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Neo-institutional realism: Anarchy and the possibilities of cooperation*

Robert H. Lieshout

I. Introduction

In his 'Anarchy and the limits of cooperation: a realist critique of the newest liberal institutionalism', an article that must have become one of the most cited articles on international relations to appear in print in recent years, Joseph Grieco sets out to explain why the theorists in the realist tradition are right in emphasizing conflict as the most prominent characteristic of the international system, in stressing the obstacles that prevent states from cooperation with one another, and in being sceptical about the capacities of international institutions to promote cooperation between states. His argument rests on the claim that the anarchical character of the international system forces states to worry about relative gains, and that these worries will make states refrain from cooperating with other states in case they expect the latter to profit more from that cooperation than they themselves do.

In this article I shall argue that Grieco is unduly pessimistic about the chances that states will cooperate in order to achieve a certain goal, even if all the basic tenets of realist theory are accepted. In the first place, because Grieco neglects the effects of the status quo on the decision of states whether or not to cooperate with one another. In the second place, because differences in capabilities between states mitigate the sensitivity of states to gaps in payoffs, and accordingly increase the chances that they will decide to cooperate. In addition, cooperation will be facilitated in case the size of the group of would-be cooperators is small enough to make non-performance noticeable, and the international system is more stable. Besides, once a cooperative arrangement has come into existence, the larger its contribu-

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tion to the capabilities of the states taking part in it, the greater the likelihood that they will continue to cooperate, even in times of adversity.

The outline of the article is as follows. In section 2 I shall briefly discuss Grieco's proposition that a state will decide not to cooperate with other states if it believes that its partners will gain more from this cooperative arrangement than itself will gain from it. In section 3 I analyze Grieco's claim that international politics should be seen as, what may be called, a 'game of difference'. My main points of criticism on this score will be that the 'coefficient of sensitivity to gaps in payoffs' introduced by Grieco leads to results quite unintended by him, and that this is also true of the utility function he suggests to depict the realist understanding of state utility. In order to ameliorate these deficiencies, and to show that under certain, rather straightforward, conditions worries about relative gains will play a less prominent role in the calculations of states, I shall set out in sections 4 through 6 a simple model of the international system, based on the axioms and assumptions of (neo)realism. In section 7 I shall sketch the bare outlines of an argument how cooperation and institutionalization can emerge and persist under conditions of anarchy. In conclusion, I shall in section 8 recapitulate the main results of my analysis.

2. Joseph Grieco and the status quo

In 'Anarchy and the limits of cooperation' Joseph Grieco argues that according to the realist theory of international relations, one of the main obstacles for cooperation between states is that the anarchic nature of the international system forces states to distrust each other, and that states for this reason act as if they were, as he calls it, 'defensive positionalists'. This implies that: *'the fundamental goal of states in any relationship is to prevent others from achieving advances in their relative capabilities'* (his italics) (Grieco 1988: 498). A state is not so much concerned with maximizing its individual gain or payoff as with preventing any erosion of its relative capability, which is the ultimate basis for its security in the international system. This insight leads Grieco to the conclusion that:

a state will decline to join, will leave, or will sharply limit its commitment to a cooperative arrangement if it believes that partners are achieving, or are likely to achieve, relatively greater gains. It will eschew cooperation even though participation in the arrangement was providing it, or would have provided it, with large absolute gains.¹ (Grieco 1988: 499)

Presumably, a state, say i , will refuse to enter in a cooperative arrangement

with another state, say j , or will abandon an existing cooperative arrangement with this state, in case i expects the gains that will accrue to j as a result of their cooperation, $o_{j(ij)}^i$ to exceed the gains that it expects to accrue to itself, $o_{i(ij)}^i$; that is to say, if: $o_{j(ij)}^i - o_{i(ij)}^i > 0$; or, for short, if: $R_{j(ij)}^i > 0$. And, inversely, state i will decide to cooperate with j in case it expects that $R_{j(ij)}^i < 0$. Grieco does not seem to realize however, that i 's expected status quo point S_i^i should be the point around which i 's possible gains and losses are to be considered (compare Nicholson 1987: 349). If the condition holds that $R_{j(ij)}^i > 0$, but also that $o_{j(ij)}^i > S_i^i$ then state i will be prepared to cooperate with j , the fact that i expects j to profit more from this cooperative arrangement notwithstanding. State i may loathe the fact that its potential ally j will gain far more than itself from a possible alliance against a common enemy m , but i will nevertheless decide that it is worth its while to conclude this alliance, if by so doing it will prevent its certain destruction by m . Or, to take another example, the players in a Game of Chicken will choose 'swerve' as their strategy, although this cooperative strategy may result in the so-called 'sucker payoff', because to continue on their collision course would mean disaster. Moreover, Grieco's inverse condition for cooperation does not lead to cooperation if to i the status quo is more attractive than cooperating with j . In this situation i will decide not to cooperate with j , even if it expects to gain more from their cooperation than j .

3. Sensitivity to gaps in payoffs

In consequence of his claim that: 'states always assess their performance in any relationship in terms of his performance of others,' Grieco argues that realism expects a state's utility function to incorporate *two distinct terms* (his italics) (Grieco 1988: 499 and 500). In case of state i these are i 's individual payoff $o_{i(ij)}$, and a term integrating both i 's individual payoff and j 's payoff, $o_{j(ij)}$: 'in such a way that gaps favoring i add to its utility while, more importantly, gaps favoring j detract from it'. One function that according to Grieco depicts this realist understanding of state utility is:

$$Eu(o) = u[o_{i(ij)} - k(o_{j(ij)} - o_{i(ij)})] \quad (3.1)$$

with k representing i 's coefficient of sensitivity to gaps in payoffs either to its advantage or disadvantage (I have slightly rewritten Grieco's equation; RHL) (Grieco 1988: 500; see also Grieco 1990: 41-42). I think that the introduction of a utility function that incorporates both a state's own payoff and the other state's payoff, and the idea that the value of these terms is

somehow influenced by something like a sensitivity to gaps in payoffs, are important innovations, which can help us to get a better understanding of international politics. I shall further explore them in section 6. For the moment, I wish to restrict myself to demonstrating that equation (3.1) will not do, as it may lead to results that would appear to be quite the opposite of Grieco's intentions. Although Grieco definitely thinks that the introduction of k makes life even more difficult for would-be cooperators, its introduction may make it in fact easier for them, as compared with the condition for cooperation stated in section 2. This result may come about if the value of k is assumed to be in the interval $(0,1]$. Besides, under equation (3.1) cooperation becomes easier if the gap in payoffs is rather small.

But let me first point out that Grieco does not make it clear how equation (3.1) fits into his condition for non-cooperation: $o_{j(ij)}^i - o_{i(ij)}^j > 0$. I think it is reasonable to presume that state i now will refuse to cooperate with state j in case: $Eu(o) < 0$, that it will be prepared to do so, if: $Eu(o) > 0$, and that it will be prepared to let the toss of a coin decide whether to cooperate or not if: $Eu(o) = 0$. To the problem that again the status quo point is not taken into account, there is now added the problem that, whereas k should make cooperation more difficult, its value 'will always be greater than zero ... even in interaction with allies'²² (Grieco 1988: 501), this is not necessarily true if the value of k is in the interval $(0,1]$. The following example may serve as an illustration. The payoff state i expects to derive from a cooperative arrangement with state j is 25 units of X , while it expects j to receive 60 units of X . This means that under the condition stated in section 2, state i refuses to cooperate with j , as $R_{j(ij)}^i = 35 > 0$. But this conclusion does not follow if one applies equation (3.1) and assumes that k has a value of, say 0.7, for then $Eu(o) = [25 - 0.7(35)] = 0.5 > 0$, and accordingly state i will decide to cooperate with j . Grieco seems also to have missed the complication that whenever the gap in payoffs is rather small, say 1 unit of X to j 's advantage, then equation (3.1) again increases i 's willingness to cooperate with j , as compared with the condition stated in section 2 – unless the value of k is large enough to nullify this effect. In view of these difficulties, I think it is fair to say that equation (3.1) cannot be considered to be an adequate depiction of the 'realist understanding of state utility'.

4. Basics: realism restated

The central tenet of realism is deceptively simple. It is to the effect that the international system is an anarchic system, populated with states that try to survive (compare Waltz 1979: 121). This statement however, is the result of

some quite intricate reasoning, and can only be reached with the help of a whole series of assumptions. Each of these assumptions is far from self-evident, and on this account alone merits closer scrutiny. In this section I shall discuss these assumptions one by one.

The hard core of the realist interpretation of international relations consists of the assumption that states try to maximize their utility. This means that states are able to choose a behavioural action from a subjectively available set of such actions, and that the likelihood that a certain action is chosen, is a function of the expected marginal utility of the payoff or outcome associated with this particular action, in the sense that the larger the expected marginal utility of the outcome of a certain action, the greater the probability that this action will be chosen.

The proposition that a state is able to choose a particular action from a subjectively available set of possible actions, implies that the state is able to order the possible actions on the basis of some sort of criterion. In this case on the basis of the expected marginal utilities of the payoffs associated with these actions. If the expected marginal utility of outcome o_1 is larger than the expected marginal utility of outcome o_2 , then a state will prefer o_1 to o_2 , and will act accordingly. This presupposes the following three assumptions, given a set of possible outcomes O , which consists of the elements $\{o_1, o_2, o_3, \dots, o_k\}$:

- a) *Reflexivity*: for each $o \in O$, $u(o) \geq u(o)$;
- b) *Completeness*: for each pair $(o_1, o_2) \in O$, either $u(o_1) \geq u(o_2)$, or $u(o_2) \geq u(o_1)$, or both; and
- c) *Transitivity*: for any three $(o_1, o_2, o_3) \in O$, if $u(o_1) \geq u(o_2)$ & $u(o_2) \geq u(o_3)$, then $u(o_1) \geq u(o_3)$.

Finally, the expected marginal utility of a certain outcome (o) consists of the sum of the marginal utility of (o) at time t and the marginal utilities of all the other outcomes to which (o) is expected to lead at times $t+1, t+2, \dots, t+n$, multiplied by the estimated probability that these outcomes will be realized, that is to say:

$$Eu(o) = \sum_{i=0}^n u(o^{t+i}) p(o^{t+i}) \quad (4.1)$$

Two comments are in order here. The first concerns the fact that utilities are *postulated entities*, and as such are indeed empty of empirical content. For the moment the question is left unanswered as to which things states will attach greater utility, be it weapons, wealth, prestige, or 'beauty, truth and good-

ness' (Gilpin 1986: 305). My second comment is to the effect that the assumption that states try to maximize their utility, implies that the rationality of states must be 'bounded' as Herbert Simon has called this (Simon 1947, 1961 ed.) and it involves therefore the rejection of the assumption of 'objective' or 'comprehensive' rationality. That this must be so, follows from the consideration that a theory in which it is assumed that an actor is able to choose one action from a set of possible actions, and, at the same time, that this actor is objectively rational, would be inconsistent. Seeing that the 'assumption of omniscience' (Simon 1957: 202-203) implies that the actor would make its choice on the basis of a complete knowledge of all outcomes associated with all possible actions. But the class of 'outcomes associated with a possible action' is as a matter of fact infinitely large. This means that an actor wishing to act in an comprehensively rational manner, never would be able to choose, busy as it would be for the rest of its short life discovering all the outcomes associated with all the possible actions.³

With the help of two further assumptions, dynamics are introduced into the theory. The second of these has, largely as a result of Axelrod's *The evolution of cooperation*, nowadays more or less gained the status of 'unproblematical background knowledge' in the study of international relations. But this is definitely not the case with the first of these assumptions, which concerns Gossen's First Law. This law is to the effect, to paraphrase Joseph Schumpeter, that: as an actor goes on acquiring successive increments of a good, the intensity of its desire for one additional unit declines monotonically until it reaches – and then conceivably falls below – zero⁴ (Schumpeter 1954, 1982 ed.: 910). Such a law of diminishing utility helps to explain why, firstly, states do not go on, and are not exclusively concerned with, acquiring the means that presumably will lead to an increase in their security, and secondly, that states are, generally speaking, risk-averse for gains, and risk-acceptant for losses (see, for instance, Jervis 1989: 122).

The third assumption is the 'reasonable one' that the present worth to a state of a future payoff is less the more distant in time the payoff is to be made (Taylor 1987: 61). This means that in the situation that two outcomes, o_1 and o_2 , have the same expected marginal utility, but that o_1 can be realized at time t , whereas o_2 can be realized not earlier than $t+n$, a state will prefer o_1 to o_2 . Conventionally it is assumed that a state employs an exponentially increasing discount parameter w , which remains constant through time, to assess the present value of future outcomes, that is to say:

$$Eu(o) = \sum_{i=0}^n w^i [u(o^{t+i}) p(o^{t+i})] \quad (4.2)$$

where $0 < w < 1$ (Taylor 1987: 61).

It should be noted however, that the extra assumption that the value of w remains constant through time, although necessary to the solution of the Prisoner's Dilemma supergame first presented by Michael Taylor, does pose a problem. For one thing, it means that the law of diminishing utility would not apply with respect to cooperative arrangements. More generally, this assumption would mean a return to a static instead of a dynamic interpretation of cooperation (Lieshout 1992: 130), and should accordingly be dropped.

A fourth assumption concerns the relationship between states and their environment, or, in other words, the relationship between states and the structure of the international system. A state can only hope to be successful in maximizing its utility, whatever this will be, in case it is able to adapt itself to its environment – and the laws that govern that environment – and not the other way around. If a state wants to survive, it shall have to learn, as Hobbes calls it, the *dictate of right reason* (see for an extensive discussion De Vree 1990, II: 359-370).

It is only by trial and error that a state can discover the nature of the structure of the international system – find out about such things as the number of great powers, the level of technology and the existing division of labour. A state will stand a better chance to survive in the international system, if this process of *error elimination*, as Popper calls it (Popper 1982 ed.: 44-53), leads to the formation of more realistic expectations about its place in the international system, the things needed to survive in the international system, and, more generally, the laws that govern the international system.⁵ On the other hand it will be clear, that as the international environment of a state becomes more favourable to it, in the sense that this state will have to expend less effort in order to be able to survive, the likelihood decreases that this state will form correct expectations about the international system. Put somewhat differently, the more a state is protected from the consequences of its mistakes, which result from incorrect expectations about the structure of the international system, the greater the probability that a state will persist in unsuccessful behaviour. In a hypothetical, 'perfect' environment – an environment in which a state would be able to survive without ever having to exert itself – a state would not be able to learn anything at all. Moreover, in such a perfect environment it would be out of the question that a state would be able to order its set of possible actions. It appears then, that a 'perfect' environment is inconsistent with the assumption that a state tries to maximize its utility in precisely the same way as is 'perfect' knowledge.

The fifth assumption is to the effect that the international system is anarchical. The international system is a system of self-help. There does not exist an agency that is capable of enforcing states to fulfil their promises to

one another. The single most important implication of this assumption is that because such an agency is lacking, states more readily will resort to violence in order to settle a possible conflict. As Glenn Snyder and Paul Diesing put it:

the distinguishing characteristic of international politics and the logical starting point for theorizing about it: the pervasive expectation of potential war, which follows from the 'anarchic' structure of the system. Since war is always possible, the implicit or explicit threat of war is the ultimate form of political pressure and the ultimate means to security and other values. What most urgently needs theoretical description and explanation is how the perpetual shadow of war affects the behaviour of states, and how they manipulate that shadow to advance and protect their interests (Snyder and Diesing 1977: 4).

Finally, realists assume that in the international system states are the relevant actors. This assumption does not imply that there are no other actors or factors that are important in international politics, but that states are the major actors, for: 'when the crunch comes, states remake the rules by which other actors operate' (Waltz 1979: 94). The following reasoning lies behind this assumption. The most important characteristic of an anarchical system is that in such a system actors will more easily resort to violence in order to settle conflicts. In addition, the use of violence is the most costly and unsettling way in which they can act towards each other. Since in the international system states are pre-eminently equipped to use violence against each other, as well as against other actors in the system, it would appear to make good sense, that if one wishes to understand the workings of the international system, to concentrate on states as the principal actors. Of course, the decision to treat states as the relevant actors in the international system, is a *methodological* decision. There is no presumption that an explanation of international politics always should be in terms of states and the objectives they wish to attain.

It is only with the help of these six assumptions that one can establish the basic principle of realism: that the international system is an anarchical system populated by states trying to survive; and why it is that, according to realism: 'international relations continue to be a recurring struggle for wealth and power among independent actors in a state of anarchy (Gilpin 1981: 230).

5. Capabilities, distance and interaction: a simple model

It is the essence of interaction that actors are capable of influencing each other. That is to say, that as a result of a certain action by *i* the probability

increases that *j* will choose a particular action from the set of possible actions subjectively available to it, while at the same time the probability decreases that *j* will choose another action, or actions from this set of possible actions. Whether states will interact with one another, and the extent to which this will be the case, depends on the capabilities they have at their disposal and the distance between them. The greater a state's capabilities, the more its actions will influence other states. At the same time it will be clear, that the larger the distance between this state and the other states (geographically or politically speaking) the more of its capabilities it will have to employ in order to be able to influence the latter. Witness Kenneth Boulding's *law of diminishing strength*: 'the further, the weaker; that is, the further from home any nation has to operate, the longer will be its lines of communications, and the less strength it can put in the field' (Boulding 1962, 1963 ed.: 231).

In the last paragraph I expressly left open the possibility that a state may not be aware of influencing another state. It will be clear that the greater a state's capabilities, as compared to those of other states, the larger the probability that it will be unconscious of the fact that its actions influence the choices of other states (compare Waltz's discussion of 'the imperialism of great power') (Waltz 1979: 34). Assuming two states, say *i* and *j*, that realize that they can influence each other, it will be obvious that they will only do so, if they expect that by acting in this manner they may enhance their chances for survival in the international system. This implies that the more *i* and *j* have to offer each other – in other words: the larger the degree to which they are dependent upon each other – the more they will wish to interact with each other, and the more of their capabilities they will have to employ in order to be able to influence each other. Another implication is, that trying to influence another state is not without risk. It will only pay *i* to interact with *j* if the latter has certain capabilities at its disposal and therefore also poses something of a threat to *i*. As Adam Smith has noted: 'the wealth of a neighbouring nation ... though dangerous in war and politics, is certainly advantageous in trade' (Smith 1979, I: 494).

States will prefer to interact with states that are just powerful enough to strengthen its own power, but just not powerful enough to actually threaten its own power. This is not to say that states always will be guided by considerations of this kind. This is the kind of rule that a state will have to learn and relearn in the course of time. It is, by the way, very doubtful, in view of the fact that the international system is continuously undergoing changes that have negative or positive repercussions on the relative capabilities of states, that a state will ever reach this optimum. As the difference in capabilities at their disposal between *i* and *j* increases, *i* gets more and more powerful, while *j* lags behind, *i* will get less and less interested in interacting with

j, whereas, inversely, *j* will become more and more keen on influencing *i*. And, consequently, in the international system the attempts to influence the actions of other states will be focused on the great powers.

A state *i* is more dependent upon state *j* to the extent that the latter's capability to strengthen or to weaken *i*'s capability is greater, and the distance between *i* and *j* is smaller. Every relationship of dependence has a positive as well as a negative side. As Adam Smith already demonstrated more than two hundred years ago on the basis of his example of the pinmaker, it definitely pays to give up a position of autarchy: 'it is the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest rank of the people' (Smith 1979, I: 22). At the same time, however, it cannot be denied that to participate in the (international) division of labour entails certain risks. And it is for this reason that Adam Smith deemed it prudent to exempt 'industry necessary for the defence of the country' from the freedom of trade with foreign nations (Smith 1979, I: 463-465).

The relationship between capability, distance and (intensity of) interaction can be captured in the following equation. Consider a system with *n* states. A state *i* may interact with another state $j \neq i \in \{1, 2, 3, \dots, n\}$. The intensity of their interaction is proportional to *i*'s total resources or capabilities, Cap_i , the distance between *i* and *j*, D_{ij} , and *j*'s total resources or capabilities, Cap_j :

$$I_{ij} = \frac{C_o \cdot Cap_i \cdot Cap_j}{D_{ij}^\delta}, \quad i, j \in \{1, 2, 3, \dots, n\} \quad (5.1)$$

Expression (5.1) is as a matter of fact the application of Newton's gravity law to the international system, in which every change in the capabilities of *i*, Cap_i , or of *j*, Cap_j (in their respective mass, so to speak) has an effect on the intensity of their interaction. I_{ij} denotes the interaction between *i* and *j* (gravitational attraction), C_o is a constant, and δ a positive integer, indicating the difficulty of the terrain (as far as geographical distance is concerned) that *i* and *j* have to traverse before they can actually interact with each other: the more difficult the terrain, the larger the value of δ (in Newton's formulation: $\delta = 2$) (see Blommestein and Lieshout, forthcoming).

6. Terms of cooperation

Because states *i* and *j* are able to interact, *i*'s survival in the international system depends to some extent on *j*'s active assistance with, or passive acquiesc-

ence in, the actions *i* undertakes to maintain its independence, and vice versa. There exists a perfect harmony of interest between *i* and *j* if each of them acts in accordance with the wishes of the other without *i* and *j* having to expend some amount, however small, of the resources available to them to bring this behaviour about. Whereas there exists a complete conflict of interest between *i* and *j* if neither of them is able to induce the other to act in accordance with its wishes, even if it would expend all its resources to bring this behaviour about.

When I further make a distinction with respect to the nature of the outcome that *i* wishes to achieve with the active assistance of *j* or with the latter's passive acquiescence, is it a private good or a collective good⁶, and also assume that *i* is more powerful than *j*, then the following proposition seems to hold. As far as *i* is concerned, a harmony of interest with *j* will come about more easily with respect to the production of private goods, and a conflict of interest concerning the production of collective goods; and, inversely, as far as *j* is concerned, a harmony of interest with *i* will come into existence more easily with regard to the production of collective goods⁷, and a conflict of interest with respect to the production of private goods.

By taking part in the (international) division of labour states are able to increase their capabilities, and in this sense there exists something of a harmony of interest between them. At the same time however, to take part in the division of labour, and to indulge in the requisite specialization, means that states will become more vulnerable to each other's actions, and in this manner will become a (potential) threat to each other. The consequences of this dependency vary with the capabilities the states involved have at their disposal. In case state *i* is far more powerful than state *j*, then *j* will be very reluctant to act in a manner that may get it into conflict with *i*, while *i*, from its side, will feel less threatened if *j* acts in a way that will lead to an increase in *j*'s power. As a result the probability increases that there will exist a certain harmony of interest between them, which probability further increases as the international system is more stable (more predictable). If it is assumed that the distance between *i* and *j* remains constant, and that the international system is predictable enough to enable them to form stable expectations about each other's behaviour, then the following proposition appears to hold: the greater the power differential between *i* and *j*, the smaller their, to use the expression introduced by Joseph Grieco, 'sensitivity to gaps in payoffs'. However, if the power differential between *i* and *j* gets smaller and smaller, then the likelihood increases that *i* and *j* will regard a certain addition to the other's capabilities, however small, as a threat to its own capabilities, and accordingly their sensitivity to gaps in payoffs will become greater, especially if the international system is too unpredictable to enable them to

form stable expectations about each other's actions. As Kenneth Organski explains in his *World politics*: 'the relationship between peace and the balance of power appears to be exactly the opposite of what has often been claimed. The periods of balance, real or imagined, are periods of warfare, while the periods of known preponderance are periods of peace' (Organski 1958, 1968 ed.: 294).

In view of these considerations, I shall from now on assume that the expected marginal utility to state i of the payoff (o_k) of a certain action in the set of actions subjectively available to i , which action is to the effect that i actively assists with, or passively acquiesces in, an attempt by j to increase its own, i.e. j 's, capabilities, is a convex combination of i 's own payoff, o_s , and the difference between its and j 's payoff, o_d . The expected marginal utility of (o_k) is not only a function of the 'absolute' payoff o_s that i expects to receive, multiplied by the probability with which i expects o_s to take place – as in expression (4.1) – but also of the 'relative' payoff o_d of (o_k), that is to say, the difference between its own payoff and the payoff o_o it expects j to receive: $o_d = o_s - o_o$. Accordingly, we get the following expression (compare Taylor 1987: 123):

$$Eu(o_k) = \sum_{i=0}^n u(\lambda o_s^{t+i} + (1-\lambda)o_d^{t+i}) p(\lambda o_s^{t+i} + (1-\lambda)o_d^{t+i}) \quad (6.1)$$

Where $0 \leq \lambda \leq 1$, and the weight that i attaches to o_d , as compared to o_s , increases (the value of λ approaches 0) as both the power differential between i and j and the distance between them are smaller; whereas, inversely, the weight that i attaches to o_s as compared to o_d increases (the value of λ approaches 1) as both the power differential between i and j and the distance between them are larger.⁸

7. Credibility, terms of governance, and the anarchical society

In section 5 I have analysed what may be called 'the mechanics of international politics'. But mechanics are not enough if one wishes to explain the workings of the international system. In that case also the expectations of states as to what are the mechanics of international politics, should be taken into account. It is, so to speak, not enough that states *are* billiard balls, they must also *think* that they are billiard balls (see my discussion of the dictate of right reason in section 4). What matters in particular, is whether state i ex-

pects state j to act like a billiard ball, and vice versa. There exists indeed a certain 'dialectic between subjectivity and objectivity' (Keohane 1989: 42).

In a crucial passage in his *Politics among nations* Hans Morgenthau defines political power as a psychological relation between: 'those who exercise it and those over whom it is exercised. It gives the former control over certain actions of the latter through the impact which the former exert on the latter's minds' (Morgenthau 1978 ed.: 30). The probability that j will change its behaviour towards i as a result of certain actions by i , depends not only on the rewards and sacrifices that according to j are involved in i 's actions, but also on the extent to which j expects i to be able to implement these rewards and punishments, or, in other words, how credible i 's promises and threats are in the eyes of j . The credibility of i concerns j 's expectations that i will be able to realize the threats and promises that seem to be involved in i 's actions towards j .

The larger a state's credibility, the more efficiently it can employ its capabilities to maintain its independence in the international system. Moreover, as Kenneth Organski points out: 'a reputation for power confers power, whether or not it is justified' (Organski 1958, 1968 ed.: 109). For these reasons a state will attach great importance to its credibility and will go to great lengths to protect it. From this it follows that a state, in order to safeguard its credibility, will be very reluctant to commit itself to other states for a certain length of time, for instance by way of concluding a treaty of mutual assistance. In addition, it will be clear that a great power will have less qualms about entering into such a contract than a small power, and that the greater the possible demand on a state's capabilities involved in a certain promise, the shorter the duration of the contract. The foregoing implies also, that as the international system is more unstable, and consequently, the future more unpredictable, it becomes more improbable that a state will wish to commit itself to another state for a certain period of time.

The greater the importance a state attaches to its credibility, the greater the probability that this state, in a situation that it has actually entered into a contract that binds it for a certain length of time, and now regrets having done so, nevertheless will perform more or less as promised. *Even* if the system lacks an authority that is capable of enforcing the fulfilment of promises (as is the case with the international system). How much importance a state attaches to its credibility is moreover not only a function of the stability of the international system, but also of the number of states it could possibly contract with. The smaller the amount of potential contracting parties, the more a state will value its credibility⁹ (Williamson 1975: 26–30). Taken together, these considerations may account for the fact that, as Hans Morgenthau observes: 'during the four hundred years of its existence international

law has in most instances been scrupulously observed' (Morgenthau 1978 ed.: 281), and suggest that Axelrod and Keohane exaggerate (perhaps as a concession to the rhetoric of realism?) when they maintain that: 'cheating and deception are endemic' in world politics (Axelrod and Keohane 1985: 226). The more value states attach to their credibility, the greater the likelihood that the international system will evolve into Hedley Bull's *anarchical society*.¹⁰ On the other hand it will be obvious that the less weight a state attaches to performing its promise – for example, because it thinks its credibility not to be at stake, as it expects its non-performance to go unnoticed, which expectation again is a function of the stability of the international system and the number of states it could possibly contract with – or the more costly it expects performance to be, the greater the likelihood that a state will not fulfil its promise.

By means of a fact-deficient account I wish in the remainder of this section to illustrate very briefly, not only how the advantages and hazards involved in specialization may have given rise to the emergence of the state as the dominant actor within a certain territory, but also how they may account for the quite intricate patterns of cooperation that can emerge and sustain themselves under conditions of anarchy.

Assume an anarchical system populated with various actors that try to maintain their independence, who are considering the possibility of setting up some sort of division of labour between them. They realize that it will be worth their while to specialize in certain tasks in order to increase their individual and collective capabilities. At the same time they are aware of the problem that specialization entails certain risks and costs. The first and most fundamental hazard concerns the fact that if an actor specializes in a certain field, it may no longer be able to defend itself at all times against potential aggressors. The second kind of risk connected with specialization is less existential, but the consequences may be almost as disastrous. It concerns the risk that only after a certain length of time an actor will be in a position to reap the fruits of its decision to acquire certain skills, or to specialize in the production of a certain good, and that, when that time has come, nobody is interested in the skills or products it tries to sell on the marketplace. This actor can reduce this risk by selling his skills or product in advance by means of a forward (wholly executionary) contract, but this leaves the risk that the other party does not perform at the agreed time, perhaps because of circumstances not under the other party's control (non-performance need not necessarily be the result of opportunistic behaviour, i.e. self-interested behaviour with guile, as Oliver Williamson postulates). The actor can reduce this risk still further, by making enquiries about the credibility of potential contracting parties, but these enquiries are not without costs, and this also ap-

plies to the necessary negotiations, and the drawing up and signing of contracts (together these costs constitute the so-called 'transaction costs'). It will be clear that the risks and costs that I have outlined, will increase as an actor specializes itself further and further, and has to enter into contracts more often.

One way to reduce the most fundamental risk that confronts them, is that the actors concerned decide to form a collective security system. They agree henceforth to regard an act of aggression against one of the members of the system by an actor that is not a member of the system, as an act of aggression against them all, and to assist the victim by all means at their disposal. The great advantage of such a system is, that it is soothing to the actors' sensitivity to gaps in payoffs. The great disadvantage of a solution of this kind is, that it immediately puts a break on the further development of the division of labour potentially so profitable to them all. Since every actor must be ready to come to the defense of any other member of the system, the division of labour has to be confined to those tasks that can be laid down without much difficulty at short notice.

A more profitable way of reducing this security hazard is to specialize further. That is to say, some of the actors under consideration form a 'protective association' (Nozick 1974), which is entrusted with the task, of course in return for revenue, to protect the members of the group against aggression by outsiders. A solution of this kind can come about spontaneously, can be the result of an agreement, or can be imposed by actors that set themselves up as protectors.

It stands to reason that when a protective association has formed itself, the actors in the group will employ it in order to ensure that they will fulfil their promises towards each other. But this does not need to happen. Particularly not, in case the actors set up a joint venture, which requires them to specialize themselves for a considerable period of time, and to carry out a mutually contingent 'stream' of performances, in consequence of which a large amount of very diverse and very specific contracts would have to be concluded. In that case it is more efficient to reduce the transaction costs by 'organizing' this joint venture hierarchically, which means, that some of them are charged with the task to ensure by means of rewards and punishments that the actors participating in the joint venture fulfil their obligations as good as possible (Williamson 1975 and Williamson 1985). Such a hierarchical solution does of course not preclude the possibility that the actors taking part in this joint venture may, in return for revenue, employ the services of a protective association in order to deter potential aggressors, or that, in case there arises a dispute between the actors participating in the joint venture about the ways they should perform their assigned tasks, which they are not

able to settle themselves, they will call in the services of a protective association after all.

At the beginning various protective associations may establish themselves within a given geographical area. It will be clear that their chances of survival depend on the success with which they are able to protect their clients from aggression by clients of other protective associations, and to enforce the performance of contracts by their clients. This success depends on the extent to which a protective association is more powerful than other protective associations, and the size of the area it is able to 'project its protection'. In case one of these protective associations becomes preponderant (for example, because it has better weaponry and better means of transportation at its disposal, or is organized more efficiently) then this protective association will eventually develop into the dominant protective association within that geographical area. It is this dominant protective association that, by monopolizing more and more, especially regulative, tasks (naturally in return for revenue!) will develop further into a 'state'. Up till now there has been no protective association powerful enough to establish its dominance all over the world. In the international system as it is today, there still exists a large number of protective associations, some of which have developed into states.

It will be clear from the above, that within an anarchical system, such as the international system, organizations can grow and be successful (witness the expansion of the activities of multinational corporations in recent decades) whereas, inversely, within organizations there may exist anarchical systems (for instance corruption networks within (state)bureaucracies).

Clearly, an anarchical system cannot be equated with total disorder or utter chaos. Anarchy presupposes a certain regularity in the behaviour of the actors in the system. Under conditions of anarchy it is quite possible that a division of labour between the actors that populate the system establishes itself, that they are able to cooperate with one another, and to develop a set of implicit or explicit rules to regulate and to institutionalize their cooperative arrangements. The ways in which the Western European powers cooperate with each other within the framework of the European Communities illustrate nicely how far cooperation can go between states in certain fields of activity, even if there is no agency that is able to enforce that the states fulfil their promises to each other. Stephen Krasner's well-known definition of a *regime*, as a set of: 'implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations,' corresponds with my characterization of an anarchical system¹¹ (Krasner 1983: 2).

The extent to which actors will be prepared to specialize themselves, de-

pends on the degree to which they expect that to take part in a division of labour will with greater probability lead to a larger increase in their capabilities. The larger the expected payoff of specialization, the smaller the expected risks, the more actors will be prepared to specialize themselves. Naturally, the actors will have to learn, whether, and to what extent, specialization within the framework of an anarchical system will increase their capabilities, which implies in turn, that a certain degree of stability in the international system is a prerequisite for the emergence of an anarchical society.

One other implication of this relationship between, what may be called, the *legitimacy* of an anarchical system and the extent to which an actor in that system will be prepared to specialize itself, is, that the greater the system's legitimacy, and the more an actor has specialized itself in consequence of this (the larger its sunk costs) the more concerned it will become about its own payoff, and, accordingly, the smaller the actor's sensitivity to gaps in payoffs (the value of λ approaches 1) will become. And it is in this way that regimes, institutions, if successful, do indeed enhance the chances for further cooperation between actors in an anarchical system, even in times of adversity.

8. Conclusion

In this article I hope to have made it at least plausible, that, as opposed to what Joseph Grieco maintains, a neo-institutional approach *can* be based on realist assumptions (Grieco 1988: 503). Neo-institutional realism is not a contradiction in terms, but a theory powerful enough to explain the incidence of conflict and cooperation in the international system. [Although in this paper, in which it was my main concern to show the compatibility of realism and neo-institutionalism, I have restricted myself to a discussion of the circumstances under which cooperation becomes possible.] But first of all, let me repeat that Grieco is wrong in claiming that actors in an anarchical system will only take part in cooperative arrangements if the difference in payoffs is to their advantage. State *i* will be prepared to cooperate with state *j*, if the marginal expected utility of cooperating is larger than that of not cooperating. I am afraid it is as simple as that. The sensitivity to gaps in payoffs of *i* may be such that its decision to cooperate or not, wholly depends on the expected marginal utility of the second term in its utility function, that is to say, the difference in payoffs (the value of λ is 0) and the expected marginal utility of this term may be negative, even very much so, but as long as the utility attached to this outcome is larger than that attached to non-cooperation (implying a continuation of the status quo) then *i* will

cooperate with j , however much it may resent having to do so. With respect to the emergence of sustained or institutionalized cooperation in the international system, three conditions appear to be crucial: 1) there must be differences in the capabilities of the states in the system, some states must clearly be more powerful than others; 2) the group of states must be small enough to make non-performance noticeable; and 3) the international system must be stable (predictable) enough for the 'future to cast a shadow back upon the present' (Axelrod 1984, 1990 ed.: 12). Moreover, once cooperation has become institutionalized, then the greater the legitimacy of the regime, the greater the likelihood that states will continue to cooperate within this framework.

Notes

1. In his later book *Cooperation among nations* Grieco has worded this condition a bit more ambiguously: 'a state will decline to join, will leave, or will sharply limit its commitment to a cooperative arrangement if it believes that gaps in gains will substantially favor partners' (Grieco 1990: 44).

2. In *Cooperation among nations* Grieco again is less straightforward. Now a state's level of k will be greater than zero 'in virtually all its cooperative relationships. This is likely to hold even in interactions with allies except in the face of clear, immediate threats' (Grieco 1990: 47).

3. Compare Riker and Ordeshook: 'unless we ask decision makers to play God, maximizing and satisficing are the same thing' (Riker and Ordeshook 1973: 23).

4. The English translation of Gossen's original formulation of this 'law' is as follows: 'The magnitude of a given pleasure decreases continuously if we continue to satisfy this pleasure without interruption until satiety is ultimately reached' (Eatwell et al. 1987, II, 551).

5. Differences in the ways in which this process of error elimination works within the various states in the international system, are the key to a proper understanding of the 'external-internal dimension' (Snyder and Diesing 1977).

6. That is to say, a good with the following properties: 1) it exhibits some degree of *jointness of supply*, which means that in case the good is provided by one or more states, its consumption by one state does not make impossible its consumption by other states (Blümel et al. 1986: 245); 2) it is to a certain extent *non-excludable*, which implies that most of the time the good is provided by one or more states, it will be too costly to exclude other states from consuming it too (Olson 1965, 1971 ed.: 14).

7. Compare Mancur Olson's conclusion that in small groups where common interests are concerned: 'there is a systematic tendency for "exploitation" of the great by the small' (his italics) (Olson 1965, 1971 ed.: 29).

8. As Duncan Snidal notes in his recent 'Relative gains and the patterns of international cooperation': 'A plausible curvilinear specification is that relative gains concerns peak when states are roughly equal and drop off when one state is either far behind, or far ahead of, the other' (Snidal 1991: 725). In his article Snidal however confines himself to the discussion of a less complicated monotonic relationship,

which is to the effect that: 'for any pair of states, the smaller state will be more concerned with the relative gains consequences of their interaction ... The larger state may overcome the smaller state's greater reluctance to cooperate by offering it more than an equal share of the benefits' (Snidal 1991: 720).

9. I am not invoking the so-called *folk theorem* here. According to the folk theorem an actor performs because it expects that all the other actors are able to gang up on it in case it would not perform (Kreps 1990: 508-509). In the situation sketched by me, the actor does not perform out of fear of punishment, but because it is afraid that non-performance will diminish its chances in the future to take part in, and to profit from, the division of labour. I thank Peter Katzenstein for pointing out to me this source of possible misunderstanding.

10. States in an anarchical society 'regard themselves as bound by certain rules in their dealings with one another, such as that they should respect one another's claims to independence, that they should honour agreements into which they enter, and that they should be subject to certain limitations in exercising force against one another. At the same time they co-operate in the working of institutions such as the forms of procedures of international law, the machinery of diplomacy and general international organization, and the customs and conventions of war' (Bull 1977: 13 and 26-27).

11. The same goes for Robert Keohane's characterization of an institution: 'When we ask whether X is an institution, we ask whether we can identify persistent sets of rules that constrain activity, shape expectations, and prescribe roles' (Keohane 1989: 164). It should be noted however, that anarchical systems most of the time lack so-called 'enforcement rules', which rules constitute the core of any hierarchical system. (Arrow 1971: 225).

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Onderzoek

De politieke betekenis van maatschappelijke participatie

J.W. van Deth

Inleiding

Het uitbrengen van een stem bij verkiezingen is slechts één van de wijzen waarop de burger kan participeren in de besluitvorming in de samenleving. Op politiek gebied staan ook andere instrumenten ter beschikking. Zo kan men deelnemen aan handtekeningenacties, campagnes van politieke partijen of zelf contact opnemen met een wethouder. Naast dergelijke activiteiten, participeren mensen in allerlei organisaties die niet specifiek gericht zijn op het bereiken van politieke doelen. Daarbij kan men denken aan het lidmaatschap van sportverenigingen, kerkbesturen, vrouwenorganisaties of beroepsverenigingen. Hoewel dergelijke organisaties meestal niet zijn gericht op het bereiken van politieke doelen, vervullen zij een dubbelfunctie in de contacten tussen overheid en burger. Het bestuur verkrijgt informatie over de wensen en problemen onder de bevolking via deze organisaties, terwijl diverse organisaties betrokken zijn bij de uitvoering van bijvoorbeeld het sportbeleid of het cultuurbeleid van de overheid. Op die wijze spelen maatschappelijke organisaties een belangrijke rol in de contacten tussen burger en overheid, ook al behoort een dergelijke taak niet tot de primaire doelstelling van veel organisaties.

Deelname aan allerlei organisaties is lange tijd gezien als een belangrijk instrument van burgers om de politieke besluitvorming te beïnvloeden. Auteurs als Tocqueville benadrukten de waarde van dergelijke vormen van participatie voor het democratisch gehalte van een samenleving. Het proces van *individualisering* heeft ook aan dit gebruik een einde gemaakt. Politieke participatie in een moderne democratie kreeg na de jaren zestig vooral ook het karakter van 'opkomen voor jezelf' met modieuze termen als *zelfontplooiing* als ideologische dekmantel. In de jaren tachtig lijkt het tij wat te keren. De grenzen van democratische besluitvorming in de verzorgingsstaat komen in zicht en decentralisatie, deconcentratie, deregulering en privatisering moeten de politiek dichter bij de burgers brengen. Daarbij wordt