependence. For the terms to be comparable, we need to use a different term: "globalism," which describes a state of the world. Both interdependence and globalism can be viewed as matters of degree; both can increase or decline over time. Globalization, by contrast, implies increases in globalism. It makes more sense to speak of a "decline in globalism" (as, for instance, with economic globalism between 1914 and 1945) than a "decline in globalization."

Despite the differences, the complexities of interdependence, as Nye and I and others had worked them out in the 1970s, are crucial to a coherent and realistic understanding of globalism and globalization. In particular, interdependence was not just economic, but also strategic, environmental, and ideational. Globalism, as Nye and I define it in Chapter 9, is also multidimensional. We differentiate economic, social, environmental and military globalization, each of which has political dimensions. Globalism involves thick networks of interdependence, organized on a transnational basis. Each strand of interdependence involves specific actors, whereas globalism refers to the aggregate pattern produced by all of these strands, and by their organization on a global scale.

## From institutions to governance

Finally, how does "governance" enter this picture? As one reviewer of a draft table of contents for this volume asked, what explains the apparent shift in my emphasis from institutions to governance? The answer to this question parallels my answer to the last one. As networks of interdependence intensify, they become more important to domestic publics. And as they thicken into globalism, the connections between them also become more intense. It is less and less feasible to regard issues of trade, finance, environment, and security as separable, each with its own institution devoted to it. The world system looks more and more like a polity. Successful polities have governance structures in which the institutions are well-articulated with one another; but the world polity, if one can call it that, has disarticulated and fragmented institutions. Hence the problem arises of governance, which is defined in Chapter 9 as "the processes and institutions, both formal and informal, that guide and restrain the collective activities of a group." Globally, the question of governance is one of how the various institutions and processes of global

society could be meshed more effectively, in a way that would be regarded as legitimate by attentive publics controlling access to key resources.

In this context, what Nye and I in Chapter 10 call the "club model" of international organizations becomes less and less tenable. In the half-century after World War II, a practice developed by which a limited set of elites from different countries came together within the confines of an international organization to bargain over a limited set of issues. These clubs were not very transparent and they kept outsiders at arms' length, but they often succeeded, as in trade or in the European Union, in negotiating important agreements that promoted openness. Yet with the growth in sophistication and activism of both developing countries and non-governmental actors, and in the context of a democratic political culture in their leading members, the club model has lost legitimacy. In particular, demands have been raised for accountability within the organizations – demands that are inconsistent with club practices, as well as with the interests of the developing countries as they perceive them. Legitimacy in terms of outputs – liberalized trade, widely beneficial to all, including the poor – may be inconsistent with legitimacy in terms of inputs, involving transparency and accountability. It is still unclear what form of governance on issues related to trade could be developed that would be sufficiently transparent and participatory to be legitimate, yet effective enough to solve pressing problems of inefficiency and the poverty that is accentuated by inefficiency.

The key issues, in my view, involve governance in a partially globalized world, as outlined by the title essay, which appears as Chapter 11. A partially globalized world is a world of thick networks of interdependence, in which boundaries, and states, nevertheless matter a great deal. Even the quite open US–Canadian border has a strong impact on economic activity (Helliwell 1998). And as much work has demonstrated, globalization has not produced convergence of national welfare-state policies.[13]

To understand governance in such a world, we have to understand institutions, which arise in the first instance from demands by political actors and from bargaining. To an extent they are the product of rational egoism; but simple functional theories that derive outcomes from need or purpose overlook both a variety of perverse incentives that often stand in the way, and the potential for public-spirited action. Institutions have paradoxical effects: they are essential for the good life, but they may also institutionalize bias in ways that make the good life impossible to attain for many people.

One response is to recognize that even if most people behave in self-interested ways most of the time, self-interest can be defined in more or less enlightened ways, and many people are not purely egotistical. Another response is to stress the role of prevailing expectations and beliefs in structuring even self-interested behavior. If just principles are generally accepted in a society, even self-interested people may have more incentives to act justly. Normatively, thinking about institutionalized governance raises issues of institutional design: in particular, fostering accountability, participation and



persuasion by providing incentives for those practices to flourish. In the face of globalization, the essay concludes, our challenge is similar to that of the founders of the United States: "to design working institutions for a polity of unprecedented size and diversity."

Such institutions can only operate smoothly in a world free from threats of terror, just as threats of terror are only likely to be minimized in a world of well-functioning global institutions. What Nye and I referred to as "complex interdependence" in 1977 – a world of multiple interactions in which recourse to force is excluded – is a condition for deep cooperation, which creates potential vulnerabilities as societies become intertwined. Relationships in which terror is employed involve interdependence, but are obviously not relationships of "complex interdependence." Hence, the attacks on the United States of September 11, 2001, reinforce the caution that Nye and I have consistently expressed about the spread of complex interdependence. As Nye likes to say, "security is like oxygen." You are only aware of it when it is absent. Global governance during the next decades will have to deal with threats of force as well as with economic interdependence.

The impact of September 11 will depend heavily on the *responses* of the United States and other countries to those attacks. As of the late fall of 2001, it appears that both progressive and retrogressive responses are possible. Americans, in particular, could combine a praiseworthy resolve to stop terrorism with reflection about the role of the United States in the world. They could try to understand more about world politics, to become both less arrogant toward other cultures and political systems, and more resolved to play a positive role in improving the often horrible conditions of life that contribute to support for terrorism and other forms of violence. Or the American public could seek to cut itself off from the ills of troubled societies, to emphasize barriers to attacks and the ability to counterattack, but to overlook more fundamental conditions and policies that promote hatred against the United States. In my opinion, military and police responses to the attacks of September 11 were essential. But to be successful in the long run, they need to be only part of a more fundamental reorientation of the American, and western, view of the world – an orientation that accepts responsibility for more far-reaching action against poverty and injustice, without accepting the responsibility to govern other societies. Such an orientation will require more openness toward information – even, or especially, information that makes us uncomfortable, such as information about the negative views of American policy held by many people elsewhere in the world, and not only in the Middle East.

The importance of this choice of response makes it appropriate to publish, as Chapter 12 to this volume, an essay that I wrote between October 2001 and February 2002 on "The globalization of informal violence, theories of world politics, and 'the liberalism of fear.'" This essay illustrates my approach to world politics in the context of some events involving the use of force. In the first instance, the attacks on the United States of September 11

did not focus on the world political economy, nor were international institutions directly involved. Perspectives from realism and political philosophy shed light on these events, but so do approaches with their origins in the study of interdependence and institutions. I do not claim that my perspectives on these issues are more important than other perspectives, but I do believe that theories linking asymmetrical interdependence to power, and institutional analysis, both contribute productively to the analysis of the globalization of informal violence.

We students of world politics did not choose our subject because it is aesthetically pleasing, nor because clear propositions about it can be developed and tested easily, using scientific methods. We should aspire to be scientific in the best sense; but neither the experimental nor statistical methods are easy to apply to a world of strategic interactions, by a limited number of players, that are not subject to our control. We chose our subject because it is vitally important: a matter of life and death, wealth and poverty. Surely the events of September 11 indicate anew its crucial significance. We face a moral imperative to understand world politics better. Better understanding should enable people to design better policies and institutions, although it is no guarantee of such improvements. Better institutions would enable ordinary human beings to live lives of their own choosing, free from fear. Under such conditions, people could devise their own ways to love and respect other people and to value the natural world on which we all depend.

## Notes

1 I am indebted to Nannerl O. Keohane, Joseph S. Nye, and John Gerard Ruggie for comments on an earlier version of this introduction, and to my editor, Craig Fowlie, both for encouraging me to write this introduction and for comments on an earlier draft.

2 For my earlier intellectual autobiography, see Chapter 2 of Keohane (1989), originally published in Kruzel and Rosenau, 1989: 403–415.

3 See Keohane and Nye (1987), reprinted in the second and third editions of *Power and Interdependence*, 1989 and 2001.

4 I have had so many able students that I would hesitate to create an exhaustive list, for fear of omitting some important work by people I respect very much. Books by former students of mine that discuss connections between domestic politics and world politics include DeSombre 2000, Gilligan 1997, Karl 1997, Martin 2000, Moravcsik 1998, Milner 1988 and 1997, Owen 1997, Simmons 1994, Stone 1996, Tickner 1987, Yoffie 1983, and Zakaria 1998.

5 See especially Goldstein 1993, Finnemore 1996, Keck and Sikkink 1998, Kratochwil 1989, Nau 1990, Philpott 2001, Risse, Ropp and Sikkink 1999, Ruggie 1998.

6 *Power and Interdependence* (1977), *After Hegemony* (1984), *International Institutions and State Power* (1989).

7 For an interesting effort in this direction, see Evans *et al.*, 1993. See also the works listed in note 4.

8 The volume that I edited in 1986a, *Neorealism and Its Critics*, has been widely used and is still in print, but I have mixed feelings about it. It helpfully brought together Kenneth Waltz's seminal statements of neo-realist thinking, together with some of the major early critiques of his work. But it probably contributed to the "us versus them" tone of the discussion for much of the following decade.

9 For the quotation see *American State Papers*, vol. III, p. 810. For a discussion, see Horsman 1969: 258.

10 Robert Gilpin (1975) had been the leader, in the post-1970 literature, in connecting political–military with political–economic issues.

11 See also Slaughter *et al.*,1998.

12 See Franck 1990; Chayes and Chayes 1995; Koh 1998.

13 There is an enormous literature on this subject. For some excellent work, see Garrett 1998, Kitschelt *et al.* 1999, Iversen 1999, Mosley 2000, and Hall and Soskice 2001.



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