Chapter 2:

Understanding Interests, Interactions, and Institutions

On March 19, 2003, the United States launched a preventive war against Iraq. Tensions between the two countries had remained high since August 1990, when Iraq invaded Kuwait -- its small, oil-rich neighbor -- and the United States led a multinational coalition to war to restore sovereignty to the pro-American kingdom. As a condition of the ceasefire that ended the war, Iraq agreed to eliminate its programs to develop nuclear, chemical, and biological weapons and to permit United Nations inspectors to monitor its compliance. For most of the next decade, the United Nations and Iraq played a game of hide-and-seek as the weapons inspectors sought to enforce the ban on weapons of mass destruction (WMD) and the Iraqi government attempted to undermine the inspections regime and its attendant economic sanctions. Arguing that Iraq’s WMD programs were rapidly reaching fruition and concerned that Iraq might use its new weapons to assert itself in the region, the administration of President George W. Bush decided to remove Iraq’s dictator, Saddam Hussein, from power -- by force if necessary. President Bush may also have been seeking to assert American power in the world to demonstrate a new, more aggressive foreign policy, to secure supplies of oil from the Persian Gulf, and to transform the Middle East by building an effective democracy in an important but previously authoritarian country.

The United States turned to the Security Council of the United Nations (UNSC) to support its policy of regime change in Iraq, threatening the organization with irrelevance if it failed to enforce its own resolutions on Iraq’s weapons programs. The United States faced determined opposition from France, Russia, and China, all of whom can veto any
Although these states shared concerns about the Iraqi regime and its suspected weapons programs, they were reluctant to endorse military action. As a result, the United States ultimately failed to get authorization from the UNSC for the war. Nonetheless, the United States claimed sufficient authority under past United Nations resolutions on Iraq and under the right of self-defense in the United Nations Charter. After Hussein rejected a U.S. ultimatum to step down, Washington led “coalition of the willing” to a rapid military victory. The United States did not find the stockpiles of chemical and biological weapons it had claimed existed. The US-led coalition also confronted a continuing insurgency led by the previously powerful but now politically weakened Sunni religious minority and Shiite militias determined to secure their newfound political strength. Since the start of the war, over 4,000 American troops have been killed in Iraq and an estimated 600,000 Iraqis have died directly or indirectly as a result of the war.2

This story is probably familiar to most readers of this volume. Beneath the narrative, however, are important questions whose answers are not obvious. Why did the United States seek regime change in Iraq? Was the U.S. government motivated by concerns about American security, an economic interest in Middle East oil, the President’s own political fortunes, or something else? Why did Saddam Hussein resist demands to cooperate fully with weapons inspectors and, later, to step down from power peacefully? The invasion drove him out of power, shattered his country, and led to his trial and execution on December 30, 2006. Certainly Hussein would have been better off

---

1 For more on the voting rules in the UN see chapter 5.
accepting the U.S. ultimatum and slinking into a comfortable retirement in exile. Why did the Bush administration attempt to pursue its policy through the United Nations, and why did it eventually abandon those efforts? Would the war in Iraq, and its aftermath, have unfolded differently if it had been carried out under the auspices of the United Nations? In more specific form, these are the same issues as the general questions raised in the previous chapter. Why do countries sometimes come into conflict, and why do those conflicts sometimes lead to wars? Why do states sometimes cooperate with one another, and why does cooperation sometimes fail?

We study international relations in order to gain insight into questions such as these. We seek to understand why states and their leaders make the choices that they make and why we observe the outcomes that we observe. To help in this task of explanation, this chapter takes a closer look at three core concepts that lead us to think analytically about world politics: interests, interactions, and institutions. As we will see, this framework can be used to think through and understand not only the Iraq War but also the puzzles described in the chapters that follow and, equally important, others that you will encounter in the future. In addition to laying out these analytic concepts, this chapter makes the following, more specific points.

- Interests are the fundamental building blocks of politics. Explanations of international political events begin by specifying the relevant actors and their interests.

- Cooperation is a type of interaction involving two or more actors working together to achieve some outcome they prefer. Successful cooperation depends upon the number of actors involved, the number of interactions between the
actors, how much they value the future, and the accuracy of the information they possess.

- Bargaining is a second type of interaction involving the distribution of a fixed value. That is, if one actor gets “more,” someone else necessarily gets “less.” In bargaining, outcomes depend on what will happen in the event that no agreement is reached. Actors derive power from their ability to make the consequences of no agreement less attractive for the other side.

- Institutions are sets of rules. Actors comply with institutions because they facilitate cooperation and lower the cost of joint decision-making in the pursuit of valued goals.

- Institutions also bias policy outcomes. Rules restrain what actors can and cannot do, and thus make some outcomes more or less likely. Actors struggle over institutions in efforts to bias policy toward outcomes they prefer.

I. Interests: What Do Actors Want from Politics?

Interests are what actors want to achieve through political action. For example, in international relations we often assume that states have an interest in security—that is, in preventing attacks on their territories and citizens. This interest in security prompts states to take steps to suppress potential enemies and to protect friends whose security is linked to their own. In the showdown with Iraq, such an interest might explain the United States’ desire to remove a regime that threatened American allies in the region and was suspected of developing WMDs and to install a friendly regime in a part of the world that contains a great deal of hostility toward the United States. As the primary motivations
behind actor’s choices, interests are the fundamental building block of any political analysis.³

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

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

material welfare, and ideological or normative goals. In the first, all political actors are understood to require a degree of personal or collective security as a pre-requisite to all other goals or, at an extreme, to desire power and the ability to dominate others either as part of human nature or to survive in a competitive international environment. In the second category, political actors are presumed to desire a higher standard of living or quality of life, defined largely in terms of greater income, more goods and services to consume, or more leisure time (less work). This second set of interests is not necessarily incompatible with the first if we think of economic welfare as the ultimate or long term goal and security or power as a means to this end. Finally, political actors may also desire moral, religious, or other normative goals, including democracy, human equality and dignity, the glory of a particular God, and so on. In this category, ideas often play a key role in shaping what actors want or believe to be “good” and desirable. Again, there is no necessary conflict between these interests and others, as power or wealth may be means towards normative ends.

Scholars have long debated whether one conception of interest is more universal, true, or useful than others. Indeed, the three sets of general interests just identified roughly divide the three schools of realism, liberalism, and constructivism, respectively, encountered in the Introduction. In turn, various debates over what the interests of actors should be are often tied to battles over what policies should be pursued in specific contexts. For example, the Iraq War tapped into a longstanding debate in the United States over whether foreign policy should be narrowly defined to meet security threats or if it should also seek to undermine repressive regimes and promote the spread of democracy. Our approach in this volume is agnostic. That is, we do not assume that one
set of interests is always and everywhere better in helping us unravel puzzles of world politics. Rather, for some puzzles, it may be sufficient to specify a general interest in security, increased international trade, or protecting the environment. For other purposes, it may be necessary to move beyond general assumptions and specify interests over quite narrow sets of outcomes, say, between deploying 100,000 versus 200,000 troops or negotiating a multilateral international environmental treaty versus going it alone with an unilateral policy. Which level of detail or specificity is relevant depends upon the purpose of the analysis, the questions being asked, and the puzzle that we are trying to understand.

**Actors and Interests**

There are many different types of actors in international relations. In the story of the Iraq War, we have already encountered states, the United States and Iraq, governments, the Bush administration and the regime of Saddam Hussein, groups within countries, the Sunni and Shiite religious groups in Iraq, and international organizations, the United Nations Security Council. Individuals are always the ultimate political actors, as they cannot be divided into smaller political units. And in some cases, particular individuals, such as Bush or Hussein, are crucial actors in their own right. But it is often convenient to group individuals into larger categories of people who share common interests – the Sunnis in Iraq, for instance – or who possess some mechanism for combining their conflicting desires into a joint or collective interest. We call both individuals and these composite groups of individuals *actors*.

Of these composite actors, one that has particular prominence in international relations is the state. A state is a central authority that has the ability to make and enforce laws, rules, and decisions within its territory. Most countries in the world are governed by
states, though some may experience a breakdown of central authority and become what are sometimes called “failed states.”4 The definition of the state has as an essential component the concept of **sovereignty**: the expectation that states have legal and political supremacy within their boundaries. To say that states are sovereign means that they have control over their own policies and political processes, such as the maintenance of domestic order and the provision of governance. In practice, outsiders sometime do try to intervene in states’ affairs—such as when the United States demanded that Saddam Hussein step down from power in Iraq—so sovereignty is presumed, but not always respected.5

When we refer to states as actors, this phrase has two different usages that are important to distinguish. In its strong form, scholars sometimes assume that states are motivated by an interest in security—that is, safety from external and internal threats—and in accumulating power as a means to ensure security. These goals are said to be **national interests**, or interests that belong to the state itself. In this form, then, the states-as-actor assumption asks us to see international politics as driven by states’ quest for security and power.

Alternatively, we sometimes refer to states-as-actors as a convenient shorthand for sets of national leaders acting in the name of their countries. This usage reflects the reality that many of the actions in international politics are taken by individuals who represent the state: the political leadership, diplomats, members of the armed forces, or others acting in an official capacity. Hence, we often lapse into language like “the United

---

States threatened Iraq," when in fact it was certain representatives of the United States who threatened representatives of Iraq. In this usage, we make no prior assumption about where the interests pursued by those agents are coming from. Sometimes, the state’s representatives will be acting on behalf of some domestic interest group—for example, negotiating a trade agreement that is in the interest of exporting industries. Or state leaders might act to further their own personal or political agenda. In such cases, the interests that matter are those of the interest group or politician, but when those interests play out at the international level they are pursued by people acting in the name of the state.

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

For example, we know that President Bush made the decision to invade Iraq, but how should we interpret his choice? We could think of him as the head of a state seeking to further the state’s interest in security or access to a key natural resource; in this case, the state is the actor whose interests are driving choices. We could also understand Bush as a politician pursuing his interest in getting re-elected to the presidency; in this case, the individual politician is the actor whose political interests drive choices. We might also
focus on the interests of groups that could help President Bush’s re-election, such as oil companies or defense contractors that would benefit from war. Alternatively, we could think of President Bush as an individual motivated by personal ideology about democracy. For any given policy choice, it may be difficult to know for sure which interests were being pursued; indeed, a single decision may further more than one interest. In these cases, we judge any assumption about actors by how useful they are in explaining the overall pattern of events we observe.

Table 2.1 presents a list of the actors most frequently identified as important in theories of international relations, the interests commonly ascribed to these actors by analysts, and specific examples. This list, of course, is not exhaustive. Any of these actors can and will need to be disaggregated into smaller sets of individuals for some explanatory purposes. But we will encounter these actors again and again throughout this book. In subsequent chapters, we specify different sets of actors and their corresponding interests as needed to explain the puzzles that we address.

Table 2.1 About Here

II. Interactions: Why Can’t You Always Get What You Want?

Actors make choices in order to further their interests. Yet political outcomes depend not just on the choices of one actor but on the choices of others as well. The United States might have preferred that Saddam Hussein step down peacefully, but the Iraqi dictator refused to yield, and it ultimately took a war to drive him from power. Interests are essential in analyzing any event in international relations because they represent how actors rank alternative outcomes. But to account for outcomes in world politics, we must examine the choices of all the relevant actors and how their choices
interact to produce a particular result. As we use the term here, interactions refers to the ways in which the choices of two or more actors combine to produce political outcomes.

When outcomes are the product of an interaction, actors have to anticipate the likely choices of others and take those choices into account when making their own decisions. In March 2003, Saddam Hussein’s interests in his personal well-being might plausibly have led to the following preference ordering over possible outcomes: 1) stay in power and continue present policies, 2) go into exile in some friendly state, 3) fight and lose a war with the United States. Hussein’s only chance at getting his first-best outcome required that he resist U.S. demands to step down. But this risked bringing about his worst possible outcome: war. Whether resisting would lead to his best or worst outcome depended on what the United States would do in response. Would Bush carry out his threat to attack or would he back down? Whether it made sense for Hussein to resist or step down depended crucially on the answer to this question. If he expected Bush to back down, then resisting U.S. demands would get him his best outcome; if Hussein expected Bush to carry out his threat, then resistance would lead to his worst outcome, and it would have been better to step down. Hence, in making his choice, Hussein had to consider not only what he wanted but also what he expected Bush to do. In this case, there is evidence suggesting that Hussein expected the opposition of other states, especially Russia and France, to prevent Bush from carrying out his threat—an erroneous expectation that led him to resist.6 When combined with Bush’s determination to invade, this choice ensured a war. Had Hussein been certain that Bush would act as he did, bringing about his eventual execution, he might have chosen differently, even though his

---

underlying interests would have been the same. We call such situations strategic interactions because each actor’s strategy, or plan of action, depends on the anticipated strategy of others. Many of the most intriguing puzzles of international politics derive from such interactions.

We make two assumptions in studying interactions. First, we assume that actors are purposive; they behave with the intention of producing a desired result. That is, actors are assumed to choose among their available options with due regard for their consequences and with the aim of bringing about outcomes they prefer. Second, in cases of strategic interaction, we also assume that actors adopt strategies to obtain desired outcomes given what they believe to be the interests and likely actions of others. In other words, actors develop strategies that they believe are a “best response” to the anticipated strategies of others. In the example above, if Hussein believed that Bush would back down from his threat, the best response was to resist American demands; if he believed that Bush would carry out his threat, then the best response was to step down, even though this would have meant accepting his second best outcome. A best response strategy is the actor’s plan to do as well as possible, in light of the interests and likely strategies of the other relevant actors. Together, these assumptions link interests to choices and, through the interaction of choices, to outcomes.

Formulating a strategy as a best response, of course, does not guarantee that the actor will obtain its most preferred or even a positively valued outcome. Sometimes the choices made by others are such that actors are faced with a highly undesirable outcome, one that may leave them far worse off than the status quo. If one state chooses to initiate a war, for instance, the other state must respond either by capitulating to its demands or
fighting back, and both options may leave the second less well off than before the attack. Saddam Hussein was clearly better off before the United States attacked in March 2003, but once the fighting began the pre-war status quo was no longer an option. A strategy is a plan to do as well as you can given your expectations about the interests and actions of others. It is not a guarantee that you will obtain your most preferred result.

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

**Cooperation and Bargaining**

Strategic interactions can take a variety of different forms, but for our purposes they generally fall in two broad categories: cooperation and bargaining. Political interactions, as we shall see, usually involve both forms, in varying degrees.

Interactions are cooperative when actors have some shared interest in achieving an outcome and they must work together to do so. **Cooperation** happens when two or more actors adopt policies that make at least one actor better off than it would otherwise be.\(^7\) Opportunities for cooperation arise all the time in social and political life. A group of friends may want to throw a party, but none of them can spare the time or money to do so alone. If they all contribute a little, then they can all enjoy the benefits of throwing the party. The members of a community would all benefit if there were good roads for them to drive on and clean water for them to drink, but, again, no individual may be able to

---

\(^7\) In many cases, successful cooperation makes all parties better off, but the strict definition requires only that some parties are better off while none is worse off.
provide these on his or her own. If they all agree to pay taxes to some central agency that will provide roads and water, then they can all be better off. A group of firms may all share an interest in lobbying Congress for trade protection from foreign imports. By pooling their resources and acting together, they may be more effective at getting their way than they would be on their own. In the international system, states may have opportunities to cooperate to defend one another from attack, to further a shared interest in free trade or stable monetary relations, to protect the global environment, or to uphold human rights. We will look more closely at each of these types of situations in the following chapters. In the case of Iraq, a number of states in the international community loathed or feared Saddam Hussein’s regime, and they may have seen his removal as preferable to the status quo. Some of these—especially the United States and Great Britain, the two major contributors to the joint effort—chose to cooperate in a military effort to oust the regime. Both contributed military forces and other resources in the expectation that joint action would make them better off relative to either the status quo or acting alone.

Cooperation is defined from the perspectives of the two or more actors who are interacting. Even though such mutual adjustments in their policies may make those actors better off, cooperation may hurt other parties. The friends agreeing to throw a party together may disrupt their neighbors by making noise late into the night. Firms who cooperate to lobby Congress for trade protection impose higher prices on consumers. The countries that cooperated to oust Saddam Hussein clearly made the dictator worse off. Cooperation is not always and everywhere an unmitigated good. Like beauty, cooperation exists only “in the eyes of the beholder,” or in the eyes of those who are made better off.
by adjusting their policies to bring about an outcome they (and possibly they alone) prefer.

Figure 2.1, panel (a), presents a simple depiction of the problem of cooperation between two actors. Imagine that two actors can enact policies that have the potential to increase their overall income. The income of the actors is depicted along two dimensions, with actor A’s income increasing along the horizontal axis and actor B’s income increasing along the vertical axis. All points within the graph represent possible outcomes produced by different combinations of policies chosen by the two actors. Assume that the most the two actors can make by cooperating is $1000, a limit determined by the available technology and resources. This limit is depicted by the downward sloping line in Figure 2.1, which shows all of the different ways $1000 can be divided between the two actors. The point at which the line touches the horizontal axis depicts a situation in which actor A gets $1000 and B gets nothing; the point at which the line touches the vertical axis depicts a situation in which B gets all of the money; and every point in between represents different divisions of the maximum feasible income. This line is called the Pareto frontier, after the Italian economist Vilfredo Pareto (1848-1923) who developed these ideas.

At any moment in time, past policy combinations have produced an outcome referred to as the status quo (q). As q is depicted here, the actors are clearly not doing as well as they could, meaning that could potentially benefit by changing their policies. Any policy combination that leads to an outcome in the area qba would make both actors better off than they are in the status quo. Moving outward and/or upward from q, following the trajectory of the blue arrows, represents an improvement in the welfare of
at least one actor. Policies along the line segment \( qa \) improve A’s welfare at no loss to B, while policies along the line segment \( qb \) improve B’s welfare with no loss to A. Any movement into the interior of the area of \( qba \) represents an improvement in the welfare of both actors, and any policy combination on the Pareto frontier between \( b \) and \( a \) makes the actors as well off as possible given the current status quo and available resources and technology. Cooperation consists of mutual policy adjustments that move actors towards or onto the Pareto frontier, increasing the welfare of some or all partners without diminishing the welfare of any.

Figure 2.1 About Here

Whereas cooperative interactions involve the potential for mutual gain, bargaining describes an interaction in which actors must choose outcomes that make one better off at the expense of another. For example, two states may each want the same piece of territory. Bargaining describes the process by which they come to divide the territory between them. They may negotiate, impose sanctions on one another, or fight. All these tactics are different forms of bargaining. By the nature of the situation, the more territory that one side gets, the less the other gets. Bargaining is represented in Figure 2.1, panel (b). When actors bargain, they move along the Pareto frontier, as represented by the red arrow. On the frontier, any improvement in A’s welfare must come strictly at the expense of B’s welfare. For this reason, bargaining is sometimes called a zero-sum game because the gains for one side perfectly match the losses of the other. Bargaining is purely redistributive; rather than creating additional value, as in the case of cooperation, it is concerned only about allocating a fixed sum of value between different actors. We typically represent war as a bargaining interaction. In the case of the Iraq war, the United
States and Iraq were not cooperating but bargaining over the latter’s WMD programs and, ultimately, its regime. We will take a closer look at bargaining in war in Chapter 3.

Most interactions in international relations combine elements of both cooperation and bargaining. This is represented in Figure 2.1, panel c. Although both may gain by moving to the frontier, A prefers bargains that leave him closer to $a$ whereas B prefers bargains that leave her closer to $b$. Movement toward the frontier makes at least one actor better off, but where they end up on the frontier makes an important difference. For example, even as the United States, Britain, and other states had interests in cooperating to defeat Iraq, they bargained over how much each would contribute to the effort. In many interactions, the actors are both cooperating and bargaining simultaneously, and the outcomes of both interactions are linked. Successful cooperation generates gains worth bargaining over. And if the actors cannot reach a bargain over the division of gains, they may end up failing to cooperate.\(^8\)

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

**When Can Actors Cooperate?**

---

If cooperation makes actors better off, why do actors sometimes fail to cooperate? By far the most important factor in determining whether actors can cooperate lies in their interests. Even when actors have a collective interest in cooperating, there are situations in which their individual interests will lead them to “defect”—that is, to adopt an uncooperative strategy that undermines the collective goal. How strong the incentives to defect are goes a long way to determining the prospects for cooperation.⁹

To see this, consider first the easiest kind of cooperative interaction, what we call a coordination problem. This kind of situation arises when actors must simply coordinate their actions with one another, and, once their actions are coordinated, there is no potential benefit from defecting. A classic example of a coordination problem is deciding which side of the road cars should drive on. Drivers have a shared interest in avoiding crashes, so they are always better off if all drive on the right or the left, rather than having some drive on each side of the road. It is largely immaterial which side of the road is selected, and, indeed, different countries have different rules: cars drive on the right side of the road in the United States and continental Europe and on the left side in Great Britain and Japan. What matters is that all drivers in the region make the same choice. Once selected, moreover, no driver would intentionally deviate from that choice, since doing so would be very dangerous. In short, there is no incentive to defect from whatever arrangement is made. In the international economy, firms, industries and even governments face coordination problems all the time, as suggested by the numerous agreements on international standards. There are many ways to encode information on a

---

compact disc, for instance, but all firms producing CD-based products – home electronics equipment, computers, etc. – are better off coordinating on a single format so that products and CDs are interchangeable. Similarly, it is more important for international airline pilots to speak a single language so that they can communicate effectively with one another and air traffic controllers around the world than which language they choose. In such situations, cooperation is self-sustaining because, once it is achieved, no one can benefit by unilaterally defecting.

A more serious barrier to cooperation arises if the actors have an individual incentive to defect from cooperation, even though cooperation could make everyone better off. Cooperative interactions in which actors have a unilateral incentive to defect are often called collaboration problems. This kind of problem is often motivated by a simple story called the Prisoners’ Dilemma. Imagine that two criminals have robbed a bank and stashed the loot in a secret location. The two are caught by police, but the District Attorney does not have enough evidence to convict them. She puts the prisoners in separate rooms and presents them with the following offer: “If you provide evidence against your accomplice, I will let you go and put him in jail for 10 years; however, I am making the same offer to your accomplice, and if he provides evidence against you, you will be the one behind bars. If you both squeal, then you’ll both end up in prison.” Collectively, the prisoners would do best by cooperating with each other and staying silent. In that case, the DA has to release them, and they get to split the loot. Unfortunately, each individual prisoner has an incentive to rat out his accomplice. Each prisoner reasons as follows: if my partner stays quiet, I can likewise stay quiet and we will split the loot, or I can provide evidence against him, in which case he goes to prison,
and I get to enjoy the loot myself. Assuming the prisoner cares only about money, then
defection (i.e., providing evidence to the DA) is the best response in the event that the
accomplice stays quiet. Defection is also the best response if the accomplice defects,
since the very worst outcome is to go to prison while your accomplice goes free. Since
both prisoners will reason the same way, both will end up providing evidence against the
other. Both will go to jail, and they will split the loot when they get out. This outcome, of
course, is worse for both of them than the outcome they could have gotten by cooperating
with each other; the dilemma is that each individual’s incentive to defect undermines
their collective interest in cooperation. This dilemma is explored further using the method
of game theory in the Appendix.

Although the dilemma of fictional prisoners may seem remote from the subject
matter of this book, an analogous situation arises among states engaged in an arms race.
Consider, for example, the nuclear arms race between the United States and the Soviet
Union during the Cold War. Both countries built nuclear weapons at a furious pace, so
that by the late 1980s, the United States had about 14,000 strategic nuclear warheads,
while the Soviet Union had around 12,000 (see Figure 2.2). Hence, the two states were in
rough parity with one another, at the cost of billions of dollars. One might ask: why not
agree to stop building when the US had 1,400 warheads and the USSR 1,200? That
would have kept the same ratio of forces but at much lower cost. Both states might have
been better off with such an agreement. The problem, however, is that each state had an
incentive to cheat on such a deal in order to attain superiority over the other. If one
stopped building, the other would be tempted to keep going. Because of this, each feared
that its own restraint in building weapons would be exploited, leaving it vulnerable to its
rival. Given these incentives and fears, the best strategy for each individual state was to go on amassing weapons. This left both countries worse off than if they could have cooperated to limit their arms competition.¹⁰

Figure 2.2 about here

A specific type of collaboration problem arises in providing public goods. Briefly, public goods are socially desirable products like national defense, clean air and water, or the eradication of communicable diseases. They are defined by two qualities. First, if a public good is provided to one person, others cannot be excluded from enjoying the good as well (formally, the good is non-excludable). If one person in a country is protected from foreign invasion, for instance, all other citizens are also protected. Second, if one person consumes or benefits from the public good, this does not diminish the quantity available to others (formally, the good is non-rival in consumption). Again, national defense provides a clear example. One person’s enjoyment of protection from foreign invasion does not diminish the quantity of security available to others. Many global environmental issues, like ozone depletion and climate change, are also public goods (discussed in detail in Chapter 12). Public goods are contrasted with purely private goods, which are things that can be possessed and consumed only by one person. Your sandwich for lunch is a private good – that is, if its available to you, it is not automatically available to all others, and if you eat it, it is not available to be eaten by others.

Efforts to produce public goods are bedeviled by collective action problems, which we will encounter many times in this book. Given that actors can enjoy public

¹⁰ In fact, the United States and Soviet Union did sign several arms control agreements which may have prevented the arms race from being even worse. It was not until the collapse of the Soviet Union in 1991 that serious reductions in nuclear armaments took place.
goods whether or not they contribute to their provision, each acts in anticipation that
others will pay to produce the good while they get to enjoy it for free. That is, each aims
to benefit from the contributions of others without bearing the costs itself. For example,
individuals would prefer to benefit from national security without paying taxes or
volunteering for military service. Or all states might want to end a genocide, but each
would prefer that others assume the risks of the necessary military intervention. In the
case of Iraq, it is quite possible that some countries publicly opposed the U.S.-led
invasion not because they did not want to see Hussein ousted but because they wanted to
benefit from the regime change without paying military, political, or diplomatic costs of
backing it. In such situations, even though everyone wants the public good to be
provided, each individual has an incentive to free ride by failing to contribute while
benefiting from the efforts of others. When contributions are voluntary, free riding leads
public goods to be provided at a level less than that desired by the actors.

This is why public goods are nearly always provided by governments, which have
the power to tax citizens or otherwise mandate their contributions. Free-riding is no
longer so attractive if, say, the failure to contribute taxes can lead to steep fines or prison.
This is also why collaboration between governments on global issues can prove so
difficult, as there is no international authority that can mandate their contributions to
global public goods.

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

1) **Numbers and Relative Sizes of the Actors**

It is easier for a smaller number of actors to cooperate and, if necessary, to monitor each other’s behavior than for a larger number of actors to do so. Two actors can communicate more readily and observe the other’s actions better than 1,000 actors can. Thus, the smaller the number of actors, the more likely they are to cooperate successfully. As we shall see in Chapter 6, firms who are few in number can organize more easily to lobby their governments for trade protection than can consumers, who are typically more numerous. Environmental agreements are easier to monitor and enforce – thus more likely to be agreed upon -- among small groups of countries.

In the case of public goods, moreover, there may groups in which a single member or a small coalition of members is willing to pay for the entire public good. This would happen if these members receive benefits from the public good sufficient to offset the entire costs of providing it. In such “privileged” groups, the single member or small coalition of members provides the public good despite free riding by others.\footnote{On privileged groups, see Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press, 1965). For an international application that later led to a theory that treated Great Britain in the 19th century and the United States in the 20th century as privileged actors in the international economy, see Charles P. Kindleberger, *The World in Depression, 1929-1939* (Berkeley, CA: University of California Press, 1973).} As we will see in Chapter 5, international efforts to enforce agreements in civil conflicts generally require that a very powerful state, such as the United States, be motivated to conduct a peacekeeping operation largely on its own. Similarly, success in limiting ozone emissions (discussed in Chapter 12) stemmed in part from the disproportionately large role of the
United States, Russia, and Japan in the industry. And, as we will see in Chapter 6, some attribute the economic openness of the international economy in the mid-nineteenth and mid-twentieth centuries to public goods provided unilaterally by Britain and the United States, who were the largest powers in those eras, respectively.

2) **Iteration, Linkage, and Strategies of Reciprocal Punishment**

Cooperation is more likely when actors have opportunities to cooperate over time and across different issues. The incentive to defect or free ride in any given interaction can be overcome if actors expect to be involved in multiple, repeated interactions with the same partners. In this situation – commonly known as **iteration** – actors can prevent one another from cheating by threatening to withhold cooperation in the future. Even when actors have incentives to defect in the current interaction, knowing that the other actor will refuse to cooperate with them in the future can offset those temptations. Thus, “good behavior” can be induced today by the fear of losing the benefits from cooperation tomorrow. The threat of reciprocal punishment can be a powerful tool for enforcing cooperation even when actors are tempted to cheat. You are more likely to leave a tip for the waiter at a local restaurant you are likely to frequent in the future -- lest you get poor service on a another visit -- than you are in a restaurant you will never visit again. Countries are less likely to cheat on a trade agreement with a country they trade with more often and expect to trade with again in the future.

---


13 For the expectation of future punishment to induce current cooperation, however, actors must value the future enough that future gains matter. Everyone discounts the future--that is, they value it somewhat less than the present. A dollar today is worth more to us than a dollar next year and much more than a dollar received in twenty years. The more actors discount the future, the less likely the threat of future punishment is to encourage them to cooperate today. Conversely, the more we value the future, the more likely the threat of future punishment is to encourage cooperation now.
Closely related to iteration is the concept of **linkage**, which ties cooperation on one policy dimension to cooperation on other dimensions. Whereas iteration allows victims to punish cheaters by withholding the gains from future cooperation, linkage allows victims to retaliate by withholding cooperation on other issues. Defection on military affairs, for instance, might be punished by withdrawing cooperation on economic matters. One of the reasons the United States and United Kingdom are able to sustain their “special relationship” of deep cooperation, including on Iraq, is that they are bound together on so many different issues. The failure of cooperation on one dimension puts cooperation on other issues at risk, and reinforces cooperation on all.

3) **Information**

Finally, the availability of information affects the likelihood of cooperation. In some cases, it is easy to observe whether a partner has cooperated or defected, such as when cooperation entails a public act like participating in a military operation. In other cases, however, cooperative and uncooperative acts may be hard to observe or distinguish from one another. If cooperation involves cutting armaments, for example, the fact that states can build weapons in secret means that defection may not be observed.

When actors lack information about the actions taken by the other party, cooperation may fail due to uncertainty and misperception.\(^{14}\) A state might defect under the mistaken belief that it could get away with it. Alternatively, cooperation might unravel if cooperative acts are mistaken for defection. Suppose one party mistakenly believes that the other has defected and cuts off cooperation as punishment; the other party, who has been cooperating all along, then perceives the first actor’s punishment as a

---

new defection, and then cuts off cooperation in retaliation. Simple misperceptions can lead to hostile punishments and the breakdown of cooperation even though all actors thought they were acting cooperatively.\textsuperscript{15} In the years leading up to the Iraq war, Saddam Hussein really had dismantled his WMD programs as demanded by the United Nations, but was reluctant to reveal this information because he wanted to use the possibility of such weapons to deter domestic insurgents and other regional powers, especially Iran.\textsuperscript{16} Had Iraq’s disarmament been more easily confirmed, the main rationale for the war would have been eliminated.

**Who Wins and Who Loses in Bargaining?**

Whereas cooperation has the potential to make actors collectively better off, bargaining, as we saw, creates winner and losers: each actor’s gains come at the expense of someone else. When two or more actors covet the same good—e.g., a sum of money or a piece of territory—it is impossible for all of them to get their best possible outcome at the same time. Why, then, are bargains ever reached? Why do actors consent to losses? What determines who wins and who loses?

Considering these questions introduces a core concept in international politics: **power.** In the standard definition, which we owe to the political scientist Robert Dahl, power is the ability of some actor A to get another actor B do something that B would otherwise not do.\textsuperscript{17} In the context of bargaining, power is most usefully thought of as the ability to get the other side to make concessions and to avoid having to make concessions

---


oneself. The more power an actor has, the more it can expect to get from others in the final outcome of bargaining.

Power and, in turn, the outcome of any bargaining interaction is fundamentally influenced by what happens in the event that no bargain is reached. The outcome that obtains when no bargain is reached is often called the “reversion” outcome. In some cases, the reversion outcome is the same as the status quo. If a car buyer and a prospective seller cannot agree on a price, then the seller is left with his car and the buyer keeps her money. What is lost is a chance to make a potentially profitable deal. When actors bargain over the terms of cooperation, a failure to agree can prevent the collective benefits from being enjoyed. For example, if states contemplating intervention in a civil war or negotiating an environmental treaty cannot agree on how to divide the costs, then the civil conflict will rage on or the environmental harm will continue. In other cases, the consequences of disagreement are more severe: the reversion outcome may be a war or some other kind of conflict, such as economic sanctions.

The actor that is more satisfied with the reversion outcome generally has less incentive to make concessions in order to reach a successful bargain. Conversely, the actor that is less satisfied with the reversion outcome will be more desperate to reach an agreement, and will offer relatively bigger concessions in the hopes of inducing the more satisfied actor to agree. In short, bargaining power belongs those actors most satisfied with, or most willing to endure, the reversion outcome. In the car buying example, if the seller needs money and is anxious to sell the car quickly, a more patient buyer can extract a better deal. Internationally, in negotiations over global climate change, the United States has been less willing to go along with other countries in part because the expected
costs of climate change to the United States are lower. Given its geography and economic
resources, the United States is better equipped than many other states to weather the
effects of a warming planet and rising sea levels. As a result, the United States has, so far,
successfully shifted the burden of cutting greenhouse gas emissions onto others (see
Chapter 12). In the case of Iraq, the United States has a great stake in rebuilding that
country and ending the violence that has killed thousands of its troops. Despite its
enormous power in most respects, the United States has had a hard time convincing other
countries, who are less directly hurt by the status quo, to share the costs of Iraq’s
reconstruction. Those most in need of agreement are likely to get worse bargains than
those who can better tolerate the reversion outcome.

Because bargaining outcomes are largely determined by how each actor evaluates
the reversion outcome, power derives from the ability to make the reversion outcome
better for oneself and/or worse for the other side. Actors have three basic ways of
exercising power or, to say the same thing, shifting the reversion outcome in their favor.

1) **Coercion**

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

Means of international coercion include military force and economic sanctions. The ability to impose costs on others, and to defend against other’s efforts to impose costs on you, derives in large part from material capabilities: the physical resources that allow an actor to inflict harm and/or withstand the infliction of harm. In coercive interactions among states, these capabilities are often measured in terms of military resources—such as number of military personnel or the level of military spending—as well as measures of economic strength, since economic resources can be readily converted into military power. The balance of such capabilities between states is a strong predictor (though, to be sure, not the only one) of who wins and who loses in warfare.18 Similarly, the size of a country’s economy has an impact on its ability to impose and/or withstand economic sanctions, which cut off a country’s access to international trade.

Although material capabilities like guns and money are important components of power, we will see in Chapter 3 that other factors can also be sources of power in coercive bargaining. Since the use of force is costly and risky, an actor’s willingness to absorb costs and take risks can also generate an advantage. Thomas Schelling famously described international crises as competitions in risk-taking likely to be “won” by the side

that blinks second (see the game of Chicken described in the Appendix). This helps explain why weak states can and have at times defeated great powers. When France tried to reassert colonial control over Vietnam after World War II, the leader of the Vietnamese resistance, Ho Chi Minh, famously warned the French that their superior military power would not matter: “You will kill 10 of our men, and we will kill 1 of yours, and in the end it will be you who tire of it.” The Vietnamese leader’s optimism sprang from the belief that his people were more willing to bear the costs of war. His power stemmed not from military capabilities but from what we will refer to in chapter 3 as resolve.

2) Outside Options

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

The actor with the better outside option can use its leverage, the threat to leave negotiations, to get a better deal. For example, even though the United States might have preferred to work through the United Nations to remove Saddam Hussein from power in Iraq in 2003, the U. S. government felt that it had an attractive outside option: acting unilaterally. The United States’ military capabilities meant that, even though it might benefit from international support, it did not feel that such support was necessary to prevail. Thus, while other countries on the UNSC tried to influence American policy in

---

the dispute, their bargaining power was greatly diminished by the fact that the United States felt that it could “go it alone.”

Like coercion, however, it is the relative attractiveness of each actor’s outside option that matters. Both actors may have alternatives, but the one with the more attractive outside option can more credibly threaten to walk away and, therefore, can get the better deal. In competitive economic markets with many buyers and sellers, for instance, there is little power exercised by any actor, as every buyer or seller has equally attractive outside options. In the case of the United Nations, again, the United States had the ability to act unilaterally that was not available to the UNSC, which had only the very unattractive alternative of fielding a military force of its own to stop the United States from invading Iraq. The UNSC could not, therefore, exercise any significant power over the United States.

3) Agenda Setting

Similarly, actors might gain leverage in bargaining through agenda setting power. Whereas an outside option is exercised in the event bargaining fails, agenda setting involves actions taken prior to or during bargaining which make the reversion outcome more favorable for one party. A party who can act first to set the agenda transforms the choices available to others. For example, many computer users complain about Microsoft and believe its Windows operating system is less efficient than alternatives (Macintosh, Unix), yet the company used its initial advantage in the personal computer market to set the agenda for the entire personal computer industry and secure a position of continuing dominance for its product. Similarly, when the United States deregulated its airline industry to capitalize on its market position and benefit its domestic consumers, other
countries were forced to deregulate their industries as well in order to remain competitive, often over the opposition of their national air carriers. In the Iraq war, the United States exercised its agenda-setting power both by bringing the inspections issue before the UNSC and by unilaterally initiating a war against Iraq, to which other countries were then forced to respond.

Even though bargaining creates winners and losers, bargains can be made as long as they give all parties more than (or at least as much as) they can expect to get in the reversion outcome. In other words, actors consent to painful concessions when the consequences of not agreeing are even more painful. As we will see in chapter 3, the fact that there exist bargains which all sides prefer to, say, war does not guarantee that those bargains will always be reached. There are a host of problems which can prevent actors from finding or agreeing to mutually beneficial deals. For example, uncertainty about how each side evaluates its prospects in a war can make it hard to know which bargains are preferable to war. There may also be situations in which states cannot credibly promise to abide by an agreement that has been made. Bargaining may also be complicated if the good being bargained over is hard to divide. Since this is a large topic, fuller consideration of these issues is left for chapter 3.

In sum, both interests and interactions matter in politics. Political outcomes depend on the choices of two or more actors. Since political outcomes are contingent on the choices of two or more actors, we do not always or even most of the time get our most preferred interest. Indeed, in bargaining, we may be left worse off afterwards than if we had not entered the interaction at all. Interactions are often quite complex, but critical
to understanding how interests get transformed into outcomes – often in paradoxical ways!

III. Institutions: Do Rules Matter in World Politics?

Institutions play a major role in social and political life, domestically and internationally. We typically define institutions as sets of rules known and shared by the relevant community that structure political interactions in particular ways. Many institutions are embodied in laws or organizations. The United States Congress has rules that determine who gets elected to it and how it passes laws. Further rules determine how Congress deals with other American political institutions such as the presidency and the courts. The United Nations is an institution in which states make collective decisions about military actions or economic sanctions; the UN has rules that determine which states have a say over these matters and how their votes are counted. International economic institutions include the International Monetary Fund (IMF), the World Trade Organization (WTO), and the World Bank. Other institutions are more informal and exist only as shared understandings of principles and norms. Such informal institutions, such as the widespread norm against slavery, can also be important.

Institutions vary in their goals and rules, but they generally serve to facilitate cooperation among their members.21 As discussed in the previous section, even when actors have common interests, there may be factors that make cooperation more difficult. Cooperation can flounder if the problems identified above – incentives to defect, large numbers of actors, non-repeated interactions, and imperfect information -- are not successfully resolved. Institutions can provide solutions to these problems. Indeed, it is

precisely to facilitate cooperation that actors first create and subsequently comply with the rules embodied in institutions.

**How Do Institutions Affect Cooperation?**

In much of political and social life, the primary way that institutions promote cooperation is through enforcement, or imposing punishments on actors who fail to cooperate. Imagine, for example, that the prisoners in the Prisoners’ Dilemma were both members of an organized crime group, and it was understood that members who rat each other out will find themselves at the bottom of a river wearing cement shoes. In that case, the prisoners no longer have an individual incentive to defect on each other; the external enforcement by the organization changes the way they rank order the possible outcomes, and cooperation between them is now both individually as well as collectively rational. Similarly, governments provide public goods by compelling individuals to pay for them in the form of taxes; the threat of fines or jail time for failing to pay weakens the incentive to free ride on the contributions of others. Cooperation among private actors within a country may also be enforced by institutions. A sales contract between a customer and a firm can be enforced by courts, whose rulings are backed by the police powers of the state. In short, when institutions have means of imposing punishments for defection, they can effectively enforce cooperation.

Unfortunately, the institutions we find at the international level generally lack the capacity to impose punishments on states. The international system is characterized by anarchy, a term that in this context refers to the absence of formal government.22

---

Whereas most countries are governed by states—a central authority with the ability to make and enforce laws within its boundaries—there is no such central authority at the global level. Some people think the United Nations is a world government, but as we will see in Chapter 5, this is not the case. Even poor, weak states have more enforcement power over their citizens than the United Nations has over actors in the international system. It can not tax, raise its own military, nor field its own police force.

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

1) Setting Standards of Behavior

Clear standards of behavior reduce ambiguity and enhance cooperation. Parents who tell a teenager, “don’t stay out too late, or else,” invite continuing conflict. What does “too late” mean? “Or else” is ambiguous. If the parent grounds the teenager for a week, is this “unfair,” as the aggrieved youth will undoubtedly claim, or “letting them off easy,” as the parent will likely retort? The costs of this conflict could have been avoided by making clear that the teenager should “be home by midnight, or you’ll be grounded
for a week.” The teenager might still choose to stay out later, but the criterion for evaluating lateness and the consequences are no longer in dispute.

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

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

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

2) Verifying Compliance

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

In many international institutions, self-reporting is the norm: countries are required to submit reports documenting their compliance. Such a procedure might appear weak, but it allows other parties to the agreement to inspect the self-reporting of others, assess those reports against their private knowledge of the other’s compliance, and publicize and criticize any inconsistencies. Discrepancies between self-reports and later verified accounts open the country to further disrepute and possible sanctions. In the fall of 2002, for example, the United States asked the UNSC to demand of Iraq a detailed
accounting of its WMD programs, and then highlighted inconsistencies within the hundreds of thousands of pages of documents, between the documents and past inspection reports, and between the documents and its own intelligence estimates.

At the other extreme, some international agreements permit on-site inspections. The International Atomic Energy Agency (IAEA), for instance, inspects declared nuclear material facilities in over 70 countries under the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). This treaty, adopted in 1968, prohibits most countries from diverting fissionable material from civilian nuclear reactors for use in making nuclear weapons. The inspectors of the IAEA help to monitor compliance with this prohibition (see Chapter 13). United Nations Resolution 661 also provided for the IAEA to lead inspection teams in Iraq to search for possible nuclear weapons and development sites.

Finally, institutions also protect the ability of countries to verify compliance independently. Rules specifying the status of embassies and the treatment of embassy personnel allow for diplomatic representation of one country on the territory of another, but also permit embassy officials on-site access to collect information and track developments in the foreign state. Similarly, the Treaty on Open Skies, signed in 1992 and ratified by the United States and 34 other countries, formally permits states to use “national technical means,” including satellites and high-flying spy planes, to observe developments on the ground below in foreign territories. Such national technical means were an important tool in verifying the arms control agreements between the United States and Soviet Union during the Cold War. The treaty finally negotiated just as the Cold War was ending formally acknowledged and ratified what had been long-standing
practice. National technical means remained important – if misleading and incomplete – in monitoring Iraq’s WMD programs in the 1990s.

3) Reducing the Costs of Joint Decision-Making

Institutions make it easier for states to make decisions collectively. Recall the example of the “rules of the road” from the discussion of coordination above. In a world in which the side-of-the-road rule has not been established, we would have to negotiate with each on-coming car who would go left and who would go right. Stops would be frequent, and crashes would be inevitable. The time lost in arriving at our destination as a result of negotiating these individual encounters, as well as the crashes, are the costs of joint decision-making. Given the huge costs, we have established institutions – the rules of the road – to routinize decision-making, avoid conflicts, and reduce the costs of driving. The smooth flow of traffic, and faster commutes, are the benefits of the institution.

Domestic political institutions similarly operate to reduce the costs of joint decision-making. Imagine that a society needed to decide collectively on all matters of policy in the absence of any agreed rules. Every time someone wanted to propose a new policy, he or she would have to get all citizens to decide how they would decide. Should the policy be enacted by popular referendum? If so, who could vote? Would it pass by a simple majority (50 percent plus one vote), a supermajority (greater than 50 percent, usually two-thirds), or by unanimous consent? Alternatively, would policy be decided by some subgroup of society? Would this subgroup be a representative body, only the most highly affected individuals, a single individual able to dictate the result? What powers would this subgroup have – would it be able to not only establish the policy, but also tax
others if necessary to implement the policy? The list of possible decision-making rules and the alternatives that would have to be considered for each policy is virtually endless. In the absence of some agreed-upon rules on collective decision-making, the costs of any policy initiative would be enormous. These might be so large, in fact, that no policy would ever generate sufficient benefits to offset the costs of enacting that policy. Nothing would ever get done. As a result, we create political institutions – rules of the political game – that define how joint political decisions will be made. These institutions are useful because they reduce the costs of joint decision-making.

International institutions serve to reduce the costs of joint decision-making among nations in the same way. The United Nations was created as a permanent forum in which countries could come together to deliberate and attempt to resolve disagreements. Since its founding, the United Nations and its associated agencies have undertaken 61 peacekeeping operations, fought the Korean War, authorized the 1991 Persian Gulf War, rewritten the law of the sea, managed refugee problems around the world, fed people displaced by conflict or famine, helped eliminate smallpox worldwide, and undertaken a host of other activities. There is a relatively clear set of rules on which issues get referred to the General Assembly and which to the Security Council and specific voting rules for each body. These rules serve to reduce the costs of joint decision-making between states just as they do in other social settings. A host of other international institutions help reduce the costs of joint decision-making on a large range of other issues.

4) Resolving Disputes

International institutions also facilitate cooperation by providing mechanisms for resolving disputes. When parties disagree about whether they have violated an agreement
or how to interpret the terms of an agreement – and diplomats and lawyers can be very
creative – it can be helpful to have prior agreement on how to handle such differences.
Domestically, disputes are routinely referred to courts for authoritative resolution; indeed,
courts are the default forum for dispute resolution unless the parties to an agreement have
specifically agreed to other provisions, such as arbitration. Most international
agreements, however, do not contain explicit dispute resolution procedures, and each
party may seek to interpret the agreement according to its own interests and limited only
by its desire for a reputation as a “good partner.”

Nonetheless, many international economic transactions regularly delegate dispute
resolution to national courts -- agreeing in advance that disputes will, for instance, be
decided according to the laws of the state of New York -- or to one of many international
arbitration boards. In some limited number of cases, states will create new dispute
settlement procedures as part of an agreement, as in the World Trade Organization and
regional economic blocs such as NAFTA. By creating mechanisms to resolve disputes,
actors increase their expectations that others will uphold their commitments, prevent
retaliation from escalating out of control, resolve ambiguities in their agreements, and
allow mutually beneficial cooperation to occur. This does not, it should be noted, hinge
on the dispute resolution body itself enforcing the rules by punishing violators. Rather, by
interpreting rules when they are ambiguous or subject to conflicting interpretations,
dispute settlement bodies help identify violator and victim, permit actors to employ self-
help sanctions more efficiently, and potentially keep disputes from escalating.
In sum, institutions facilitate international cooperation in important ways. International institutions do not, however, directly enforce cooperation, except in extremely rare cases when they are empowered to punish defectors directly. Rather, despite a well-developed infrastructure of institutions, international politics remain largely a realm of self-help in which states alone must choose whether and how to penalize those who fail to cooperate. What international institutions do, however, is make compliance more likely by clarifying the terms of cooperation, providing information, and lowering the costs of joint decision-making – including the costs of deciding when to punish those states that choose not to follow the rules.

**Whom Do Institutions Benefit?**

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

Institutions bias outcomes in many ways. In the United States, the interests of citizens are aggregated, or summed, at the national level by different electoral institutions. These institutions themselves are a reflection of bargaining within the constitutional convention of 1787. The more populous states at the time sought a legislature in which representatives were allocated by population, which would give them

---

a larger voice. The less populous states, knowing they would be routinely outvoted, wanted some form of guaranteed representation. The result was a compromise, with seats in the House of Representatives determined by population and seats in the Senate reserved two for each state. The larger states were forced to compromise by the unwillingness of the smaller states to agree to the Constitution without this provision.

These rules matter. Elected by and responsive to different subsets of the national population, it is hardly surprising that the majority of the House of Representatives, the majority of the Senate, and the president -- with the largest constituency -- often differ in their interests. Indeed, the framers of the Constitution explicitly intended to create competing branches of government with different constituencies and policy preferences. Institutions that represent many smaller constituencies are likely to produce policies that favor particular groups in society through large, omnibus “logrolls” that contain something for everyone. Institutions that represent larger constituencies are more likely to enact policies that benefit society as a whole. For this reason, Congress is often thought to be beholden to more “special interests” while the president is expected to act more in the general interest. One particular manifestation of this difference is that members of the House of Representatives are typically more responsive to import-competing industries in their districts, and thus more protectionist in trade policy, while the president is more likely to support freer trade, which promotes the interests of consumers as a whole.

International institutions differ widely in their rules and in their policy bias. Many institutions, including the General Assembly of the United Nations and most affiliated organizations, like the World Health Organization and UNESCO, have a one country-one vote rule, with China, population of over 1.3 billion, having the same official weight as
Tuvalu, population about 11,000 – giving each citizen of Tuvalu the same voice in the General Assembly as about 120,000 Chinese. The UN Security Council, by contrast, has voting rules that privilege five particular states—the United States, Great Britain, France, Russia, and China – by giving them a veto over any action the Council might take. This means that even if a majority of states on the council, or around the world, want the UN to enact a particular policy, it can nevertheless be blocked by any one of these five states. Why these particular states? They were the five major victors of World War II, and hence they were in a position to write the rules when the United Nations was created in the aftermath of that war (see Chapter 5). The privileged position of these states helps explain why French and Russian opposition to the U.S. invasion of Iraq was so consequential—without their support, the UNSC could not authorize the use of force.

Other organizations have weighted voting rules, which give the largest contributors the most influence. In the International Monetary Fund, for example, the United States contributes about 17 percent of the fund’s resources, and consequently, it gets 17 percent of the votes on the organization’s Board of Governors—by far the largest vote share of any individual country. The weights have been periodically renegotiated to reflect changes in the contributions and bargaining power of states, but the United States and the European Union still retain large enough shares of the votes to each block any important decision within the organization. Still other institutions operate by unanimous consent, permitting any member to veto action. In its early decades, the Council of Ministers of the European Economic Community (later the European Community, now the European Union) used a unanimity rule. As the policy-making demands of deeper economic integration became more intense, the Council made a historic decision to adopt
a qualified majority voting rule in the Single European Act signed in 1986. This was understood to be a major transfer of power away from member states, who could previously veto any initiative they found objectionable, to the Community as a whole. As in domestic institutions, rules matter in international institutions.

Because institutions matter and bias policy in consequential ways, states struggle over their rules. Institutions both shape politics by facilitating cooperation and are the product of political action. Given the relative consistency in the basic institutions of government in the United States, we often attribute a “taken for granted” or natural quality to political institutions. But it is important to understand that all institutions reflect particular policy biases and, as a result, are always the object of continuing political debate and battle.

**Why Follow the Rules?**

Why do actors follow rules? If they have incentives to defect from rules and ignore institutions, why do they not always do so? If the rules are biased against them, why would they go along with them anyway? This has been a key question for many scholars of international relations. Some argue that states ignore institutions whenever they do not serve their interests, so that the institutions we see merely reflect the bargaining strength of current states (i.e., they do not affect policy). Others argue that if institutions did not matter, states would not devote so much energy to writing the extensive rules we observe. In this view, as international lawyer Louis Henkin observes, “almost all nations observe almost all principles of international law and almost all of

---

their obligations almost all of the time. Rates of compliance in international politics are surprisingly high. Indeed, although this finding remains contested, other international lawyers argue that when states do violate international rules it is more often from a lack of capacity to live up to their obligations than from an attempt to seize an advantage over others.  

Actors comply with institutions for two reasons. First, since many problems in international relations combine both cooperation and bargaining, actors may agree to comply with rules for the cooperation they facilitate even though the outcome of those rules is biased against them. In these situations, the value of the cooperation created by the institution outweighs the costs of a relatively disadvantageous bargain. States observe the rules of the WTO not just because other countries might be authorized to punish them for violations, but because the system of free trade that the WTO supports and promotes is of great benefit to them (See *What Shaped Our World: The Case of the Costa Rican Underwear: A Tale of WTO Compliance*). They fear that defiance of its mandates would place the whole edifice of trade rules and the gains from trade at risk. Similarly, countries abide by the NPT not just because the inspections of the IAEA may reveal cheating that could then be referred to the UNSC for possible sanctioning, but because the restraints on all countries make the world a safer place. In such cases, the prospect of continued, mutually beneficial cooperation restrains the short-run temptation to ignore rules they do not like.

---

Second, actors comply with institutions because they are already in place and cheaper to use, even if they are biased, than are the costs of creating a brand new institution that might more fully reflect their interests. In the case of an existing institution, the costs of creating that set of rules have already been paid, but the costs of any new institution, however better suited to the matter now under discussion, would have to be paid anew. If the policy bias of an institution is not too large, actors may choose to work within the existing rules rather than create new ones from scratch. If the policy bias is too large, of course, actors will choose to disband the institution, ignore it, or reform it.\textsuperscript{27} But in many circumstances, they recognize that the institution is far from ideal but less costly than creating a new one.

The benefits of an established forum and set of rules for joint decision-making are substantial. Indeed, the United States continues to work through the United Nations even though the other member states have failed to approve policies it supports. Despite failing to get UN approval for its invasion of Iraq, by 2006, the United States was once again working vigorously through the UNSC to condemn Iran’s past violation of IAEA safeguards and prevent its progress toward acquiring a nuclear weapon. In this case, the cooperation of all major powers is required for effective sanctions should Iran not halt its uranium enrichment program. The United Nations remains the most effective forum for negotiating a common position with the other states. Even though the United States has not gotten its way in the past, and may not sway others to its position on Iran’s nuclear weapons program, the institution remains sufficiently valuable that the United States often prefers to work within rather than outside its rules or to create yet another organization.

\textsuperscript{27} Jupille and Snidal?
Institutions are the rules of the political game. Valued and respected for the cooperation they facilitate, institutions are not, however, a panacea for problems of international cooperation. When the temptation to defect becomes too large, or the fear of being taken advantage of grows too severe, countries will violate the rules – just as individuals, firms, and other actors within countries choose at times to disobey the law. Yet, institutions do make international cooperation more likely and countries that desire cooperation follow the rules more often than we might otherwise expect.

IV. Thinking Analytically about World Politics

This chapter has outlined the basic concepts of interests, interactions, and institutions that we shall use throughout this book to unravel a variety of puzzles of international politics. The key points about each of these concepts are summarized in Table 2.2.

Table 2.2 about here

To illustrate how this analytic framework based on interests, interactions, and institutions can be used in concrete ways, we return to the puzzle that opened this chapter. In the Iraq War of 2003, the interests of the United States and Iraq were diametrically opposed, thus throwing the two countries into an interaction of pure bargaining. The United States wanted, at a minimum, to eliminate Iraq’s ability to deploy weapons of mass destruction and, at a maximum, to eliminate the regime of Saddam Hussein. The maximum demand of the United States was rooted in a belief that, even though he might be successfully contained today, Hussein could not be trusted not to develop or use WMDs in the future. These interests were reinforced by the personal
interests of the President and others in his administration to stand tough in international politics and promote democracy abroad, especially in the Middle East, by the desire for stable and cheap oil from Middle East suppliers, and a general sense of insecurity felt by many Americans after the terrorist attacks of 9/11. This confluence of many interests combined to justify taking a hard-line stance against Iraq’s purported weapons programs. The Iraqi ruler, in turn, wanted to remain in power and perhaps build Iraq into a regional power. Given these opposing interests, the United States and Iraq were bargaining over the extent of international controls on the latter’s weapons programs and the nature of its government. With its coercive power and ability to set the agenda by increasing pressure on Iraq and, ultimately, initiating war, the United States was unwilling to accept anything less than Iraq’s complete capitulation.

As we shall see more fully in Chapter 3, war is always a case of bargaining failure in which the parties are unable to reach an agreement on acceptable terms. In this case, the United States and Iraq were unable to devise a set of institutions, or to use existing ones, that would set agreed standards for Iraq’s weapons programs or effectively monitor and enforce the restrictions desired by the United States. In retrospect, it also became clear that the United States suffered from a serious lack of information not only about Iraq’s weapon’s program and military capabilities but also about the costs of rebuilding the country and ensuring internal political stability after the war. Despite facing almost certain defeat, in turn, Saddam Hussein gambled that he would be no worse off after the war than if he voluntarily left power and went into exile. In either case, he would lose office and likely be killed either in battle or in retribution for his crimes against the Iraqi people – as he eventually was in December 2006. He had little to lose by choosing to
stand and fight. He also misjudged the United States’ willingness to fight a war to remove him from power.

The great tragedy of the Iraq War of 2003 is that the previous inspection and disarmament efforts after the 1991 Gulf War conducted through the United Nations had effectively disarmed Iraq. The inspection regime – an international institution – had worked. But for a variety of reasons, Iraq could not allow the United Nations open access to all possible weapons sites. For Saddam to admit that he did not have stockpiles of WMDs might have emboldened domestic insurgents and other regional powers, especially Iran. In turn, the United States, after a decade of failed Iraqi promises and thwarted inspections, did not believe it could trust Saddam Hussein to honor any agreement. As a result, there was no way Iraq could credibly demonstrate to the United States that it had, in fact, dismantled its weapons programs. The United States only discovered the truth for itself after it had begun what has turned into a long and costly war.
On December 22, 1995, Costa Rica brought a suit against the United States through the World Trade Organization’s (WTO) dispute settlement process. Six months earlier, the United States had imposed restrictions on the import of cotton and synthetic fiber underwear from Costa Rica and several other countries. The U.S. government claimed that these import restrictions were needed to prevent serious damage to its domestic underwear industry. Costa Rica claimed that these restrictions violated the rules of the WTO because the United States had acted unilaterally and without proof that the domestic industry was actually in danger. In bringing its case before the WTO, Costa Rica became the first small developing country to initiate a dispute settlement action against the United States, the world’s largest trader and military power. The following year, the panel appointed to adjudicate the case ruled in Costa Rica’s favor. The United States appealed the decision, but on February 10, 1997, the WTO’s appellate body confirmed the ruling. The United States subsequently allowed its import restrictions to expire, bringing its trade policy into compliance with the ruling.

Why would the United States comply in a case like this? The WTO cannot punish a country for noncompliance. Instead, enforcement is left to the aggrieved states. But it is implausible that Costa Rica – with a far smaller economy and no military to speak of – could force the United States to comply. So why would the U.S. government override the demands of its domestic underwear producers and lift their protection from imports?

---

States have incentives to comply with institutional rules, even if inconvenient, if they value the benefits from the institution as a whole. The short-term incentive to disobey the rules can be outweighed by the long-term benefits provided by the institution. The WTO benefits the United States by helping to open other countries’ markets to U.S. exports, and it is a frequent user of the dispute settlement mechanism. As of November 2007, the United States had been the complaining party in 84 cases brought before the WTO. It had prevailed in 55 of these cases and lost only four; the remaining cases were still in progress or had been dropped. Even though Costa Rica could not punish the United States for noncompliance, the incentive to cheat in this one instance was tempered by the long-run advantages of having a system of rules that is generally respected. Protecting U.S. underwear manufactures was not worth the risk that noncompliance would jeopardize those rules and the benefits they bring.

Table 2.1. Common Actors and Interests in World Politics

<table>
<thead>
<tr>
<th>Actor</th>
<th>Commonly ascribed interests</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>States</td>
<td>Security, power, wealth, ideology</td>
<td>The United States, Canada, China, Switzerland, India, Uruguay.</td>
</tr>
<tr>
<td>Politicians</td>
<td>Re-election/retention of office, ideology, policy goals</td>
<td>President of the United States, Prime Minister of Great Britain, Speaker of the U.S. House of Representatives</td>
</tr>
<tr>
<td>Firms, industries, or business associations</td>
<td>Wealth, profit</td>
<td>General Motors, Sony, the pharmaceutical industry, National Association of Manufacturers, Business Roundtable</td>
</tr>
<tr>
<td>Bureaucracies</td>
<td>Budget maximization, influence, policy preferences; often summarized by the adage of “where you stand depends on where you sit”</td>
<td>Department of Defense, Department of Commerce, National Security Council, Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>International Organizations</td>
<td>As composites of states, reflect the interests of states according to their voting power. As organizations, typically assumed to be similar to domestic bureaucracies.</td>
<td>United Nations, International Monetary Fund, International Postal Union, Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>Non-governmental Organizations (NGOs), often transnational or international in scope and membership</td>
<td>Normative, ideological or policy goals, commonly human rights, the environment, religion</td>
<td>Red Cross, Amnesty International, Greenpeace</td>
</tr>
</tbody>
</table>
### Table 2.2. Reviewing the Three I’s

<table>
<thead>
<tr>
<th>Interests</th>
<th>Interactions</th>
<th>Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Interests are what actors want to achieve through political action.</td>
<td>• Interactions are defined by the ways in which the choices of two or more actors combine to produce political outcomes.</td>
<td>• Institutions are sets of rules known and shared by the relevant community that structure political interactions in particular ways.</td>
</tr>
<tr>
<td>• Interests can be many and varied depending on the specific policy or event under examination.</td>
<td>• Cooperation occurs when two or more actors adopt policies that make at least one better off without making anyone worse off.</td>
<td>• Institutions facilitate cooperation by setting standards of behavior, verifying compliance, reducing the costs of joint decision-making, and resolving disputes.</td>
</tr>
<tr>
<td>• We judge any particular specification of interests only by how well it explains the puzzle or set of events under consideration.</td>
<td>• Cooperation is more likely the smaller the incentives to defect, the smaller the group of actors, the more interactions are repeated or linked to other issues, and the greater the information available to all parties.</td>
<td>• All institutions bias outcomes, typically in ways favorable to those who wrote the rules. As a result, actors struggle over who gets to write and amend the rules.</td>
</tr>
<tr>
<td></td>
<td>• Bargaining arises when the choices of two or more actors will make at least one better off at the expense of at least one other.</td>
<td>• Actors are more likely to comply with even biased rules the greater the value of the cooperation they facilitate and more costly it is to establish new institutions.</td>
</tr>
<tr>
<td></td>
<td>• Actors will gain more in bargaining the more attractive their reservation outcome, the lower their net costs of coercing others, the more attractive their outside options, and the greater their agenda-setting power.</td>
<td></td>
</tr>
</tbody>
</table>
2.1.a. **Cooperation.**
Figure 2.1b. **Bargaining.**
2.1 Cooperation and Bargaining.
Figure 2.2. U.S. and USSR/Russian Total Strategic Nuclear Warheads, 1945-2002.

Data for this figure available at: (United States)
http://www.nrdc.org/nuclear/nudb/datab1.asp and (USSR)
http://www.nrdc.org/nuclear/nudb/datab1.asp
Chapter 2, Appendix: A Primer on Game Theory

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

Imagine two actors, Actor 1 (A1) and Actor 2 (A2), with only two choices, which we call cooperation (C) and defection (D). Since each actor has two choices, there are four possible outcomes to this game: both might cooperate (CC), both defect (DD), A1 cooperates while A2 defects (CD), and A1 defects while A2 cooperates (DC). The mapping of choices into outcomes is best depicted using a 2x2 box, as in Figure 2A.1. As defined in the text, the actors’ interests determine how they rank the four possible outcomes from best (4) to worse (1), with higher “payoffs” representing more preferred outcomes. A1’s payoffs are given first in each cell, A2’s second.

Both actors choose simultaneously without knowledge of the other’s choices but with knowledge of their own preferences and those of the other actor. The outcome we observe is a function of the interaction, that is, the choices of both actors. Each actor can choose only C or D, but their payoffs differ across all four possible outcomes. A1 may desire or rank CC (mutual cooperation) over CD and decide to choose C, but in doing so it only partially controls which outcome arises. Having chosen C, A1’s actual payoff

---

30 These same games can be represented in extensive form as a “game tree.” Both are common in the larger literature.
31 In some of the games discussed here, the outcome does not depend on the assumption that the actors move simultaneously.
depends crucially on whether A2 chooses C (creating CC) or D (creating CD). This highlights a key point that strategic interaction depends on the choices of all relevant actors, and is most important in explaining situations where outcomes are contingent on the choices of all parties.

In such a setting, rational actors—that is, actors who seek their highest expected payoff—choose strategies, or plans of action, that are a best response to the anticipated actions of the other. In some cases, it makes sense for an actor to make the same choice (C or D) regardless of what the opponent does; in this case, the actor is said to have a dominant strategy. In other cases, each player’s best choice depends on what the opponent does. For example, it might be a best response to cooperate when the other side cooperates and defect when the other side defects. Since each player is trying to play a best response, and each expects the other to play a best response, the outcome of the game is given by two strategies each of which is a best response to the other. An outcome that arises from each side playing best response strategies is called an equilibrium. An equilibrium outcome is stable because the actors have no incentive to alter their choices; since in equilibrium both are playing their best responses, by definition, they cannot do better by changing their choice. In all of games below, the equilibrium (or equilibria when there is more than one) is denoted by an asterisk (*) in the appropriate cell.

**Figure 2A.1. The Prisoner’s Dilemma**
As we saw in the text, the Prisoner’s Dilemma is a commonly cited game in international relations since it captures problems of collaboration, including arms races and public goods provision. Recall from the story that each prisoner can either cooperate with his accomplice and refuse to provide evidence to the DA or defect on his accomplice by ratting him out. As a result, there are four possible outcomes for each player, ranked from worst to best as follows: (1) you cooperate while your partner defects (CD), meaning that you go to jail while your partner goes free; (2) you both defect, end up in jail, and split the loot when released (DD); (3) you both cooperate, go free and split the loot; (4) you defect while your partner cooperates (DC), meaning that you go free and enjoy the loot while your partner does the time. In short, each prisoner has identical interests and ranks the four possible outcomes as DC > CC > DD > CD, as depicted in Figure 2A.1.

What each prisoner should do is unclear at this point, but here is where the techniques of game theory help. As is evident once the matrix is examined carefully, each criminal has a dominant strategy of defecting regardless of his partner’s actions. If his partner cooperates (stays quiet), he is better off defecting (talking) (DC > CC). If his partner defects, he is also better off defecting (DD > CD). The equilibrium that results
from each prisoner playing his best response is DD or mutual defection. The paradox or “dilemma” arises because both criminals would be better off remaining silent and getting released than both providing evidence and going to jail (CC > DD). But despite knowing this, each still has incentives to defect in order to get off easy (DC) or at least safeguard against his partner’s defection (DD). The only actor who wins in this contrived situation is the District Attorney, who sends both criminals to jail.

Although it is a considerable simplification, many have used the Prisoner’s Dilemma to capture the essential strategic dilemma at the core of the collective action problem. Each individual prefers to free ride while others contribute to the public good of, say, national defense rather than contributing if everyone else does and receiving the good, to not contributing if no one else does, and finally to contributing if no one else contributes (DC > CC > DD > CD). As with the prisoners, each individual has a dominant strategy of not contributing (defecting) and, thus, the public good of national defense is not provided voluntarily. The dilemma is solved only by the imposition of taxes by an authoritative state.

A second strategic dilemma is represented by the game of Chicken. The animating (but perhaps apocryphal) story here is the game played by teenagers in the 1950s (and perhaps today by teenagers not yet familiar with game theory!). In this game, two drivers speed down the middle of the road towards one another. The first to turn aside is the “chicken,” and earns the derision of his or her peers. The other driver wins. If both swerve simultaneously neither is humiliated. If neither turns aside, both risk death in a serious wreck. If turning aside is understood as cooperation and continuing down the middle of the road as defection, the actors interests are DC > CC > CD > DD (note that
this is the same preference ordering as in the Prisoner’s Dilemma, except for the reversal of the last two outcomes).

**Figure 2A.2. Chicken**

<table>
<thead>
<tr>
<th></th>
<th>A2</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
</tr>
<tr>
<td>A1</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
</tr>
</tbody>
</table>

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

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

A final game often taken as a metaphor for problems of coordination in international relations is the Stag Hunt. This is one of a larger class of what are known as assurance games. The motivating parable was told by political philosopher Jean-Jacques Rousseau. Only by working together can two hunters kill a stag and feed their families well. One must flush the deer from the forest, the other must be ready to fire his arrow as the animal emerges. In the midst of the hunt, a lone rabbit wanders by. Each hunter now faces a decision: he could capture the rabbit alone, but to do so, he must abandon the stag, ensuring that it will get away. A rabbit is fine sustenance, but not as good as the hunter’s expected share of the stag. In this game, both hunters are best off cooperating (CC) and sharing the stag. The next best outcome is to get a rabbit, while the other tries for the stag (DC); however, if both go for the rabbit (DD) they then split the rabbit. The worst outcome for each hunter is to spend time and energy hunting the stag while the other hunts the rabbit (CD), leaving him and his family with nothing. Thus, each hunter’s interests create the ranking $CC > DC > DD > CD$. Despite the clear superiority of mutual cooperation, the coordination dilemma is nonetheless real. If each hunter expects that the other will cooperate and help bring down the stag, each is best off cooperating in the hunt. But if each expects the other will be tempted to defect and grab the rabbit, thereby letting the stag get away, he will also defect and grab the rabbit.

---

32 Another common assurance game is “battle of the sexes.” In this game, a couple desires to spend the evening together but one partner wants to attend a sporting event and the other a movie. The worst outcome for each is to spend the evening alone. Interested readers should model this game and describe its dynamics in terms similar to those for Stag Hunt and the other games in this Appendix.
Lacking a dominant strategy, each can do no better than what he expects the other to do – creating two equilibria (CC and DD).

**Figure 2A.3. Stag Hunt**

<table>
<thead>
<tr>
<th></th>
<th>A2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>C</td>
<td>Both hunters split the stag.</td>
<td>S1 goes hungry, S2 eats the rabbit.</td>
</tr>
<tr>
<td>A1</td>
<td>S1 eats the rabbit, S2 goes hungry.</td>
<td>Both hunters split the rabbit.</td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

As this brief survey suggests, game theory helps clarify the core dilemmas in certain types of strategic situations. Many games are far more complex than the examples noted here with more possible actions than “cooperate” or “defect,” information asymmetries, random chance, and many more devices to capture elements of real world strategic situations. The games presented here are more like metaphors than accurate representations of actual situations in international relations. But they illustrate how thinking systematically about strategic interaction helps us understand why actors can’t always get what they want – and, in fact, often get rather disappointing outcomes even though all actors might prefer other results. In both Prisoner’s Dilemma and Stag Hunt, for instance, all actors prefer CC to DD, and this is known in advance. Nonetheless, in Prisoner’s Dilemma mutual defection is the equilibrium result and in Stag Hunt it is one of two expected outcomes. In all three games, outcomes are the result of the choices not of one actor but of all.
For Further Reading


Key Terms

**Actors**: Basic unit for the analysis of international politics. Actors can be individuals or composite groups of people who share common interests. An actor is an analytic concept that is imposed on explanations by observers seeking to understand why events happen the way they do. Actors frequently used in theories of international relations include states, politicians, firms or business associations, bureaucracies, international organizations, and non-governmental organizations.

**Agenda-setting power**: A “first mover” advantage which helps an actor to secure a more favorable bargain. Through its actions, the actor can determine the environment to which others must respond.

**Anarchy**: a condition in which actors interact in the absence of a central authority with the ability to make and, especially, to enforce laws that bind them all. Anarchy implies that the actors are dependent upon “self-help” to manage their relations and self-enforcing agreements or institutions.

**Bargaining**: An interaction in which actors must choose outcomes that make one better off at the expense of another. Bargaining is purely redistributive; rather than creating additional value, as does cooperation, it is concerned only about allocating a fixed sum of value between different actors.

**Coercion**: The threat or imposition of costs on others in order to change their behavior. Means of international coercion include military force, economic sanctions, and embargos. Actors threaten to impose costs on others in order to secure a more favorable bargain than they would otherwise receive.
**Collaboration**: A type of cooperative interaction in which actors gain from making the same choice but nonetheless have incentives to defect from any agreement. Examples include arms control agreements and collective action to provide public goods.

**Collective action problem**: Arises in many collaborative interactions but is especially acute in the provision of public goods. Even when actors have incentives to collaborate, each acts in anticipation that others will pay the costs of cooperation while they enjoy its benefits for free. Collective action problems increase in the size of the group attempting to cooperate.

**Cooperation**: An interaction in which two or more actors adopt policies that make at least one better off relative to the status quo without making others worse off. Cooperation is defined from the perspectives of the two or more actors who are interacting.

**Coordination**: A type of cooperative interaction in which actors benefit from making the same choice but subsequently have no incentive to defect. Examples include driving on the right side of the road, product standards, international aviation languages, and international navigation.

**Free riding**: To “cheat” or fail to contribute to a public good while benefiting from the contributions of others. When all actors free ride and the public good is voluntarily provided, less of the public good will be produced than is desired by individuals and the group as a whole.

**Institutions**: Sets of rules known and shared by the relevant community that structure political interactions in particular ways. Rules are created by actors to facilitate cooperate or bias policy to their advantage. Institutions facilitate cooperation by setting standards of
behavior, verifying compliance, and resolving disputes. All institutions bias policy to a greater or lesser degree and, thus, are objects of political struggle by competing actors.

**Interactions**: The ways in which the choices of two or more actors combine to produce political outcomes. Cooperation and bargaining are the two major forms of interaction in international relations.

**Interests**: What actors want to achieve through political action. More precisely, interests are the preferences of actors over the possible outcomes that might result from their political choices. Interests can be many and varied depending on the specific policy or event under examination. How they are defined depends upon the purposes of the analyst.

**Iteration**: When actors engage in repeated interactions with the same partners. Iteration can enhance the prospects for cooperation by permitting strategies of reciprocal cooperation through which actors punish present cheating by withholding cooperation in the future.

**Linkage**: The linking of cooperation on one issue to interactions on a second. Iteration allows victims to punish cheaters by withholding the gains from future cooperation, linkage allows victims to retaliate by withholding cooperation on other issues.

**National interest**: Interests attributed to the state itself, usually understood to be security and power. Such interests may be shared by individuals and groups, but are conceived as embodied in the state as a corporate actor separate from and above any particular individual or group.

**Outside options**: The alternatives to bargaining with another actor. Because they can walk away from the bargaining table, actors with more attractive alternatives will get more favorable deals from others.
**Power:** The ability of actor A to get another actor B to do something that B would otherwise not do. An attribute relevant to bargaining, power is the ability to get the other side to make concessions and to avoid having to make concessions oneself. Power follows from the ability to make the reversion outcome better for oneself and/or worse for the other side.

**Public good:** Individually and socially desirable goods that are non-excludable and non-rival in consumption. A good is non-excludable if, once provided to one actor, others cannot be excluded from enjoying it as well. A good is non-rival if one actor’s consumption does not diminish the quantity available to others. National defense is a classic public good: if one person in a country is protected from foreign invasion, all other citizens are protected, and one person’s enjoyment of protection from foreign invasion does not diminish the security available to others. Public goods produce collective action problems in which actors have incentives to free ride.

**Sovereignty:** The expectation that states have legal and political supremacy – or ultimate authority – within their territorial boundaries. The state-level attribute of the condition of anarchy.

**State:** A central authority with the ability to make and enforce laws, rules, and decisions within a specified territory. An essential component of states is that they are sovereign. In international relations, states are a common unit of analysis that is either understood to pursue national interests or serves as a convenient shorthand for sets of national leaders acting in the name of their countries.
Ideas for additional maps/artwork/etc

Map of Iraq in the Middle East

Photo of President Bush at United Nations in Sept. 2002, making the case for war on Iraq; or Photo of Sect State Colin Powell at UNSC briefing on WMD intelligence. Use near beginning of chapter.

Photo of heads of state at annual G8 summit meeting. Use in section on “actors and interests,” possibly around p.8 of this draft.

Photo of statue of Saddam Hussein being pulled down by U.S. troops in Baghdad, around p. 11 of this draft.

Ubiquitous photo of United Nations, around p.33 of this draft.