

Economic and Political Factors in International Conflict and Integration

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In earlier efforts to explain international conflict and integration, the central focus was upon national attributes and decisionmaking as crucial to understanding the actions of states in war- and peacemaking. Recently, however, we have begun to critically reconsider these assumptions. In the face of their inability to fully account for the actions of states in international conflict and cooperation, we have sought out a more basic, disaggregated approach to these questions. We believe that the concept of leverage may serve as an important explanatory factor in theories of interstate relations. Here we offer some preliminary arguments concerning leverage and bargaining among domestic and international actors, fleshing out some of the possible relationships between economic and political behaviors and their effects on the war- and peacemaking activities of states in the international system.

The Relationship of This Approach to Our Previous Scholarship

When we first undertook a study of international conflict and integration in 1957, we had naively hoped to identify a limited and orderly number of propositions that would help explain international cooperation, conflict, war and alternatives for peace. We began by examining the cognitions, affects and interactions of national leaders in situations of international crisis. By-passing economic and political structures, however, this approach eventually reached a threshold of diminishing returns. Having started from 'above', so to speak, at the national decisionmaking level, we backed off after a few years and attacked 'from below', investigating the interplay of population growth, advances in technology, access to resources, capability distributions, and tendencies toward national expansion, or what we have referred to as lateral pressure. By the mid-1970s, we seemed to have reached another impasse: how could such aggregate attributes as population, technology, resources, and capabilities be integrated systematically and parsimoniously with the cognitions, affects, demands and other behavior of individual human beings in diverse roles and distinct levels of organization?

In the face of this impasse we stepped back from the problem and undertook a search for clues in the established literature of political science as well as that of anthropology, psychology, sociology and other disciplines. For two or three years nothing happened

Authors' note: This article is an abstract of one among several interconnected segments from a larger manuscript nearing completion.

other than the collection of drawers of notes. At some point an uneasy suspicion began to emerge, however: our thinking was still tied to an unproductive conceptual base—it was as if a contemporary chemist or physicist were trying to explain the universe in terms of air, water, fire and earth. The problem needed to be recast in terms of a more disaggregated, and hopefully a more basic, level of constituent units and processes. Who or what were the fundamental elements, how did they relate to each other, how did they aggregate, and how could the cognitions, affects and behavior of the aggregates be handled (other than by reification of states, for example)? The challenge was not how to deal with ‘wholes’ exclusively, nor with ‘parts’ exclusively, but with interplays between the two (Jantsch, 1980).

With one elaboration, a candidate solution stood out from the established literature: bargaining theory provided (a) behavioral linkages (Rosenau, 1969:44–45) between individual human beings, (b) a mechanism for aggregation, disaggregation and ‘distribution’ (of people, knowledge and skills, demands, raw materials, goods, services, and so forth), (c) a coalition-formation (organization-building) process, (d) an approach to group decisionmaking, and, (e) a growth constraint (size principle)—all wrapped into one (Riker, 1962:12, 21, 31–32, 150–158, 212–216, 255–256). The one elaboration involved the concept of leverage, which amounted to a reformulation and upgrading of the ‘side-payment’ phenomenon. Combined with arguments regarding coalition-formation, the size principle and adversary identification, the concept of leverage provided possibilities for linking all of those state activities which are part of war- and peacemaking across different levels of organization (Waltz’s images) in a unified way.

What we envisage does not yet qualify (it may never qualify) as a theory; it is neither parsimonious nor rigorous enough for that. We see it, rather, as the blueprint for an ever-developing conceptual framework with possibilities for refinement through reformulation and rigorous testing of theory.

The basic unit of analysis selected is the individual human being in the context of his or her natural and social environments, the assumption being that all organizations and institutions (including the state and international and global systems) derive from the activities and interest of individuals and aggregations of individuals.¹ This article also seeks to demonstrate some of the ways in which almost any collective activity of consequence within or between states can be viewed as an intricate combining of political and economic functions. We share the perspective that there is ‘mutual and reciprocal interaction’ between politics and economics on virtually any level of organization, including the international; that ‘the desire for economic gain is a powerful motive for seeking to change the international system, and thus the distribution of power’; that the distribution of power itself ‘ultimately rests on an economic base’; and that the struggle for power and the desire for economic gain are thus ‘ultimately and inextricably joined’ (Gilpin, 1981:67).

The economy of a state has been identified as ‘a diverse group of activities with varying production functions reflecting the technology, resource base, and population of the political-economic unit’ (North, 1981:67). Confusion often arises because the management of an economy, whether in a household, a community, or a country, almost always involves motivation, incentives, preferences, expectations, intentions, decisions, outcomes, and other factors that are essentially political (or psycho-political) in nature. And the converse is also true. In many institutions and activities, economic and political phenomena are likely to be intensely interactive and interdependent, or, alternatively, the same activity or events may appear to be economic from one perspective and

political from another. It is therefore no accident that Harold Lasswell (1958) defined politics in terms of *who gets what, when, and how*, while Paul Samuelson referred to economics as the study of *what, how, and for whom* (Samuelson, 1970:16).

Basic to this article are six propositional underpinnings. (1) Bargaining, leverage and coalition formation operate as core economic and political processes. (2) To a large extent these two processes operate interdependently. (3) More explicitly, just as political action normally requires economically organized goods and services, so too exchanges of goods and the performance of many services not only commonly involve bargaining, leverage and other organizational activities that are essentially political, but are also facilitated by politically organized environments and channels for safe and effective implementations. (4) Bargaining and leverage activities, undertaken within, across and between coalitions (and often institutionalized), provide linkages between levels of organization from the individual and group to the international and global systems. (5) Bargaining, leverage and coalition formation, while furthering social, economic and political integration, also involve and contribute to competition, conflict, and sometimes violence. (6) Bargaining, leverage and coalition formation, conflictual as well as integrative, can be viewed as adaptive processes.

Bargaining and Leverage in Unification and Conflict

The individual human being is the ultimate source of cognitions, feelings, decisions and actions (Burton, 1983). In all instances, he or she can be understood as motivated by biological needs (food, water, air, living space, procreation) and psychologically generated wants, desires and aspirations (security, affiliation, affections, sense of achievement, a yearning for self-realization, perhaps) (Maslow, 1970; Sites, 1973:43). All such needs and wants tend to be interdependent—with access to food, water, and other resources depending upon security, security depending on resource access, both of these needs requiring a degree of affiliation (cooperation, organization), and so forth. Physiological needs and psychological wants may be viewed as elements in a fluctuating network with need and want categories variably salient with changes in circumstance. Human behavior can be generalized as efforts undertaken to narrow or close gaps between reality and needs and wants, between the actor's perception of 'what is' and his or her perception of 'what ought to be'.

Seeking to satisfy their needs, wants, and desires, people make demands upon themselves, upon the physical environment, upon other people, and upon whatever organizations and institutions appear to be in a position to assist them. As used here, 'demand' includes those that are implicit, as well as explicit, and those that remain unmet, as well as those that are met (Easton, 1965:38–39). Demands combine with capabilities to produce behavior (action, effort, or 'work'), all manifestations of which require energy in one form or another, often along with an array of other resources. Constraints of the physical and social environments, together with the level of knowledge and skills available, establish the upper limits for human achievements and well-being, but do not themselves determine human successes and failures within these boundaries.

Resource requirements increase with population growth. In order to enhance the availability of such resources, people develop technology (construed as applied knowledge and skills), which may refer to mechanical (technical, engineering) knowledge and skills or to organizational (managerial, administrative, social, behavioral) knowledge and skills. Technology enables people to obtain new resources and to

find new uses for old resources. The development, maintenance, and use of technology also require resources (energy in various forms, materials for tools, machines, and other structures, and resources to be processed and transformed into useful goods and a multitude of services). Generally, the more advanced the technology, the greater the amount and the wider the range of resources required.

In order to strengthen the probability that their demands will be met, people try to increase their resources in two major ways: they draw upon the available technology for the development of specialized capabilities—agricultural, financial, commercial, industrial, military, and so forth; and they cooperate with each other and establish various networks, coalitions, and coalitions of coalitions (normally referred to as organizations and institutions) in the effort to effect socially what they cannot accomplish individually. Central to such collaborative undertakings, and also to conflict, are processes of bargaining and leverage.

The state and other organizations and institutions can be viewed as social tools which expand individual capabilities and allow groups and whole societies to accomplish what no one person or small group can alone. Among the functions of political and economic activities is the more or less systematic aggregation of individual needs, wants, demands, resources, knowledge and skills, and their organization for the achievement of social ends.

Aside from a desert island castaway, every individual may be expected to rely on other people in efforts toward satisfying most of his or her needs, wants or desires. Thomas Schelling referred to situations in which *the ability of one actor to gain his ends depends to an important degree on the choices or decisions another actor will take* as bargaining situations (Schelling, 1960:5; cf. Riker, 1962:86; Cyert and March, 1963:99–101; Iklé, 1964:3; Snyder and Diesing, 1977:232–234; Winham, 1977). The implications are unmistakable: virtually all social, economic and political situations involve bargaining and leverage (incentive, inducement, mode of persuasion).

Inherent in the concept of bargaining are three constituent phenomena—a contingency component (if, unless) which implies a linkage; a demand-making component (you do this or fail to do that); and an influence or persuasion component (I'll do this or refrain from doing that to or for you): 'If you help me change my tire, I'll help you stack your wood'; or 'unless you help me change my tire, I won't stack your wood'. Any one, two, or all three of these components may be implicit rather than explicit in a bargaining move. In this connection, it must be pointed out that much bargaining and leverage in our everyday lives is so institutionalized that the definitive components (contingency, demand and influence, or persuasion) are scarcely recognized.

Leverage (commonly referred to as side-payments) refers to whatever means are used by one negotiator in order to influence, persuade, coerce, or 'force' another negotiator to accept a particular 'bargain'. Leverage can be positive (rewarding, 'the carrot') or negative (penalizing, punishing, 'the stick'). In human history people, both rulers and the ruled, have commonly drawn upon whatever technological, resource (economic), and organizational (political) capabilities they have found available in order to mobilize and strengthen their leverage potentials. All economic exchanges (bartering or buying and selling of goods and services, commercial lending and other financial transactions), all organizational discipline (civilian and military), all law enforcement—indeed, all form of social constraint, persuasion, deterrence and retribution—imply leverage in one form or another. As a set of instruments for persuasion, coercion or 'control', leverage is what Karl Popper referred to as *plastic*, that is, no one who is prepared to risk the costs

(including injury or death) of resisting leverage can be forced to comply or submit (Popper, 1972:240–241, 245, 249, 251–253). This means that all ‘causality’ in social interchange is also plastic (indeterminate, equi-final and multi-final).

Among the simpler forms of human relationship are networks—communications networks, kinship networks, and so forth. On a basic level, bargaining and leverage relationships can be seen as more or less voluntary networks of linkages between individual human beings (Modelski, 1972:232, 270–272; Rapoport, 1979/80). To the extent that the members of a network act in pursuit of a common interest or goal, a coalition may be formed (Riker, 1962:105).

Coalitions commonly form around a leader (or would-be leader) who uses bargaining and leverage techniques to induce cooperative effort from others in pursuit of a common purpose (Riker, 1962). In defining such a purpose, the candidate leader usually identifies, aggregates and codifies some of the more deeply felt needs, wants and desires of his prospective constituents and presents them as calls to organization and collective action. Both positive and negative leverages contribute to coalition formation in major ways: ‘If you join us, we shall all be better off’; ‘If you don’t join us, you will starve, or your enemies will kill you (or we ourselves may condemn you as a traitor)’.

Bargaining and leverage commonly lead to the formation not only of coalitions but also of coalitions of coalitions (including states and other ‘molar’ or supraordinate organizations). Perseverent bargaining and leverage activities serve as networks of linkages within, across, and between coalitions and coalitions of coalitions. Many of these relationships are transitory, but some become institutionalized and relatively permanent. Institutionalized as organizations (including states), coalitions and coalitions of coalitions commonly develop regimes consisting of rules, regulations, laws, bureaucracies, lawmaking and administrative coalitions and authority figures who think, plan, and act in the name of the organization. In this respect, all governments are coalitions, but not all coalitions are governments. Virtually all political processes between sectors of these various organizations involve bargaining and leverage both ‘vertically’ and ‘horizontally’.

Collective choice and the determination of political objectives may be viewed as coalition bargaining processes (Cyert and March, 1963:29–36, 99–101). Individuals participating in coalition decisions and activities respond to the internal and/or external gaps they perceive, their estimates of the outcome if such gaps are not closed, and their assessments of costs (the gaps that are likely to be opened in the effort to close the original one). Many or most activities are in response to some connection or interplay between domestic and external events, constraints, or other phenomena.

In developing capabilities and acting on a day-to-day basis every coalition (and coalition of coalitions) is dependent upon access to resources and information, and no collective activity can be accomplished without both. In a general way this means that every activity involves both political and broadly economic (though not necessarily market) components. The two are often so intertwined that they are difficult to distinguish. From a bargaining, leverage and coalition-formation perspective, much can be learned about the organization of individuals into groups, states and warring blocs by drawing inferences from the distant past.

Individuals and the Emergence of States

Prehistorical evidence suggests that hunting and gathering bands may have constituted the first relatively stable coalitions of human beings after their emergence as a separate

species (Pfeffer and Selancik, 1968:48). Based on kinship ties (extended families, essentially), primeval hunting and gathering bands tended to be small (a few dozen members at most) and egalitarian—not necessarily because people were any more altruistic in those times, but because a subsistence economy provided no surpluses and hence few possibilities for the accumulation of wealth or other superior leverage. Underlying these primeval bands was a basic bargain or contract: to one degree or another, each individual depended upon the group for his or her survival; and the group, in turn, needed every able-bodied member in order for it to function optimally. The headman, usually chosen on the basis of age, experience or outstanding skill as a hunter or warrior, possessed limited capacities for leverage. His tenure, like other important group decisions, depended upon a consensus of the band. Exchange of goods and services in the band was accomplished by simple barter and by custom-based giveaway practices (the ‘haves’ of the moment sharing with the ‘have-nots’ of the moment) which served to keep distributions relatively equal and the group unified (Service, 1962:59–109; Farb, 1968:133; Fried, 1969:124–125). Human beings have undoubtedly lived far longer in band-level organizations than in any subsequently developed institutional forms.

Over a span of thousands of generations (possibly some millions of years) population increases and advances in technology—primarily horticultural—contributed to the emergence of chiefdoms, an organizational adaptation and transformation which appears to have occurred independently during the last dozen millennia or so in widely separated parts of Asia, the Mediterranean Basin, North and South America, and elsewhere. A chiefdom may be viewed as a loose coalition of loose coalitions based upon kinship and weakly defined territorial ties. Encompassing two or more ecological zones, it was characterized by greater volume in the exchange of resources (typically presided over by the chief), a more advanced division of labor, substantial discrepancies in the distribution of goods and services (with the chief accumulating the most), and by rankings according to wealth and status (from slave to chief). Giveaway programs were often institutionalized in the form of potlatches, with the chief demonstrating his superior wealth and influence by giving away the most. Notably, the chief, while able to support some number of retainers, could not yet afford a standing army or stable bureaucracy (Service, 1962:143–177; Service, 1975:15–16, 74, 151–152; Haas, 1982:11–12, 125–126, 174–175, 180, 212–216).

The *major* organizational adaptation and transformation occurred with the emergence of the earliest simple states, which seem to have appeared in far-flung parts of the world—beginning some five or six millennia ago. As compared with bands and chiefdoms, even the earliest states were characterized by many relatively complex divisions of labor (associated in large part with advanced agriculture or with trade), by gross differences in access to resources, status and decisionmaking and by stratification (class and elite formation). The state was based upon territoriality, rather than kinship, and on asymmetrical property rights. The incentives and disincentives guiding economic activities and the power of the chief-turned-king to tax, to allocate certain resources and statuses, and to exercise sanctions (Cohen and Service, 1978:1–34; Haas, 1982:88–99, 130–132, 145–146, 172–208) gave the king and his regime unprecedented leverage—a ‘legitimate’, ‘legal’ and operational (although seldom absolute) monopoly of force.

The emergence of the state has been described in many different ways: some essentially violent, others consensual. In bargaining and leverage terms, we can postulate combinations of both. From a recently developed anthropological perspective, a primeval state developed as advanced agriculture, often depending upon large-scale

irrigation works, infused the land with new value and provided the chief with sufficient resources to maintain an army and thus to 'protect' and 'rule' his own territories and villages. The control of surplus by the chief also enabled him to expand his activities and interests (a kind of lateral pressure) by conquering adjacent valleys or other accessible territories (Carneiro, 1970). Alternatively, some states are thought to have emerged as two or more neighboring chiefdoms (often commercially based) established a coalition, or federation, to protect themselves against an expanding, agriculturally based, neighboring state. To a large extent, the first seeds of democratic processes can be traced back to the city-states, many of them commercially based, of ancient times.

Substantial increases in population and advances in technology, especially those associated with agriculture, communication and transportation, contributed at once to the demand for more (and a wider range of) raw materials, goods and services (Dixon *et al.*, 1979; Schamdt-Besserat, 1979), to greater concentrations of people (in villages, towns and eventually cities) and to the diffusion of specialized knowledge and skills that facilitated the extension of trade and the establishment of markets (Chadwick, 1978; Kramer, 1979). Tradespeople began selling their wares at the junctions of trade routes, at boat landings, at town and city gates, on temple steps and in central plazas. In time, however, merchants tended to settle and establish their warehouses and shops in designated quarters of the city. Contributing to the institutionalizing of the market, and dating roughly from the emergence of the state, were such tools of commerce as currency, bills of lading, loans backed by collateral, credit, interest, trade contracts and 100 per cent markups (!) (Adams, 1979).

A comparison of agrarian empires and commercially based city-states reveals a fundamental contradiction plaguing ancient state systems. Although the empires were militarily strong, 'they were able to enlist and secure the loyalty of only a fraction of their inhabitants. . . . On the other hand, whereas city states enjoyed the passionate loyalty of their citizens, they were severely limited in their capacity to generate power . . .' (Gilpin, 1981:117). In due course, the nation-state provided a solution to this problem.

Between about 1200 and 1500 AD, combined economic and political (including military) processes in Western Europe gave rise to the nation-state, distinct from the agrarian-based empires and the city-states (and empires) of earlier eras (North and Thomas, 1973:95). Increases in money, growth in market forces, and expanding trade created a need for larger political units in order to define, protect and enforce property rights over greater areas. At the same time, new military technologies (longbow, pike, gunpowder, new organizational techniques and modes of discipline) plus the availability of funds to hire mercenaries provided ambitious rulers with coercive means of collecting taxes and harassing lesser warlords (North and Thomas, 1973:94-97). In addition, a number of talented kings induced litigants to appeal decisions of local judges to the royal court, successfully monopolized coinage, levied troops from ducal territories, and otherwise expanded their authority over larger and larger territories (Moore, 1966:40-110, 414-432; Guizot, n.d.). Over the long run, the development of democracy in a number of European states can be explained in considerable part by the bargaining and leverage potentials of commercial and financial elites in the society, the dependence of the king and the agriculturally based elite on loans, and conflicts between the ruler and ambitious or alienated nobles (Moore, 1966).

The State and Distributions of Power and Influence

What we take to be the structure, 'size', power, and potential influence of a state can be seen as functions of the demands and relative capabilities of its components—indivi-

duals; their coalitions (including organized interest groups) and coalitions of coalitions; and the bargaining and leverage networks that link them.

Whatever their differences in structure, size, power and potentials for influence, all states perform four prime functions: provision of security (domestic 'law and order' and external defense); the collection of taxes (or other modes of 'extractions'); the allocation of resources to meet certain collective needs; and the mobilization of the population for state or national purposes (Almond and Powell, 1966:190–212; Organski *et al.*, forthcoming; ch. 2). Across societies, ideologies and constitutions, these *generic processes* involved in the emergence and operation of states tend to be the same even though the levels and specific modes may be radically different. In short, the basic functions of the regimes and component actors of states as different as those of the United States, Germany under Hitler, and the USSR under Stalin included these basic generic processes. What differed were the actualities, specifics and ideological rationalizations of who got what, when and how.

In order to hold a coalition of coalitions together, maintain a regime and further its interests, a regime may be expected to perform at least a minimal set of regulatory functions to the extent that economic, political, security, and other capabilities allow (Cyert and March, 1963:36). Regulation, which is a specialized form of 'bargaining' and exercise of leverage, amounts to the design and application of protocols in order to establish and sustain essential coalitions, maintain and strengthen the regime, preserve law and order, manage domestic conflicts, maintain security, promote economic productivity, and the like. Regulative capabilities include not only the legal and judicial systems, police organizations, and governmental rules and regulation on local as well as district and national levels, but also the ways in which goods and services are made available to various elements in the society (Almond and Powell, 1966:196).

A state, like other organizations, survives to the extent that it is effective. And its effectiveness derives, in turn, 'from the management of demands, particularly the demands of interest groups upon which the organizations depend for resources and support' (Pfeffer and Selancik, 1968:22). A form of leverage, the power to distribute raw materials, goods, services, statuses, and other benefactions (as well as costs) is a major tool in effective management. Effective allocation depends upon an ability to collect or 'extract', which refers to the means whereby a ruling elite obtains the various resources (material and human) that are needed to sustain the regime and further its interests. The authority and ability to extract also amounts to a form of leverage. Aside from income and property taxes, contemporary methods of extraction include many indirect taxes, tariffs on imports and exports, taxes on foreign enterprises and sales or value-added taxes. All of these enable the raising of revenue while minimizing the need for dealing directly with the national population (Organski and Kugler, 1980:73). Possibilities for taxation are constrained, however, by a society's level of technology, its access to energy and other resources, the state of its economy, and the effectiveness of the regime.

Allocation functions are likely to be performed partly by market forces (economic bargaining and competition), partly by custom and tradition, and partly through laws, regulations, and day-to-day policies of the national regimes. These functions encompass the application of leverage through the granting or withholding of goods, services, opportunities, statuses, and other advantages and benefactions. This is allocation in a 'distributive sense, i.e. 'the distribution of the goods and/or services produced to the persons or sets of people who will consume them' (Levy, 1966, vol. I:240). An important tool for mediating between the extraction and allocation functions, for establishing priorities, for regulating economy and polity, for establishing goals, and for exerting

domestic (and externally directed) leverages is the state budget (Modelski, 1972:78) which, along with the personal capabilities of leaders and bureaucrats, represents an aggregation of power and a source of national or imperial credibility (North, 1981:6).

Here the issue of group decisionmaking becomes relevant. What is meant when a state is said to make a decision? Traditionally, a number of different approaches have been suggested. More recently, the bargaining, leverage and coalition-formation processes have been extended by Riker (1962:12, 21, 32–33, 102–108), Snyder and Diesing (1977:349), Cyert and March (1963:29–36, 91–101) and others, who perceive group decisionmaking on any level as a process of forming a coalition around an alternative, with exchanges of bargaining and leverage between the ‘coalition leader’ and other members of the decisionmaking coalition. In making national decisions, leaders and bureaucrats are constrained by available capabilities including levels of compliance, support and willingness yielded by the populace and by relevant coalitions in private (as well as governmental) sectors, their demands and dispositions, and their bargaining and leverage potentials.

Differential capabilities among ‘bargainers’ within a society, including differences in bargaining skills, access to resources, technology, information, decisionmaking authority, accommodative and coercive instruments of leverage, and other means of control, sharpen competition and ensure asymmetry. The combination of these many processes—the making of demands on all levels of a society, the development of general and specialized capabilities, differential applications of leverage by the rank-and-file, the regime and various elites, and the meeting of demands in various sectors—all require continuous acquisitions, transformations, allocations, and flows of energy and other resources. Except for societies with command economies, a large proportion of these functions are performed by private entrepreneurs, but the state and its regime preside overall and enforce the dominant norms which determine who gets what, when, and how.

The identification of coercive leverages as a possible, and not uncommon, aspect of bargaining underscores the possibility that less powerful bargainers may submit to outcomes they did not ‘bargain for’ because, however undesirable these may be, such outcomes are accepted as preferable to the coercive leverages that the more effective bargainer is threatening or applying. Possibilities for control are limited (plastic), however, and no regime, however harsh, can be sure of compliance. ‘If the coercive apparatus is strong enough it will suppress private violence in any form’ (Weber, 1968, vol. 2:908). But if a leadership of a state tries to enforce its authority beyond the boundary of what Simon has referred to as the ‘zone of acceptance’—to a point where the citizen may be willing to risk imprisonment or death rather than comply—disobedience is likely to follow. ‘The magnitude of the zone of acceptance depends [not only] upon the positive and negative leverage potentials which authority has available to enforce its demands’ (Simon, 1955:2), but also upon the resistance of the citizen.

External Bargaining and Lateral Pressure

In the implementation of policy and the pursuit of goals, leaders bargain with, and apply leverage to, states and other actors in the international and global systems. These activities are in addition to the bargaining and leverage operations of private entrepreneurs, multinational corporations, religious organizations, labor movements, political parties, tourists and other actors across national boundaries. All of these activities contribute to lateral pressure (Choucri and North, 1975:16), i.e. the outward

expansion of a country's activities and interests beyond national boundaries (Kuznets, 1966). All manifestations of lateral pressure are ultimately traceable to individual needs, wants, desires, demands, capabilities and bargaining and leverage potentials.

Throughout history, lateral pressure has been expressed in terms of exploration, foreign trade, investment, conquest, missionary activities, purchase of territory, domination over other societies, the extension of national sovereignty to the rim of the continental shelf and beyond, and even journeys to the moon. Lateral pressure is not necessarily negative in its implications or consequences. Although some undesirable side-effects may result, the expansion of scientific and technical knowledge and skills (including health and education), economic, technological, and financial assistance, and many other activities are often beneficial to all concerned.

One of the major sources of a country's lateral pressure is the demand for resources, goods or services that are not domestically available or that can be acquired at lower cost from abroad. As reserves are depleted in the domestic environment, their costs tend to rise. In principle, there are then two possibilities available: the society can develop a new technology in order to obtain remaining old resources at lower cost (or to find new and cheaper substitutions for old resources); or the society may reach out for resources beyond home borders through trade, territorial expansion, or both.

Lateral pressure is thus manifested in many different kinds of activity depending upon the demands that are generated in a society, the capabilities of relevant actors, and their assessment of the costs and benefits of the activities that are contemplated or implemented. To the extent that countries 'differ across space and time in their technology, their population, their demands and their environments', they tend also to generate differential rates of growth and capabilities and to exhibit lateral pressure 'unevenly and asynchronously' (Ashley, 1980:3, 11–12). More specifically, if the capabilities and bargaining potentials of two countries are grossly unequal, the stronger may penetrate the weaker—economically, politically, militarily, or in other ways—and thus establish a relationship of domination and exploitation with or without conscious intent.

Whatever its ideology or form of government, a state with strong military capabilities may extend its activities into, expand its influence, and even impose formal dominion over a low-capability state. Such a pattern of expansion characterized the overseas activities of ancient empires from the Mediterranean to China, and also in Mexico and Peru, of Spain, Portugal, England, Holland, France, Germany, Belgium, Russia (including the Soviet Union) and eventually the United States and Japan in recent centuries. For a time, this expansion of activities and interests was so widespread and longlasting that it became institutionalized, not only through colonies, but also as leaseholds, protectorates, client-state arrangements, and the like. During the twentieth century, of course, the colonial empires have all disintegrated, but asymmetric lateral pressure, domination and exploitation are still widely manifested in a variety of economic, political, paramilitary, and military forms.

The disposition toward the foreign expansion of a country's activities may be rewarding to special sectors or interest groups within a country but costly to the society as a whole. Foreign activities, often including the defense of overseas interests, may appear profitable only to the extent that domestic taxpayers are willing to pay the costs of securing such enterprise. From early historical times down to the present, the domestic economies of powerful states and empires have often suffered from inflation, tax evasion, and other malfunctions attributable in part to the costs of administering and protecting colonies, pursuing other activities and interests overseas, and fighting wars that result

from acute competitions for advantage in the international environment. Despite the disappearance of colonialism as formally defined, the United States, the USSR and a number of other countries today are not exceptions to these developments.

When the expanding activities and interests of states with relatively equal capabilities and bargaining potentials intersect, a range of possible interactions and relationships is available—with probable choices and outcomes depending to some degree on the particular activities and interests in confrontation and the types and levels of leverage. No doubt a certain amount of negative leverage is unavoidable in relations between states, but technological advances of recent decades—nuclear weaponry, missile delivery systems, nerve gas, space platforms and other innovations—are confronting the people of the world with possibilities for outcomes unprecedented in all of history.

Economic Instruments in Global Relations

Trade and other economic activities are commonly thought of as essentially non-conflictual, and in the study of international politics trade levels have often been used as indicators of peaceful relations between countries. This perspective needs to be qualified, however, since the implications of trade, investment, balance of payments, and the like may be expected to differ according to the sizes and capabilities of the countries involved, the terms of trade, the symmetry or asymmetry of commercial and other economic transactions between them, and the like. All of these activities are manifestations of lateral pressure, and whether the outcomes are conflictual or reciprocally advantageous depends in large part upon the leverages that are associated with the various transactions and upon how they are perceived and evaluated by those who are being leveraged.²

Asymmetries in the population, technology, and resource attributes of countries make trade desirable and possible, but they also contribute to inequalities in capabilities and in global distributions of labor (Gilpin, 1981: 24). On a fundamental level, international trade is explained by the 'differences in relative costs of production for various commodities within a country, as compared with differences in relative costs of production for the same commodities in other countries' (Dell and Luthringer, 1938: 181). Differences in production costs also account for labor migrations from lower wage-paying societies to higher wage-paying societies, and for the tendency of many industries to move their labor-intensive operations (including appropriate technologies) from high-cost labor markets to countries with cheaper labor.

For many countries today, the activities of the market economies have largely 'displaced empire and territorial expansion as a means of acquiring wealth', in considerable part because markets are more efficient than other forms of organization (Gilpin, 1981: 138). As a result, the larger the world market and the greater the volume of transactions, the greater are likely to be the market efficiencies, the overall maximization of wealth and, through the international division of labor, the possibility, in principle, for everyone to benefit from international exchange. On the other hand, although 'most states tend to benefit in absolute terms from the operation of the world market economy' (Gilpin, 1981: 138), the more efficient and the more technologically advanced economies tend to enjoy more favorable terms of trade, higher rates of profit, greater possibilities for the accumulation of wealth, and a range of derivative benefits as compared to states with less-developed technologies and economies (Gilpin, 1981: 138). Any such success achieved by one state has the possibility of appearing threatening or injurious to another state.

Within the global system at large, a country of greater size on relevant dimensions is likely to possess more 'carrots' and a larger 'stick' than countries of lesser size (Bergsten, 1975:184). Conversely, lesser states tend to be sensitive and vulnerable to the imports, exports, and economic adjustment activities of a state of greater size regardless of the latter's actual intent and purpose. On the whole, the 'inherently strongest power position is that of a country which is relatively closed to (independent of) the world economy yet which accounts for a large share of economic transactions' (Bergsten, 1975:31).

Countries with secure access to a large import market possess advantages that are not available to countries whose access is more limited. If an import-dependent country cannot find markets, or if its exports are otherwise interrupted, that country's access to foreign goods and basic resources will be subject to interruption. Countries differ also in the market shares of their particular exports and the ease with which their exports can be substituted. The latter condition determines the degree of monopoly power which the exporting country can exercise, but even in the absence of monopoly power, a country with a relatively large share of particular export markets possesses a superior leverage relative to a country with a substantially smaller share.

The pattern of a country's international financial transactions will be affected by its history of previous trade, its balance of payments, and its past and current political associations. To a substantial extent, financial relations between advanced and developing countries tend to follow patterns established during periods of colonialism or more exclusive trading relationships. In general, the precise measures that a state will take in order to correct economic imbalances will depend upon the size of its economy, the magnitude of its international economic transactions with other states, the sensitivity of its imports and exports to price changes, the economic conditions of its trading partners, its own financial power (its effective influence in international monetary relations) and its political relationships with the states it is dealing with.

Economic, political and military asymmetries bias trade (and other economic) relations between nations. In pursuit of their own national interests, strong countries have often applied military coercion to establish and maintain 'free' trade and to manipulate the political—and indirectly the economic—positions of weaker states. For generations, this was a major function of the British navy. It is widely recognized, however, that as instruments of policy, economic leverages are often unreliable in that the less successful may fall short of what was intended and the more successful may produce unintended side effects or long-term consequences.

Economic activities undertaken for domestic purposes—to meet public demand for goods or services, to protect employment or home industries, or in pursuit of some other apparently benign outcome—may, under certain circumstances, appear threatening to the leaders, special interests or populace of some other country, whether directed toward that country or not. Over time, shifts in economic activities change the relative productivity of economies and thus contribute to changes, and eventually transformations, of global distributions of national capabilities and bargaining and leverage potentials. Such transformations contribute, in turn, to changes in the international economic positions of countries.

Whatever actions a state takes to maintain or change its economic situation will have effects both on itself and on other states. Neither the raising nor the lowering of trade barriers will satisfy everyone within a society, or even outside it, nor will the reduction of some barriers necessarily improve the situations for individual countries or for the system as a whole as long as other such barriers remain (Kindleberger, 1970:235). Protectionist

policies which seem to benefit country A (or some sectors of A's economy) in the short run may, by damaging the trade position of its partner, B, lead to retaliation against A. In the long run they may damage A merely by weakening B's trading capabilities, thus creating a no-win situation. If a country tries to reduce a trade imbalance by devaluing its currency in order to make its exports cheaper and more competitive on the world market, its small trading partners may be forced to follow suit lest they find themselves in a severely disadvantaged position.

In seeking to maintain a balance or eliminate an imbalance, a country may undertake adjustment measures which are calculated to serve its own national interests, but which also affect the payments position of other countries with which it maintains commercial relations. Under some circumstances, such outcomes are mutually advantageous, but under other circumstances the impact may be damaging to the second party. If its volume of transactions is sufficiently large, a country may be able to shift the major costs of adjustment onto other countries. National leaderships normally seek to avoid being forced by other countries to adjust their payments position, but they want to be able to adjust effectively when their own objectives call for that step. They can pursue these objectives through their own policies and by influencing the policies of others (Bergsten, 1975: 12).

Political and Economic Leverages in Crisis and War

International conflicts are commonly explained in terms of political motivations, ideologies, decisions and actions; economic explanations are widely minimized or rejected as based on materialist, as distinct from idealist, assumptions. Dating back to the days of Plato and Aristotle, this either/or approach has fostered the partitioning of data, theories and disciplines into political and economic pigeonholes. Assumptions of multi-causality and close interaction, by contrast, make it respectable and useful to explain outcomes through the never-ending interplay of economic, political and other variables (demographic, psychological or whatever).

In general, the proximate events that trigger international violence and war are likely to be more political than economic; although, as indicated in previous pages, economic processes are likely to contribute to overall capabilities and leverage activities, whether undertaken for political or economic ends on virtually every level of activity. The planned use of economic and political levers in the pursuit of international conflict is difficult to control, however, and often has consequences unintended by the user and ultimately damaging to his or her purposes. Especially difficult to deal with is the possibility that economic and/or political behavior undertaken for non-conflictual purposes may contribute to conflict and ultimately violence.

A distinction needs to be drawn between economic measures implemented solely for economic purposes (which may have political side effects); economic instruments consciously applied for political purposes (which may have unintended economic, as well as political, consequences); and economic measures calculated to affect both economic and political outcomes (which may have unintended consequences in either or both spheres). In principle, all three types of activity have the possibility of contributing to conflict, crisis and war.

Import tariffs established by the United States and other Western countries during the 1920s and 1930s provide an example of economic measures, largely intended for economic purposes, which had unexpected consequences. Undertaken in order to protect domestic industries, these tariffs strengthened the hands of military officers in

Japanese politics and contributed to a policy of expansion and conquest. Recent years have provided a less destructive example which suggests how much has changed and how much remains the same since the 1930s: Japanese tariffs have restricted imports from the United States at a time when Japanese automobile and other exports have been perceived by US manufacturers and workers as highly threatening.

An example of economic instruments consciously undertaken for political (and in this case, military) purposes is provided by a study by Albert Hirschman of Nazi German employment of foreign trade as a weapon against their enemies in World War II. In his investigation, Hirschman (1969:14) distinguished between supply effects of trade (essentially trade undertaken for commercial, industrial and consumer purposes generally) and the influence effect, which amounts to leverage—the employment of trade as a ‘carrot’ or as a ‘stick’. We will return to these concepts shortly.

The Marshall Plan, Point IV, and US policies in Asia during the immediate post-World War II years provide examples of economic measures calculated to affect both economic and political outcomes. On the economic side, an important objective of the Marshall Plan was to reestablish Western European countries as areas for investment and reliable partners in trade—in considerable part as an effort to stave off a possible depression at home. At the same time, the USA sought to block the possibility of bilateral trade and financial arrangements between the Soviet bloc and the weakened (and in some instances devastated) countries of the West (Block, 1977:70–127). Point IV arrangements with former colonies and other Third World countries served similar purposes: to keep such countries open for Western trade and investment; to forestall revolutions and possible communist penetration and control; and to maintain an economic environment for regimes favorably disposed toward the United States and its allies. Overall, there was a strong determination on the part of US, British and other Western leaders to preserve a global atmosphere favorable for free trade, capitalist enterprise, convertibility of currency, and overseas investment.

The economic interests of the United States in Southeast Asia immediately after the war were less directly concerned with American trade and investment in the region than in assuring the reconstruction of Japan and securing its position in the Western, as opposed to the Soviet, orbit. Even before the end of the war there was an awareness in higher levels of the US government, as there had not been during the 1920s and 1930s, of Japan’s enduring (and critical) need for uninterrupted access to raw materials and markets. US guarantees for such access became a *sine qua non* for a post-war US policy that goes some way toward explaining the willingness of four presidents to commit ground troops to the Asian mainland—a decision that more than one high-ranking military officer had warned against (US Department of Defense, 1971, Book 8: 228–239, 255–256, 412).

Economic capabilities and leverage potentials are comparable to Hirschman’s use of supply effect and influence effect. As defined by Hirschman, the supply effect refers to securing access to strategic materials. It results from: (1) policies that secure gains from trade, particularly the importation of strategic goods; (2) trade directed to countries from which there is minimal danger of being cut off; and (3) the control of trade routes. These aspects of national trade policy lead to a direct increase in leverage potential, preparedness of the country for war, and protection in the event of trade interruptions. Just as war or the threat of war can be construed as a means of obtaining a particular result, so the supply effect may serve as an indirect instrument of power, the direct instrument being war or the threat of war. In its final result, therefore, the supply effect of foreign trade implies at least the possibility of war (Hirschman, 1969: 12).

The influence effect involves the leverage which a particular country can exert over its trading partners to make them dependent upon their trade with that country. The influence effect can be accomplished by: (1) developing a monopoly of exports and directing trade to countries requiring these articles; (2) directing trade to smaller, poorer countries and those with low mobility of resources; (3) creating vested interests in trading partners' power groups; and (4) exporting highly differentiated goods to create dependent consumption and production habits. The influence effect is thus achieved by encouraging the dependence of a trading partner on one's own trade without becoming dependent on her trade. As a result, the threat of interrupting or withholding trade becomes a potentially powerful weapon in international relations. A country exercising this leverage thus becomes increasingly more important to its partners' economic functioning.

Use of the influence effect 'to interrupt commercial or financial relations' for political purposes dates far back in history. Thucydides identified the Megara Decree, which closed Athenian ports to the Megarians, as a factor in the outbreak of the Peloponnesian War (Thucydides, 1951: 79–80). In recent times, 'the great expansion of world market relations has obviously enhanced the role of economic power as an instrument of statecraft' (Gilpin, 1975: 28–29). Possibilities for application of the influence effect have vastly increased, however, with the trend toward global interdependence in recent years (Keohane and Nye, 1977: 23).

Many states have very little economic, monetary, or political strength or influence. Some have enough to free them from many of the bargaining and leverage constraints of others. Some may possess sufficient capabilities to block the actions of others, while a limited few may be able to influence the economic condition and behavior of other countries in important ways (Bergsten, 1975: 28–29). Countries relying on a single commodity for their exports are likely to find themselves in a particularly weak bargaining position, one made worse to the extent that they are tied in one way or another to a single market (Keohane and Nye, 1977: 12–13). A country's dependence on other countries for imports of technology, capital, or critical resources can exert a severe constraint upon its ability to produce. In general, the less developed the technology, the narrower will be the possibilities for product substitution in production and trade.

Whatever the intent behind it, a particular state action (such as imposing a tariff) may be viewed as positive, rational, and efficient from the point of view of state A, but hostile, competitive, and conducive to conflict from the point of view of state B. Diplomacy and other activities need not be *intended* as aggressive or hostile in order to be perceived by another actor as threatening or injurious. Thus, A may:

1. impede B's exports by devaluing its currency;
2. impede B's imports by revaluing its currency;
3. protect its own domestic markets by raising tariffs against B's exports (declared illegal by GATT);
4. boycott B's goods and services;
5. undersell B's goods in B's domestic and/or foreign markets by subsidizing exports (dumping);
6. impede or block B's access to resources, services, and/or markets by exchange controls, exclusive bilateral trade arrangements, credit restrictions, and the like (USSR and Eastern Europe restricting trade with the West);
7. impede or block B's access to resources and/or markets by coercion or threat;
8. blockade B's ports and/or trade routes;

9. improve its military capabilities relative to those of B;
10. mobilize its military forces;
11. seize B's ports, sever its transportation routes, occupy its territory, etc.

There are, of course, other possibilities. Whether undertaken for strategic reasons or strictly for domestic economic purposes, country A may exclude country B from a particular resource or market area through bilateral trade agreements, currency controls, credit restrictions, and the like. In addition, either A or B may:

12. extend massive economic, technical, or military aid to the other's trading partner, C;
13. provide economic, technical, and military assistance to dissident groups inside the other's ally or client, C;
14. assist dissident groups in the overthrow of the government of the other's ally or client, C;
15. absorb the other's former ally or client within an expanding economic, political, and strategic bloc;
16. occupy C or annex it.

Clearly, these specific activities are only a small part of the universe of potentially conflictual interactions that can take place between countries. The purpose of presenting them here is to illustrate a few of the ways in which economic and political activities have the possibility of combining to produce conflict, for whatever reasons they may be undertaken.

Regardless of the reasons why A may have undertaken these activities, B has the possibility of responding with leverages in kind, thus contributing to a conflict spiral. It is characteristic of human affairs that a move by one party in an interactive situation and perceived by the other party as threatening or coercive often evokes a comparable but possibly more threatening or punishing response from that second party. Such a response may be forthcoming regardless of the first actor's intent, that is, regardless of whether or not its purpose was to threaten or inflict an injury. In a situation of this kind, either party may increase its negative leverages in order to deter the other from further hostilities. This process is referred to as a conflict spiral, escalation, schismogenic, or action–reaction process.

A number of contemporary writers—Thomas Schelling (1955), Oran Young (1968), Alexander George *et al.* (1971), Richard Smoke (1977), Glenn Snyder and Paul Diesing (1977), and others (Hirschman, 1945; Wallace, 1979)—have used bargaining and leverage in several studies of coercive diplomacy and deterrence, escalations, arms races, crises, limited wars, and comparable situations. Common to all these phenomena is a situation in which one country, A, draws upon whatever economic, political, and military capabilities it has in order to exert leverage upon and thereby influence (the word 'control' is often used) the policies and actions of another country, B. From this perspective, the concept of negative leverage, whether economic, political or other, is virtually synonymous with coercive diplomacy.

Coercive diplomacy refers to the use of limited force or threat of force to strengthen a country's leverage in negotiations that are in progress (George *et al.*, 1971; George and Smoke, 1974). Traditionally, escalations of force and threats of force have been used by one country 'in order to influence the calculations and behavior of opponents in world policies', i.e., in order to 'exercise coercive leverage for the attainment of some objective' (George *et al.*, 1971: 16, 21).

Some, but not all, conflicts, arms races, crises and other threatening exchanges of leverage between states lead to war between the parties involved. Many, if not most, of these conflicts are fought out 'by limited means for essentially limited aims' rather than for the total destruction of the enemy country (Luard, 1968: 10). There is wide support for the identification of such limited wars as bargaining and leverage phenomena. In defining coercive diplomacy, limited war, and all-out war, however, writers have tended to exclude the latter (all-out war) as a valid bargaining and leverage process (Schelling, 1960: 7, 15, 135, 138; George and Smoke, 1974: 12–19, 24–25, 50–54, 60; Smoke, 1977: 15–17). Schelling, for example, construed all-out war as 'brute force' and 'beyond bargaining' (1960: 5). This perspective is shared by A. F. K. Organski and Jacek Kugler (1980: 7), who wrote: 'In the case of all out war . . . disagreement between the combatants is of such a nature that the goal that each sets for itself is no longer just to induce the other party to change its mind and course of action but to crush the other's resistance and control its behavior regardless of its wishes.'

Such considerations are undoubtedly 'beyond bargaining' as the term is commonly used with respect to parties 'dickering around a table', but they do not seem to violate or 'pass beyond' Schelling's own definition of a bargaining situation as one in which the ability of each side to achieve its objective depends upon the decisions and actions of others. The goals of either or both adversaries may be altered in the course of an all-out or a limited war, but it is rare that either side wholly abandons its purposes. Victory, in either case, depends upon the relative economic, political, and military capabilities and leverage potentials on the participants as well as upon the strength of their respective wills or motivations. The document signed at the peace table (or the *status quo* following surrender) may thus be viewed as the ultimate 'bargain' enforced by superior leverage.

Conclusion

Our intent in this article has been to show how economic and political (as well as other) factors combine on every significant level of organizational behavior to facilitate cooperative, competitive, and conflictual outcomes in human affairs. Undoubtedly, many problems are best investigated by keeping economic and political phenomena separate. This discussion seems to indicate, however, that an adequate understanding of international cooperation, competition, peace, and war is likely to require the formulation and testing of theory that makes economic and political factors—and the processes that render them interactive—as explicit as possible at every level of analysis from domestic and national to international and global.

In the meantime, this perspective has altered our view of the 'real' world as well as our conceptualization of the human condition and possibilities for the future. Overall, the prospects look both more potentially catastrophic and, in principle, more hopeful. The future, if there is to be one, does not lie with some new balance of power, weapon, or strategic principle. The future depends upon how all people respond to the threats of those they perceive as adversaries. What leverages can people use to protect themselves without escalating the conflict? 'The open secret of human exchange', wrote George Homans, 'is to give the other man behavior that is more valuable to him than it is costly to you and to get from him behavior that is more valuable to you than it is to him' (Homans, 1961: 62). To transform this principle into effective leverage requires acceptance of it on all sides by diplomats, heads of state, their advisers and bureaucrats, and constituents alike.

Notes

1. The identification of the individual as the sole thinking, 'feeling', and acting unit in human affairs should not be confused with the concept of individualism, which refers to particular sets of values, attitudes and behaviors attributed to some individuals and whole societies.
2. The coverage of economic transactions includes both commercial dealings and non-commercial transfers, 'which may or may not be affected through the foreign exchange markets and which may not be satisfactorily recorded because of inadequacies in the system of data collection' (Stern, 1973:1). Overseas military forces, embassies, corporate subsidiaries, and international organizations and other special conditions of residency often complicate balance-of-payments determinations.

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