
Reviewed by Robert Jervis, Columbia University

The notion that economic interests play a crucial role in foreign policy was espoused early in the twentieth century by Marxists and liberals, and was popularized by muckrakers and those who blamed wars on “merchants of death.” During the first twenty years of the Cold War, this view was marginalized, but in the 1960s it was revived by revisionist scholars who depicted U.S. policies as a product of the capitalist system.

Paul Papayoanou makes a more subtle but related argument: that the willingness of status quo powers to cooperate in deterring aggressors depends mainly on their economic relations. States that have close economic ties will be more likely to work together against a common adversary, especially if they have weak economic relations with that adversary. This is his explanation for the success of deterrence during the Cold War and its failure before the two World Wars. Before World War I, the Entente powers (especially Great Britain) had important economic relations not only with each other, but with Germany as well. Before World War II, the countries that should have opposed Nazi Germany were not economically dependent on Germany, but they lacked close economic ties with one another. This argument is a refreshing departure from standard realist accounts, in which economic interests are either less important than or largely determined by foreign policy calculations. Nonetheless, Papayoanou’s logic is questionable, and the evidence he cites does not really back it up.

The basic claim that strong economic ties increase a state’s willingness to come to the aid of its economic partners makes sense, at least superficially. However, one might question whether economic interdependence causes political alignment or vice versa, or whether some other factor (for example, the existence of a common enemy) accounts for the political-economic correlation. In addition to this problem, Papayoanou’s logic is not as tight as it first seems. If a state believes it faces conquest or domination by an adversary, it does not require the added incentive of economic ties to motivate it. Moreover, regardless of a state’s economic ties to allies and potential adversaries, the leaders of the state will always consider whether support for an ally and opposition to an adversary will increase or decrease the chance of war. Thus in the 1920s and 1930s, most British leaders believed that all-out support for France and a refusal to conciliate Germany would make war more—rather than less—likely. This reasoning did not depend on the extent of trade with either country.

A further problem arises with the possibility of buck-passing. Even if a state has close economic ties with its ally and believes that the adversary is a menace, it may try to pass responsibility to others. If, for example, France had been stronger in the 1930s, British policy would have been rational irrespective of economic relations. Papayoanou’s claims about the economic consequences of war are also dubious. It is not at all clear that a state’s domestic economic interests will suffer in a war between an ally and an adversary. Trade may increase during war, not decrease; American firms profited a good deal before Pearl Harbor. Nor does Papayoanou acknowledge that
trade creates domestic losers as well as winners and may increase frictions between
countries. It would be useful, but perhaps excessively difficult, to have a way of pre-
dicting not only the direction of the effect of interdependence, but also its magnitude:
How much stronger will an alliance become if trade increases by a specified amount?

The evidence does not bear out Papayoanou’s argument as fully as he claims.
Although he is correct in noting that before World War I the members of the British
 cabinet with economic portfolios were the ones who opposed firm ties to France and
Russia, this does not confirm what his theory implies, namely, that those who favored
economic ties to France were supportive of a military commitment, and those who
favored economic ties to Germany were opposed to such a commitment to France.
Furthermore, his line of argument cannot explain why the Conservatives supported
France. In examining the link between foreign policies and economic relations in the
decade before 1914, Papayoanou does not present trade data that closely correlate
with changes in external relations. Nor does he find that decision makers explained
changes in policy in terms of changes in economic ties. He does make a good case for
the importance of French loans to Russia in prompting the latter to sign the military
convention of 1892, but he is much less convincing in his argument against the stand-
ard view that French political calculations influenced economic policies, rather than
the other way around. Economic ties also fail to explain why Britain and France were
driven to a crisis at Fashoda and reached an Entente six years later.

Similarly, the weakness of the economic connections among Britain, France, the
Soviet Union, and the United States is at best a relatively small part of the story of why
they failed to join together against Hitler in the late 1930s. Although Papayoanou
makes an interesting argument that Britain’s reluctance to spend more on armaments
stemmed not from the country’s general economic distress and a bottleneck in skilled
labor, but from the increasingly inward-looking nature of the British economy as a re-
sult of the Great Depression and the associated decline in world trade, more thorough
economic analysis is needed to drive this conclusion home. Moreover, its implication
is that greater trade with Germany could have permitted Britain to follow a more anti-
German foreign policy.

Papayoanou’s claim about the effect of low levels of trade on other countries’ for-
eign policies is more problematic. Papayoanou certainly is correct in arguing that Brit-
ish leaders viewed France and the United States as unreliable alliance partners, but he
places far too much emphasis on the weakness of Britain’s economic ties to the two
countries as the cause of these perceptions. His explanation is even less satisfactory
in accounting for Britain’s refusal to seek an alliance with the Soviet Union, and it does
not tell us why people like Churchill advocated very different policies.

Papayoanou’s chapter on the Cold War alternates between familiar arguments
and more unconventional (though also unconvincing) analysis. It is not controversial
that “economic interdependence and the NATO alliance were integrally related. Eco-
nomic ties were an important underpinning of the alliance. . . ” (p. 140). U.S. leaders
realized that their goals in Europe—political stability, resistance to both internal sub-
version and the external Soviet threat, and close ties to the United States—could be
achieved only if the European countries recovered economically and avoided eco-
nomic rivalries with one another and with the United States. Peace and prosperity were believed to require an open international economic system.

When Papayoanou moves from these familiar arguments into less familiar territory, he exaggerates the role of economic interests and ties. Thus he argues (p. 141) that "NSC-68's call for rearmament was . . . designed, in part, to resolve the dollar gap" (that is, the shortage of dollars available to the Europeans when Marshall Plan aid expired). Well, it may have been "in part to resolve the dollar gap," but not in very large part. Papayoanou also argues that higher defense spending and the increased U.S. commitment to Europe in the post-1949 period were made possible by the growth of economic ties with Europe, which allowed the Truman administration to mobilize domestic support for its policies. This was one element in the equation, but it was significantly less important than the Democrats' victories in the 1948 presidential and congressional elections, the enunciation of arguments for a firm policy of containment, and, most important, the cumulative impact of key events and Soviet provocations such as the Berlin blockade, the Czechoslovak coup, the Soviet nuclear bomb test, the Communist revolution in China, and the Korean War.

Papayoanou's analysis of the Cold War, even more than his other cases, shows how his stress on the link between economic interdependence and political alliances leads him to miss the flow of causation in the opposite direction. Leaders in the United States and Western Europe went to great lengths to encourage trade in order to achieve the twin goals of peace and prosperity, both of which were particularly urgent because of the perceived Soviet threat. Although many internationalists would have wanted to assist Europe and break down trade barriers in any case, it is questionable whether, in the absence of the Soviet threat, they would have favored the enormous effort that was required. Even if they had been inclined to press ahead themselves, it is unlikely that they would have been able to convince a skeptical public.

Power Ties makes a valuable contribution by stressing the limits on democratic leaders' ability to follow strategic goals in the face of discrepant domestic beliefs and interests. The book also shows that the mobilization of support for a policy can be facilitated by economic interests and ties abroad. Social pressures affect the foreign policies of democratic states, perhaps in ways that many realists have failed to appreciate. But by giving such strong emphasis to his point, Papayoanou underestimates the extent to which political calculations and goals can drive economic policies. Moreover, he ignores important domestic sources of foreign policy other than economic factors. Surely some of the support for containment of the Soviet Union was attributable to the political clout of Americans of East European extraction, and some of the desire to protect Western Europe came from ethnic and cultural bonds. It would be unfortunate if scholars were to reduce all domestic constraints and incentives to purely economic considerations. It is not only in the post–Cold War era that ideology and ethnicity play a significant role in foreign policy making.