INTRODUCTION

Does economic interdependence between great powers have a significant effect on the probability of war between them, and if so, does it decrease or increase the likelihood of conflict? As levels of trade and investment between the United States, China, India, and Russia continue to reach new heights, this question has taken on renewed importance amid worries about possible future struggles over raw materials, investments, and markets. Over the last two decades, the number of articles and books devoted to the issue has grown exponentially. And yet surprisingly, we still have no consensus regarding the link between interstate commerce and war. Many and perhaps most scholars align with traditional liberalism, concluding that interdependence is indeed a key causal factor—one that can greatly reduce the chance of military conflict between states. Other scholars, however, argue that the evidence is more equivocal, with economic interdependence being either insignificant relative to other causes of conflict or in fact tending to increase the probability of war rather than to reduce it.

This book sets out to resolve this debate. It shows that commercial factors are not only far more important to the outbreak of war than either side has previously thought, but that their impact can cut both ways. Trade and investment flows can indeed moderate the likelihood of conflict between great powers, as liberals believe. Yet interdependence can also push states into crises and wars, as the critics of liberalism contend. The real puzzle to be solved thus becomes this: When and under what conditions will the trade and investment ties between nations lead to either peace or military conflict? Some crucial work has already begun on this conundrum, with scholars employing large-N data sets to identify the additional causal factors that might interact with interdependence to incline nations toward peace or war. Unfortunately, the development of deductive theories to explain the role of the added causal variables has lagged behind the empirical analysis of their significance. In terms of empirical correlation, it now seems clear that factors such as regime type, capitalism, and levels of development play important synergistic roles in shaping the impact of economic interdependence on the likelihood of war. But we still do not adequately know why they play these roles—that is, what these factors are actually doing to create the causal effects we observe.

This book builds a deductive theory that seeks to answer most of the outstanding questions surrounding the issue of economic interdependence.
and war. The argument fuses the liberal insight that commercial ties can give actors a large material incentive to avoid war with the realist insight that such ties also create vulnerabilities that can push leaders into war. Liberals are right to assert that trade and investment flows can raise the opportunity cost of going to war, since war leads to a severing of valuable commerce. But realists are correct in their claim that commercial ties make states vulnerable to cutoffs—cutoffs that can devastate an economy that has reoriented itself to rely on critical markets and goods from abroad.

To determine whether the liberal prediction or realist prediction will prevail, we must introduce an additional causal variable—namely, a state’s expectations of the future trade and investment environment. When a dependent state has positive expectations about this future environment, it is more likely to see all the benefits of continuing the current peace and all the opportunity costs of turning to war. Economic interdependence would then be a force for peace. Yet if a dependent state has negative expectations about the future economic environment—seeing itself being cut off from access to foreign trade and investment, or believing that other states will soon cut it off—then the realist logic will kick in. Such a state will tend to believe that without access to the vital raw materials, investments, and export markets needed for its economic health, its economy will start to fall relative to other less vulnerable actors. If this economic decline is anticipated to be severe, the leaders of the dependent state will begin to view war as the rational lesser of two evils—that is, as better than allowing their state to fall to a point where rising states can attack it later or coerce it into submission.

This argument—what I call trade expectations theory—thus links the realm of international political economy to the question of security-driven preventive wars.\(^1\) In previous work, I have shown that the vast majority of the key major wars of history were driven by fears of decline—fears by dominant military powers that they would be overtaken by rising powers unless they initiated a preventive war sooner rather than later (Copeland 2000b). The present study goes beyond this work on preventive war in two main ways. First, instead of looking just at major or “general” wars where one great power decided to take on the system, I am interested here in great power conflicts in general, or in other words, both major wars and the more limited wars and crises that great powers might fall into. The book’s argument is therefore designed to cover pretty well every form of conflict where there was a substantive chance of war breaking out between great powers. I will examine all the main cases

\(^1\)For summaries and references on the now-vast literature on preventive war, see Levy 2008; Weisiger 2013.
of great power conflict, starting in 1790, encompassing those that led to actual war as well as those that led to significant struggles and crises that increased the probability of war. By covering such a broad range of great power cases—including those cases that do not work well for my argument—the study can assess the overall explanatory power of trade expectations theory relative to its competitors while at the same time avoiding any selection bias that would call its value into question. I also minimize selection bias through a reexamination, from an expectations perspective, of recent large-N quantitative research (chapter 2). Because this research includes small powers and not just great powers, should the expectations logic also work here, we can be more confident that its potential explanatory power is not confined simply to actors of significant size and power projection capability.

The second expansion on previous work is the detailed exploration of what actually causes actors to fear profound long-term decline—the kind of decline that can propel them into costly preventive wars or risky preventive actions that increase the chance of a spiral to war. By showing how the realities of international commerce can lead leaders to believe that they can no longer sustain their states’ power positions, the theory of this book provides a vital and surprisingly pervasive causal reason for great power decline across the centuries. It thus undergirds any realist argument for war and peace that is rooted in the power dynamics of the system. Indeed, if history shows that a great power’s security is very much a function of its position in the global commercial system, the entire field of “security studies” will need to be reoriented away from its traditional focus on military matters and reconnected with the insights of international political economy.

As I will show, in a wide variety of great power settings, the combination of economic interdependence along with expectations of future trade and investment was a critical driving force shaping the probability

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2 Setting up the dependent variable as a continuous one, the probability of war, rather than the dichotomous variable war/peace, offers distinct advantages. Theoretically, it obliges a theory to explain important shifts in the severity of state behavior over time, including moves from engagement to hard-line containment or from containment to the initiation of dangerous crises (or the opposites). Empirically, it avoids the risk of “selecting on the dependent variable” (i.e., considering only times of war and crisis) by forcing a study to examine periods of peace as well as severe tension.

3 Given space limitations, I will not discuss case studies dealing with interactions between regional actors where great powers are not involved. But for an interesting application of an expectations argument to such cases, see Press-Barnathan 2009.

4 On explanations of decline, see, in particular, Kennedy 1987; Gilpin 1981.

5 I say reconnected because, prior to 1980, there was a less distinct separation in international relations scholarship between international political economy and security studies; in this regard, consider Robert Gilpin’s (1975, 1977, 1981) early work.
of war and conflict between great powers. It was dominant in the ebbs and flows of much of nineteenth-century European geopolitics: Napoléon’s war on the system; the struggles of Russia, Britain, and France over the Near East in the 1830s; the British Opium War with China in 1839; the Crimean War; the wars of imperialism in the 1880s; and the crises over Venezuela, Sudan, and South Africa in the 1890s. One theory cannot cover everything, of course. As I will demonstrate, there were also a number of conflicts during this time that had little or nothing to do with economic interdependence, such as the great power interventions in Spain and Italy in the 1820s, and the wars of Italian and German unification from 1859 to 1870. What is surprising, however, is how often trade and investment expectations drove the patterns of peace and conflict, even for cases that seem, on the surface, to have little to do with economic interdependence.

The same is true for the twentieth century. Japan’s attacks on Russia in 1904 and the United States in 1941 were intimately related to Japanese fears of future access to the raw materials and trade of the East Asian theater. In the first case, Japan witnessed Russia’s steady penetration into economically valuable areas of Manchuria and the Korean Peninsula. After repeated and invariably unsuccessful efforts to convince Russia to pull back, Tokyo realized that only preventive war would mitigate Japan’s long-term economic and military concerns. Japan’s attack on Pearl Harbor had similar causal roots, even if the specific dimensions of the Japanese problem from 1930 to 1941 were unique. The closed economic policies of the great powers after 1929 had a devastating impact on Japan’s economy and Japanese views of the future trade environment. Tokyo’s efforts to consolidate its own economic sphere in Manchuria and northern China, spurred by its decades-long worry about Russian growth in the Far East, led to conflicts with the Soviet and Nationalist Chinese governments. When the United States entered the fray after 1938 and began a series of damaging economic embargoes, Japanese expectations of future trade fell even further, prompting a desperate effort to acquire access to oil and raw materials in Southeast Asia. The ultimate result was the attack on Pearl Harbor in December 1941.

Germany’s wars with the system in 1914 and 1939 were less a function of economic interdependence per se than of German fears of the long-term rise of the Russian colossus. Russia after 1890 and especially after 1930 was quickly building up its industrial and infrastructural power. With Russia possessing three times Germany’s population and forty times its landmass, it was clear that Russia’s rise to economic and then military dominance would be extremely hard to stop. As I have detailed elsewhere (Copeland 2000b), German leaders twice brought their nation into war in order to destroy the Russian state before it was too late. I show here,
though, that their preventive motivations for war were strongly reinforced by pessimistic expectations about the global trading system—a pessimism that gave German leaders even more reason to believe that Germany’s decline would be both deep and inevitable.

The forty-five-year Cold War struggle after World War II between the United States and the Soviet Union constitutes perhaps the most startling set of cases in the book. Scholarship almost invariably dismisses the role of economic interdependence in the explanation of the ups and downs of the Cold War, mainly because trade between the superpower blocs was so minimal. Yet as I discuss in the next chapter, economic factors can still exert a powerful causal force on great power relations even when actual trade is nonexistent, simply because needy states may have reason to expect that other great powers will begin trading with them in the future. In short, the positive expectation of future trade can moderate a needy actor’s foreign policy behavior, even when current trade is low, because the actor anticipates high economic benefits into the future and has reason to want the other to carry out its commitments to increase overall trade levels. Conversely, a decision by another state to continue to deny the needy state what it desires can exacerbate present hostilities insofar as it signals a desire to keep the needy state down—that is, to prevent its economic growth and in fact encourage its economic decline.

During the period from 1950 to the end of the Cold War in the late 1980s, US decisions on trade with Russia had an often-significant impact on levels of Soviet cooperation. In the late 1950s, Dwight Eisenhower’s unwillingness to relax stringent economic restrictions alienated Nikita Khrushchev and contributed to the extreme tensions of the 1960–62 period. But in the early 1970s and again in the late 1980s, Washington was more willing to commit itself to higher future trade with the Soviets. This proved critical to achieving an initial détente period and then an end to the Cold War altogether. But the destabilizing tensions of the Cold War were not simply a function of US policy toward the Soviet Union. As I show in chapter 6, the very origins of the Cold War can be traced back to US fears of a loss of access to trade and investments in western Europe, the Middle East, and East Asia—fears that began to take hold as early as 1943–44. Because of the importance of the small states of these regions to US postwar economic growth, both Franklin Roosevelt and Harry Truman were determined not to allow them to be permanently lost to Soviet Communism, even if Moscow was not deliberately seeking to pull them into its sphere. Hence Roosevelt and Truman undertook a series of provocative policies designed to consolidate the United States’ postwar sphere, thereby forcing the Soviets to increase their own control over the periphery. The Cold War spiral of hostility came directly out of these initial maneuvers for postwar economic position.
The documentary evidence on great power politics after 1790 reveals the relative weaknesses of liberal and realist theories on interdependence and war compared to the trade expectations approach. Liberalism’s argument that domestic-level forces get unleashed when trade dependence is low fits few of the cases. Its strongest case is the outbreak of World War II in Europe, and indeed the correlation between global protectionism after 1930 and the Nazi drive for hegemony became the basis for the postwar revival of the liberal thesis, sparked by the efforts of US secretary of state Cordell Hull. As we will see, however, liberalism cannot explain the economic concerns of Adolf Hitler prior to the collapse of the global economic system, or his strategic worries in the 1930s about Germany’s future dependence on raw materials and food. Realism is particularly strong here, capturing elements of Nazi decision making downplayed in trade expectations theory. And realism is clearly superior to trade expectations theory for cases such as Japan’s war with China in 1894–95, in which the initiator grabs an opportunity to start a conflict in order to reduce its ongoing vulnerability to trade cutoffs. To explain the full range of cases since 1790, though, we need to bring trade expectations into the mix. As I will show, for the cases where economic factors are primary, it is almost always a combination of commercial dependence and falling trade expectations that drives states into destabilizing crises and war.

Dimensions of the Argument

The next chapter provides a review of the literature and detailed description of my alternative argument. In the rest of this introductory chapter, I outline some of the most important aspects of the trade expectations approach, aspects that help it to resolve a number of the outstanding issues regarding interdependence and war. The new causal variable, as noted, is a dependent state’s expectations of the future trade and investment environment. It is this variable that helps unite the liberal emphasis on the gains from trade and commerce with the realist sense of vulnerability. Overall, however, trade expectations theory is founded on a fundamentally realist orientation to international politics. It assumes that great powers are primarily driven by a desire to maximize their security, and not by other goals such as welfare maximization, social cohesion, glory, or the spread of their ideologies. Thus while it sometimes aligns with the liberal prediction that commerce can give states an incentive for peace, the deductive reasoning behind this prediction differs significantly from liberalism. In liberal theory, actors are interested in absolute welfare or utility maximization, and it is the gains from trade that can make states
believe that peace has a higher absolute value than war. For liberals, high levels of trade act as a restraint on what would otherwise be domestic-level reasons for going to war. War therefore occurs when trade falls and the economic constraints are taken away, allowing preexisting domestic forces and pathologies to be unleashed on the system. This is a critical point that cannot be emphasized strongly enough. Interstate trade, in the view of liberals, acts only as a constraining factor for peace. To understand what actually propelled an actor to initiate war, liberals must go to the unit level—that is, to the internal social and psychological dimensions of states.

In the trade expectations argument, states go to war not because unit-level forces are no longer constrained but instead because falling expectations of future trade make them pessimistic about their long-term security prospects. The dependent great power no longer believes that the system is working for it, and has reason to think that a preventive war or increasingly coercive policies might be able to reestablish secure access to the resources, investments, and markets that are being denied to it, or will be denied in the near future. Such a deductive logic has strong neorealist roots. It recognizes that states in anarchic systems—that is, those systems lacking a central authority—always have reason to worry about not just future military attack but also a cutoff from the sources of future economic power. Without a strong and vibrant economy, great powers cannot sustain their positions in the system (Waltz 1979; Gilpin 1981).

At the same time, however, trade expectations theory rejects the inherent pessimism of one important strand of neorealism: the offensive realist view of world politics. Offensive realism provides the basis for what I have been labeling the realist perspective on economic interdependence and war. (From here on in, I will usually refer to it as economic realism to distinguish it from realist contentions that ignore economic factors.) Offensive realists believe that anarchy forces great powers to constantly fear the future intentions of other states—indeed, to assume the worst about them. Such a worst-case assumption leads to the well-known offensive realist prediction that states have to maximize power as a hedge against future problems, even if they only want to survive. But the assumption also indicates that states that become dependent on others for key raw materials and markets necessarily feel highly vulnerable to a severing or restricting of economic relations. Believing the worst about another means that one believes that one will be cut off sooner rather than later. Hence, dependent states will always be seeking opportunities to attack the source of their dependence to reduce their vulnerabilities and to ensure themselves continued access to what they need for a strong economy. Indeed, because offensive realist states are obsessed with both
vulnerability and losses in relative power through trade, they should refrain from trading with other great powers in the first place.⁶

My argument fundamentally rejects this offensive realist pessimism. Offensive realism is based on an underspecified view of international political economy that cannot explain either why great powers become dependent on one another or why they might remain confident about their interdependent relationship for long stretches of time. Japan, for example, began to actively trade with the great power system, including the United States, from 1870 onward. It was only some three and then seven decades later that it launched its two large-scale wars in the region (1904 and 1941, respectively). More recently, China since 1980 has been quite dependent on the system, including trade with the United States. Offensive realism simply has no way of explaining how great powers can trade for many years without going to war. Either such dependent states are highly irrational for decades on end—something that systemic realists in general would have to reject—or there is a flaw in offensive realist thinking.

The flaw in the logic of offensive realism, stated simply, is this: it fails to grant that there are any trade-offs in international politics, either in the pursuit of ends or the use of certain hard-line means.⁷ Take the most obvious issue: leaders’ concerns about relative gains and vulnerability. Offensive realists suggest that great powers avoid trading with each other because they might lose relative power through trade and because they might become more vulnerable to cutoff.⁸ Yet these two implications of economic statecraft are almost always inherently at odds with one another. If state X and state Y are considering opening trade relations with one another, it may be clear to both that Y, the more needy power, will get a much bigger bump in its economy from trade than X. If both powers start at a hundred units of gross national product (GNP), for example, and Y gets twenty units of gain and X gets ten units of gain, state X is obviously suffering a relative loss if it goes ahead with trade. According to offensive realism, state X should have a good reason to avoid trade cooperation, while state Y should be pushing for it. Once we bring in the vulnerability question, however, the smart policy is much less apparent. If trade relations were to get established, in any subsequent cutoff, state Y would lose twenty units while state X would lose only ten units. Moreover, if state Y has become dependent on critical raw material imports from X and has retooled its economy based on these imports, it

⁷For more on offensive realism’s failure to account for trade-offs, see Glaser 2010; Lascurttes 2008; Copeland 2011a.
will likely suffer what realists call a large cost of adjustment after trade is severed (Waltz 1970, 1979). Moving from autarky to dependence on state X would not mean a simple reversion back to a hundred units of GNP should trade end. State Y might descend to ninety or eighty units of GNP, while state X might only fall to, say, ninety-five units.

In short, in any situation where the gains from commerce benefit one great power more than another, the state that is gaining relatively is almost always the one that is becoming relatively more vulnerable. And vulnerability in great power politics means that a state is more subject to coercive diplomacy (state X has “leverage” over state Y). Japanese leaders certainly understood this inherent trade-off when they contemplated economic engagement after 1870. Soviet leaders knew this when they considered establishing new trade ties with the United States after 1970. How are leaders of the needy state, our state Y, to decide what to do given this tension between grabbing the relative gains and incurring increased vulnerability? And how is the less dependent state, state X, to decide on whether to go ahead with trade cooperation when trade may help Y’s relative power, but it will also give X greater ability to exploit Y’s vulnerability in future bargaining situations? Offensive realism cannot answer these questions.

In the next chapter, I will show that there are many solid security-driven reasons for great powers to become dependent on one another. In short, we do not have to retreat to liberal welfare-maximization assumptions—the dominant assumptions of the modern international political economy field—to explain trade cooperation. Yet the relative gains/vulnerability trade-off is only one of many trade-offs that great powers must grapple with. An even more intense one is the trade-off that state X or Y faces between the desire to improve its power position as a hedge against future threats and the fear that an overly hard-line policy to build this position will hurt its reputation for reasonableness, leading other states to increase their military spending, form counteralliances, or most important for our purposes, impose economic restrictions to curb its growth. This is where trade expectations theory brings in the insights of defensive realism. Defensive realists found their analyses on the tragic reality of international security dilemmas. Security dilemmas exist when the efforts of a great power to improve its security situation tend to reduce the security of other great powers. Because the other states are now more suspicious about its intentions, they will respond with measures to uphold their own security positions. The initial state may find itself forced to move even more strongly in a hard-line direction, resulting in a spiraling cycle of hostility and mistrust that can eventually lead to war.9

The reality of security dilemmas and the dangerous spirals that result from them give defensive realists a major tool to use against the spare model of offensive realism. Contrary to the predictions of offensive realism, states should be wary about jumping at opportunities to use military force to increase their net power or reduce their economic vulnerabilities if such actions pose a high risk of counterbalancing as well as war. Such opportunistic expansion will frequently be quite counterproductive, reducing rather than increasing a state’s overall security by increasing the number of wars it faces and its chances of losing such wars. Yet defensive realists have focused exclusively on what might be called the military-security dilemma, neglecting a potentially equally powerful phenomenon, the trade-security dilemma (Copeland 1999–2000, 2003, 2011a). The military-security dilemma focuses on a state’s effort to improve its security by increasing its arms spending, the number and quality of its alliances, and its territorial expanse or geopolitical positioning. Such actions, to be sure, can be highly frightening to other states, invoking counterresponses in kind.

The trade-security dilemma involves the implications of actions that states take to improve the certainty of future access to resources, investments, and markets over the long term. Great powers that become dependent on trade with other great power realms and the small independent states of the system certainly do worry about their vulnerability to cutoff, as offensive realists would assert. But typically the best way to deal with this vulnerability is not to go to war to absorb more territory into one’s realm but rather to project one’s naval and military power into the region of dependency. Such actions signal not only one’s determination to protect one’s economic access but also one’s military ability to do so. Thus, great powers in history have almost invariably built up power projection capabilities in support of their growing commercial ties: the role of British and French navies and expeditionary forces after 1650; the Japanese navy after 1880 and especially after 1929; the German navy after 1895; the US navy and marines after 1890; and so forth.

Yet the very act of projecting power around the system, even if only to protect a state’s commerce from unexpected threats, can also send another type of signal: that the state has an aggressive character that might lead it to use force against its supposed adversaries. This can frighten other great powers that also worry about their economic access to key

realism, neoclassical realism, also incorporates elements of the security dilemma. Its larger focus, however, is on how domestic politics works in conjunction with relative power to drive state behavior. For the sake of testing arguments on interdependence and war, neoclassical realists therefore can be seen as part of the liberal camp. For summaries and references, see Lobell, Ripsman, and Taliaferro 2009.
trading interests, not to mention their territorial security. Their responses can set off a trade-security spiral. If dependent state Y, for example, decides that it needs more power projection capability to deal with potential trade restrictions and cutoffs, this may cause the less dependent state, state X, to rethink the trade-off between relative gains and economic leverage. As state Y starts to look more threatening, X has less reason to accept Y’s continued relative gain through trade. After all, this relative gain is only enhancing Y’s ability to project power over the long term. As state X starts to introduce economic restrictions on its trade with dependent state Y, however, the latter has a reason to start to truly worry about its ability to access the raw materials, investments, and markets needed to sustain its economic growth. That is, as state Y’s expectations of the future trade environment begin to fall, it has more incentive to switch to more hard-line policies to either deter X from going further or directly ensure that X’s allies and the small states around X’s sphere continue to trade freely with Y. Such variants on gunboat diplomacy may only exacerbate the problem, leading X to ramp up the restrictions, or even turn to complete trade embargoes to reduce Y’s relative power or coerce it back to “reasonable” policies.

There is another, more straightforward way that a trade-security spiral can begin to manifest itself. If state X suddenly starts, for whatever reason, to increase economic restrictions against Y, then Y may feel the necessity to project more power into a region to ensure continued supplies and exports as well as compensate for the lost trade with X. This can then set off the action-reaction cycle discussed above: X will see Y as more hostile and more in need of containment, but further economic restrictions will only push Y more strongly into militarized behavior in order to avoid a decline in its position. This escalation process can continue to the point where X’s restrictions are so severe that Y lashes out with war to avoid any additional loss in power.

In the following chapter, I will describe in more detail the conditions that set dangerous trade-security spirals into motion. For now, it is worth noting that there is a fundamental endogeneity at the heart of all great power politics that must be dealt with theoretically. State Y may undertake actions that lead state X to start to impose economic restrictions on Y, which then lead Y to even more “aggressive” actions that force X to cut Y off to an even greater extent. Endogeneity is often seen as a problem in international relations theory making since it means that the independent variables are not as “independent” as they are supposed to be: the actor that ends up launching a war may be getting itself into its own mess by what seem to be its own ill-advised policies.

The trade expectations approach seeks to turn what might seem to be a problem into an asset. I argue that it is precisely because leaders are aware
of the possibility that their own behavior can lead to dangerous spiraling that they have reasons to sustain their current reputations for moderation through cautious territorial policies and continued trade. This defensive-realist point provides a simple but powerful explanation for why great powers frequently experience long periods without major strife and war. With this base in place, we can then pose one of the key puzzles of international politics: Why would great powers, notwithstanding their knowledge of the phenomenon of spiraling, decide to shift to more hard-line policies that can set their interstate relations on a new and more dangerous course? Expressed slightly differently, why do systems that have remained stable for sometimes decades suddenly deteriorate into crises and wars? This book will seek to answer this profound issue without relying on the simple trick of asserting that the executives in states X and Y have fallen prey to unit-level pathologies. In this way, we can see why a dependent state Y might decide to launch a war against a less dependent state X even when the executives of both states are rational actors just seeking to do what is best for each nation’s respective security.

The puzzle of why states might fall into a trade-security spiral despite the known risks leads us to another critical question to be discussed in the next chapter: why states X and Y often have trouble negotiating a peace deal that both prefer to a dangerous crisis or war. After all, if state X’s economic policies are causing dependent state Y to move to a war footing to ensure access to markets and raw materials, why does X not simply offer to moderate its policies in order to improve Y’s trade expectations and hence reduce the chance of war? The bargaining model of war outlined by James Fearon and others argues that rational actors have an incentive to make agreements to avoid the mutual costs of war, thereby leaving each side better off than if war had to be fought. War can still happen, but only if actors lack information about the true balance of power and resolve or cannot trust the other to uphold its commitments within an agreement.

In chapter 1, I show that the second part of the Fearon logic, the so-called commitment problem, is the primary roadblock to peace. In a variety of circumstances, state X will have good reason to doubt whether state Y is committed to long-term peace, while Y will have good reason to doubt X’s true commitment to open trade and investments into the future. Chapter 1 will explore the conditions under which such doubts creep into a relationship, undermining the ability of X and Y to avoid a further spiraling of hostility and militarized conflict. When these conditions are largely exogenous to the executive leaders of X and Y—such things as

the actions of third-party states, level of state Y’s economic growth, and unwillingness of legislatures to accept executive-driven agreements—then it may be hard to find common ground between the two protagonists. A key thesis of the book, however, is that commitment problems are only likely to lead to crisis and war when economic concerns for the future make state Y’s leaders believe that decline will be severe without a crisis or war. Commitment concerns, in short, are an important background condition for war within my argument. Yet the deeper problem of international politics lies with the exogenous factors that increase fears of decline by interfering with the flow of future commerce between great powers.

The Structure of the Book and the Road Ahead

The rest of the book will strive to elaborate and defend the assertions put forward in this brief introductory chapter. Chapter 1 is the theoretical foundation of the book. After briefly reviewing the current state of the field on the link between economic interdependence and war, I spend the bulk of the chapter elucidating the deductive logic of the trade expectations approach. Chapter 2 explores the degree to which an expectations approach can help us make sense of the seemingly contradictory findings of the large-N quantitative research that has dominated the study of interdependence and war over the last two decades. In its second half, chapter 2 lays out a new approach to qualitative historical analysis for rare events research—one that minimizes the problems of selection bias and generalizability by covering the essential universe of cases for a chosen period of time. I also discuss how qualitative research can help overcome the limitations of quantitative methods in the measuring of leader expectations about the future. Quantitative research is limited to rough proxy measures that might suggest what leaders are anticipating as they make their decisions. Only documentary evidence, however, can reveal what they were actually thinking as they took their nations into crises and wars, or sought to moderate diplomatic tensions to reduce the probability of war. We thus need to plunge into the evidence from the historical periods themselves. This is what chapters 3–8 do (with chapter 2 providing a brief summary of the overall findings). I show across a wide range of geographic and historical contexts after 1790 that the trade expectations argument strongly outperforms its two main challengers, liberalism and economic realism, in head-to-head empirical tests. The final chapter will summarize the theoretical and practical implications of the argument, including the relevance of the logic for the future of US-Chinese relations.

In the end, we will see that there are three general ways to connect economic interdependence to the likelihood of war. The first way includes
all the theories that suggest wars are ultimately caused by domestic-level pressures and pathologies, even if trade can often operate to moderate the incentive states have to act on these unit-level forces. Traditional liberal arguments (including interest-group explanations) fall within this camp, as do some variants of neo-Marxism. The second way encompasses those theories that start with the offensive realist insight that states under anarchy have reason to worry about the vulnerability that comes with trade. This camp, which includes most neo-Marxists, sees interdependence not as a cause of peace but rather as a force that pushes leaders to use military might to reduce the uncertainty that comes with greater dependence. The third and final way is the trade expectations argument. Starting with the assumption of rational security-driven actors, it maintains that the effects of interdependence can cut either direction, depending on leaders’ expectations of the trade environment that their states will face into the future.

There is an unexpected advantage to having our competing arguments fall naturally into these three camps. It allows the book to test essentially all the main theories that have been put forward on the causes of war over the last few decades, even as the book focuses primarily on testing the economically driven approaches within this broader literature. The first camp, for instance, falls back on domestic variables to explain war and uses trade only to explain peace. It therefore begs the question of how frequently it is the case in world history that wars are actually driven by unit-level pressures and pathologies. The surprising answer of this book is: hardly ever. Across the broad sweep of cases discussed in this book, domestic factors sometimes played subsidiary causal roles as factors that reinforced or facilitated a leader’s desire to get a war going, or that constrained a leader from initiating a desired conflict. But they were rarely the dominant propelling forces that pushed states into the initiation of great power wars or the crises that significantly increased the risk of such wars. To be sure, there are instances where unit-level pathologies stand out as an important contributing cause of conflict, most notably Nazi Germany in the 1930s and the Russian state up to the start of the Russo-Japanese War in 1904. Yet even here, as I will show, these pathologies existed alongside more geostrategic reasons for action, making it unclear just how necessary unit-level factors were to the eventual outbreak of war.

The wars and periods of struggle examined in this book, constituting the main cases since 1790, demonstrate that the vast majority of modern great power conflicts were started by largely rational security-seeking states worried about the future. Economic realism does a good job on a
certain number of these cases, including the Sino-Japanese War of 1894–95 as well as the struggles between Britain, France, and Russia over the Near East in the 1830s. But economic realism is ultimately limited by its assumption that the mere fact of dependence and vulnerability is enough to push a great power into war or militarized conflict. By supplementing the offensive realist insight regarding vulnerability with the notion that expectations of future commerce vary over time depending on the political relations of states, the trade expectations approach is able to explain a much larger percentage of the cases than economic realism on its own. It is the task of this book to demonstrate the theoretical and empirical power of this approach.