False Dichotomies: Why Economics Is High Politics

Norrin M. Ripsman
Political Science Department
Concordia University
Montreal, Canada
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False Dichotomy: When Economics Has Always Been High Politics[1]

Norrin M. Ripsman, Concordia University

As a result of globalization and the increasing salience of global terrorism, it is now commonplace for observers to assert that a sea change in the pursuit of national security has occurred (e.g., Cha 1999; Mandel 1999; Kugler and Frost 2001; Flynn 2002). In addition to eroding the national security state and changing the nature of security threats, these observers assert that the tradition distinction between economics as "low politics" and national security as "high politics" is no longer appropriate (For a critical review of this emerging literature see Ripsman and Paul 2005). After all, in the contemporary era, states must secure themselves in a variety of new ways, including interrupting the sources of terrorist financing, providing economic assistance to poorer areas to prevent them from becoming terrorist breeding grounds, and protecting vulnerable commercial and military networks from sabotage (See, e.g. Van Creveld 1999, pp. 394-408; Ohmae 1994; Lipschutz 2000).

In this chapter, I argue that such arguments, while not incorrect, overstate the degree to which economic considerations and national security were ever separable. Although the security studies literature has been dominated by the traditional distinction attributed to realists between high and low politics, this distinction has always been no more than a caricature of realism. It has been considerably overdrawn, even if one uses a narrow definition of security, for several reasons.[2] First, it ignores the economic underpinnings of military might and national security that many realists themselves acknowledge as essential components of national power. Second, it exaggerates the independence states have both from the international economy and from domestic political opposition when mobilizing economic resources in support of security objectives. Finally, it glosses over the potential for states to achieve national security objectives in an interdependent world economy by using economic instruments, such as economic sanctions and economic incentives.

This chapter systematically attacks the myth that economics must take a back seat to "security" matters, as they do not affect national sovereignty. The first section explores the sources of the realist hierarchy of issue areas. In the second section, drawing upon both the classical geopolitics literature and a growing contemporary literature on the political economy of security, I identify a unique set of "political economy" issues that have a direct bearing on national security calculations. I then demonstrate that even the classical realists who supposedly propagated the inaccurate hierarchy of issue areas and the neorealists who allegedly perpetuated it acknowledge the economic underpinnings of security. Thus, the conception of high politics and low politics that has defined the security studies literature is a mere caricature of realism that leading realists would disavow. Finally, I consider the implications of reintegrating economics and national security policy in the contemporary era of globalization and global terrorism.

The Hierarchy of Issue Areas

Political realists contend that, in an anarchic international system, in the absence of a central authority with an enforcement mechanism to regulate state behavior, states must be prepared to protect themselves from others who may have designs on their resources or territory. They must, therefore, arm and forge alliances in order to preserve their sovereignty. Since the threat of force and the potential for war are always present under anarchy, realists argue that national security and sovereignty protection take precedence over all other national goals, including the promotion of national wealth, the pursuit of ideological ambitions, or other social achievements. They assert, therefore, a hierarchy of issue areas. Matters of defense and national security merit the designation "high politics" and are privileged above all other economic, political, and social matters of state, which are designated "low politics" (For a discussion of this hierarchy of issue as a defining feature of realism, see Keohane and Nye Jr. 2001, p.20). Thus, in Edward Hallett Carr's view, states do not quite face a "guns" versus "butter" dilemma. Economic welfare is a luxury that only secure states can afford. He writes:

> The question asked never takes the form, Do [*sic*] you prefer guns or butter? For everyone (except a handful of pacifists in those Anglo-Saxon countries which have inherited a long tradition of uncontested security) agrees that, in case of need, guns must come before butter. The question asked is always either, Have [*sic*] we already sufficient guns to enable us to afford some butter? or, Granted [*sic*] that we need *x* guns, can we increase revenue sufficiently to afford more butter as well? (Carr 1946, p. 119).

Perhaps because of its privileged position within the realist worldview, the security studies literature—more than any other subfield of international relations—has been dominated by political realism. As a result, economic considerations have traditionally received very little consideration by security theorists (see Mastanduno 1998, pp. 825-854; Blanchard, Mansfield and Ripsman, 1999, pp. 1-14; Kirshner 1998, pp. 64-91; Kapstein 1992). Looking back on fifty years of research on security studies, for example, Michael Mastanduno observed that "the study of economic statecraft, and economic issues more generally, tended to be conducted separately from the study of military statecraft, and national security issues more generally" (Mastanduno 1998, p. 826). And Jonathan Kirshner lamented that, as a result of the Cold War, "[i]n contemporary International Relations theory, there exists a sharp distinction between international political economy and security studies" (Kirshner 1998, p. 64). As I shall demonstrate in the next section, however, this dismissal of political economic issues by the security studies community is unfortunate, since it ignores essential components of state power, several economic instruments that national security establishments have at their disposal, and important political economy dilemmas that they must face when mobilizing resources and manpower in pursuit of national security.

False Dichotomy: The Economic Underpinnings of National Security

<u>Wealth and Military Power</u>

The first and most fundamental problem with the traditional hierarchy of issue areas is that it ignores the economic roots of power. Mercantilists have long contended that "money is the sinews of war" because wealth converts rather fluidly into military power (Baldwin 1985, pp. 72-77; Earle 1986, pp. 217-261). In the age of divine right monarchs employing mercenary armies, wealthier states could afford larger and better-equipped armies. With the introduction of national military conscription after the French Revolution, the size of a state's military apparatus no longer depended as directly on national wealth. Nonetheless, as Napoleon observed, "an army marches on its stomach" (Creveld 1977, p. 40). The ability to feed, clothe, train and equip the armed forces—all of which require economic resources—can play a decisive role in combat. Moreover, in the modern era, wealthier states tend to have more to invest in research and development of weapons technologies, which can yield a decisive advantage on the battlefield.

A state's ability to secure itself is not affected only by aggregate wealth. It also requires access to a wide array of resources (often called "strategic goods") and weapons that can enable it to sustain a war effort (On strategic goods see Culbertson 1924; Emeny 1936; Hessel, Murphy and Hessel 1942; Staley 1937; Haglund 1986, pp. 221-240; Blanchard and Ripsman 1996, pp. 225-246). These include foodstuffs, metals and minerals used in weapons production, oil and other fuels, and a wide range of other materials essential to sustaining agriculture, industry, and the military in wartime. They also require adequate supplies of labor, machinery, and infrastructure. Consequently, one of the most important dilemmas of "high politics" that states must face is an economic one: should they attempt to produce as many of these strategic goods as possible domestically, by striving for autarky, or should they trade for them on the international market? The pursuit of autarky—to the extent that it is possible—entails both economic costs, since it promotes economic inefficiency, and strategic costs, since it requires the state to produce defense goods that it may not have the resources, infrastructure, or know-how to produce (See Millward 1973; Staley 1937). (Consider, for example, the inferior quality synthetic oil that Germany had to produce during World War II, due to its lack of domestic crude oil supplies, or the strategic costs that would accrue to a country like Canada if it produced its own fighter aircraft instead of purchasing state-of-the-art US-built F-18s.) Trading for defense goods, though more economically efficient, is risky, however, since adversaries may be able to terminate shipments or interfere with deliveries from other states during wartime, like the German U-boat campaign did to Allied supply convoys in the Atlantic during the early phases of World War II.

The resource acquisition dilemma is part of a broader political economy dilemma with profound security implications: whether to organize the national economy in accordance with the principles of economic nationalism or those of economic liberalism (See Earle 1986, pp. 217-261; Baldwin 1985, Chapter 5). An economic nationalist strategy, designed to protect domestic industries from foreign competition through the use of both subsidies and trade barriers, may ensure that a defense industrial base exists to serve the national security effort when needed. It may also promote economic distortions and inefficiencies that reduce national wealth and can, therefore, hamper the pursuit of national security. An economic liberal strategy, based on the free market, specialization, and comparative advantage, helps to maximize national wealth and, consequently, the aggregate resources that the state can devote to national defense (See, e.g. Lake 1992, pp. 24-37). Nonetheless, a free market approach will also rationalize the economy. Consequently, it has the adverse effect of extinguishing uncompetitive national industries that produce defense-related goods less efficiently than foreign suppliers, which means that the state cannot count on them to supply the war effort if it is cut off from international supplies.

National wealth, resource allocations, and the structure of economic activity can thus have important consequences for national security. Moreover, since no state—not even the United States or the Soviet Union after World War II—possessed all the resources they required within their national borders, no state is completely autonomous of the international market, which, as we will see in the next section, has profound implications for military strategy.

Trade Dependence and Military Strategy

Since all states depend on foreign trade to at least some degree, economic considerations can have a profound influence on national security policies in preparation for war and wartime military strategies. Much of the business of national security aims to acquire secure access to foreign resources that would not be interrupted in the event of war. Indeed, the primary purpose of colonization was to obtain exclusive ownership and control of overseas resources.[3] Similarly, states can prepare for war by tying the economies of smaller nearby states to their own in order to safeguard access to their exports. They can accomplish this by offering them extremely favorable terms of trade that could not be matched on the international market, as Nazi Germany did in Southeastern Europe before World War II (Hirschman 1945). Alternatively, as Imperial Japan did in its “Co-Prosperity Sphere” in the 1930s, they could coerce smaller neighbors militarily or conquer them to guarantee access to their exports in the event of a broader war (Barnhart 1987). In a more benign fashion, states could forge military and economic alliances with key suppliers.

In wartime, trade dependence and the need to supply the war effort encourage military strategists to target the enemy's economic base as a complement to—or perhaps even a replacement for—battle preparations. As British strategist Sir B. H. Liddell Hart argued, grand battles pitting the bulk of the combatants' forces against each other are physically, economically, and morally exhausting for both victor and vanquished. Conversely, an indirect approach, targeting the adversary's economic infrastructure—i.e., supply lines, fuel depots, shipments of overseas strategic goods, etc.—can overcome both the enemy's will and capability to resist, thereby achieving victory more efficiently (Hart 1967, pp. 351-365). Thus, for example, a strategy of naval blockade—that aims to deny the adversary access to critical overseas strategic goods shipments—can paralyze the adversary's war effort (Mahan 1941, pp. 91-98). Indeed, the Allied victory in World War II was expedited by the wide British blockade of the North Sea, which deprived Germany of the food, oil, coal, and rubber it needed to continue fighting (Grebler and Winkler 1940, pp. 5-23). Similarly, the Germans nearly knocked the British out of World War II with their sustained submarine commerce-raiding campaign, targeting Allied supply convoys in the North Atlantic (Gretton 1977, pp. 128-140). Although it has not been used as effectively in a major war, the strategy of strategic bombing—bombing industrial sites, supply depots, infrastructure, and population centers behind enemy lines in an attempt to defeat the enemy without a decisive battle on the ground—is the airborne analog of naval blockade and commerce raiding (Brodie 1959, pp. 79-106; MacIsaac 1976; Pape 1996).[4]

To complement these physical measures to undermine the enemy's supply efforts, economic strategists can wage economic warfare. Economic warfare entails two broad categories of activities (Wu 1952; Millward 1977, Chapter 9). First, national strategists can impose export embargoes to deny the enemy access to their own strategic resources and manufactures. Second, they can attempt to deprive the enemy of imports from neutral suppliers. Although, as Eugene Gholz and Daryl Press observe, neutral countries frequently benefit from supplying belligerents in war (Gholz and Press 2001, pp. 1-57), they can either be dissuaded from supplying the enemy through diplomatic and military pressure or their supplies can be diverted through pre-emptive buying.

Thus, far from being a trivial concern, economic considerations play a significant role in war-fighting strategy and doctrine because states are not as autonomous of the international market as the security studies literature conventionally assumes.

The Political Economy of War Mobilization: Domestic Political Aspects

States are also not as autonomous domestically as the distinction between economics and high politics implies. Governments do not have automatic access to domestic resources; they must mobilize the money, manpower, industrial capacity and materials necessary to sustain a war effort. They must ensure, however, that the domestic costs of war mobilization are not too onerous for the population or powerful societal groups, or they will risk a revolution, like those in Germany and Russia as a result of World War I, which will undermine national security goals (See Barnett 1992, pp. 3-4).[5]

National security establishments therefore face two political economy dilemmas of utmost importance. The first involves financing the war effort—the focus of the emerging field of defense economics (See, e.g. Hartley and Sandler 1995; Kennedy 1983). Direct taxation, which can provide needed revenue without creating a burden of indebtedness, is the most reliable means of raising revenue. As the tax burden begins to bite, however, it can inspire domestic political opposition to the war effort and the government, thereby undermining the military effort. Conversely, debt financing, using both domestic and foreign debt instruments, offers the advantage of tapping into voluntary suppliers of capital. In the event of a long and costly war, though, debt financing can lead to a heavy burden of indebtedness that ultimately saps state power (Kapstein 1992, pp. 16-19). This is an important reason for the British and French decline after the two World Wars, when they became mired in debt to the United States.

The second dilemma involves raising the manpower, materiel, and industrial contribution to fuel the security apparatus. States can do so within the context of existing state-society relations, by using their existing power resources and policy instruments to levy what they can for the war effort. Such an "accommodational strategy" entails the fewest political costs for the state but, as Michael Barnett observes, it is frequently unable to satisfy all the state's national security requirements during a severe crisis. Thus, states are frequently compelled to pursue "restructural strategies" that alter state-society relations in order to generate a greater domestic contribution to national defence. Either the state can coercively increase its power vis-à-vis society in order to extract a greater contribution, or it can negotiate further limits on state power in exchange for the even larger voluntary contribution it can obtain through liberalization. Coercion, of course, is risky, since it can lead to both domestic resistance and inefficiency. Liberalization, though, erodes state capacity and, therefore, constrains its ability to mobilize for future wars. Thus, Barnett observes that the autonomy of the Egyptian and Israeli national security executives eroded as a result of the domestic political bargains they struck between the 1967 and 1973 Arab-Israeli wars (Barnett 1992).[6]

Thus war mobilization, the quintessential exercise of "high politics," is fundamentally dependent on matters of political economy that the security studies literature wishes to consign to the category of "low politics." But some authors (Trubowitz 1998, Fordham 1998, Solingen 1998, Narizny 2003b, Nolt 1997) go even further, arguing that not only is the state's ability to respond to international threats dependent on domestic political economic factors, but even the way it defines the national interest is a product of the underlying economic interests of society. They contend that key economic interests and sectors compete for the direction of the ship of state to advance their own political and economic interests. What they perceive as a threat, whom they perceive as friend and foe, and how they adapt their grand strategies to respond will, therefore, be determined not only by the politics of the international system, but also by the composition of the ascendant domestic political coalition.[7] Thus, although others (e.g., Lobell 2003; Rowe 1999b) argue that domestic coalitional politics are themselves largely the product of international factors and therefore not properly seen as isolated domestic matters, it may be difficult to distance "high" politics from its "low" politics roots.[8]

Economic Interdependence, Economic Statecraft and National Security

The dependence of states on both domestic support and international sources of supply in order to meet their security needs not only complicates war mobilization and military strategy, it also creates opportunities for states to achieve their strategic goals through economic statecraft rather than military force. If states can manipulate economic interdependence by deepening international economic ties, imposing economic sanctions, or offering economic inducements, they can create incentives for others to behave consistently with their security objectives. I will consider each of these strategies in turn.

Interdependence and international conflict. Commercial liberals maintain that when economic interdependence between states is high, the likelihood that they will use force to settle their differences declines (Blainey 1988, Chapter 2; Angell 1933; Keohane 1990, pp. 186-187). Their argument is that, when trade and investment flow freely across national boundaries, the opportunity costs of war in terms of economic exchange are so high as to make war an unattractive option.[9] Furthermore, trade is more efficient than force as a means of extracting resources and wealth from territory, especially since nationalism and modern technology make conquest unprofitable in the contemporary era (For a dissenting view, see Liberman 1996). Thus, they conclude that liberal states can attain their national security objectives economically rather than militarily, by erecting a liberal international trading regime.

Although there has been a spate of recent tests of the commercial liberal claim, there is still insufficient empirical evidence either to support or refute it. Some quantitative studies have indeed shown a powerful link between interdependence and reduced international conflict (Oneal, Oneal and Maoz 1996, pp. 11-28; Oneal and Russett 1999, pp. 1-37; Oneal, and Russett 1997, pp. 267-293; Polachek 1980, pp. 55-78). Other empirical studies—both quantitative and qualitative—however, show either no clear relationship between interdependence and conflict (Barbieri 1996, pp. 29-49; Ripsman and

Blanchard 1996/97, pp. 4-50) or even some support for the neorealist counter-claim (Waltz 1979, p. 138) that economic interdependence can actually promote interstate conflict (Barbieri 1996; Gasiorowski 1986, pp. 23-38). Still others maintain that intervening variables, such as future trade expectations, the domestic regime types of the trading partners, or their membership in preferential trading institutions determine the effect that interdependence has on conflict (See, respectively, Copeland 1995 pp 5-41; Papayoanou 1995 pp. 42-76; Mansfield, Pevehouse and Bearce 1999 pp. 92-118; Mansfield and Pevehouse 2000, pp. 775-808).

These discrepant findings may be explained by the lack of consistency with which these studies operationalize the variable "economic interdependence" (See Ripsman and Blanchard 2000, pp. 57-85; Blanchard and Ripsman 2001, pp. 95-127; Blanchard and Ripsman 1996, pp. 225-246). According to Robert O. Keohane and Joseph S. Nye, interdependence is characterized not merely by economic interconnectedness, but by economic relations that are mutually costly to break. States are *vulnerable* if they would suffer significant long-term costs if normal economic relations were to be disrupted, but only *sensitive* if policy options are available to them that would mitigate long-term costs (Keohane and Nye 2001, pp. 8-19; Jones 1984, pp. 17-63; Blanchard and Ripsman 1996, pp. 225-246).[10] In other words, economic interdependence refers to the importance of economic relations to national economies and the magnitude of costs that would accrue in the event of their termination. Most of the empirical tests of commercial liberalism, however, use different measures of either sensitivity or mere interconnectedness—including trade as a percentage of GDP, aggregate bilateral trade, foreign investment as a percentage of national income, and the share of foreign currencies as percentage of a state's total reserves (See, e.g. Polachek 1980, pp. 55-78; Gasiorowski and Polachek 1986, pp. 709-729; Domke 1988; de Vries 1990, pp. 429-444; Mansfield and Bronson 1997, pp. 94-107; Oneal et al. 1996, pp. 11-28; Barbieri, 1996, pp. 29-49)—that are not materially equivalent, nor do they fully capture the essence of economic interdependence.[11] Others include measures of the strategically more significant vulnerability interdependence (Gasiorowski 1986, pp. 23-38; Ripsman and Blanchard 1996/7, pp. 4-50). It is difficult to reconcile the results obtained using these very different independent variables and, clearly, more carefully co-ordinated research is needed (For a concerted attempt to fill this gap, see Mansfield and Pollins 2003). Nonetheless, it remains plausible that international economic exchange may have some effect on national security decisions.

<u>Economic Sanctions</u>**.** The condition of economic interdependence gives national security executives another policy tool; they can threaten or impose economic sanctions on another state in order to alter its security policies. Indeed some of the recent applications of economic sanctions have had explicit security goals, including to punish states for testing nuclear weapons (India and Pakistan in

1998), to prevent rogue states, such as Iraq, from obtaining nuclear capability, to contain or terminate regional conflicts (the UN strategy in West Africa) and to punish aggression (UN sanctions against Iraq in 1990) (On these and other episodes, see Cortright and Lopez (with Gerber) 2002). Economic sanctions entail a disruption of ordinary economic relations—e.g., a reduction in financial aid or loans, restrictions on foreign trade or investment, or the seizure of assets—in order to compel a target state to comply with political demands. Sanctions are designed to operate in two ways. First, they impose economic costs on the target state and its leadership, thereby creating international economic incentives to modify their policies.[12] Second, they cause domestic economic deprivation in the target state, thereby generating domestic political pressure for the target government to comply with the sanctioner's demands, or perhaps domestic efforts to overthrow the existing government and replace it with one that will comply (Losman 1979, p. 1; Pape 1997, pp. 90-136, esp. pp. 93-94).

As with commercial liberalism, empirical tests have yielded conflicting conclusions about the efficacy of economic sanctions. Some researchers, such as Gary Clyde Hufbauer, Jeffrey J. Schott and Kimberly Ann Elliott, conclude that sanctions can achieve their stated purposes as frequently as 35% of the time (See Hufbauer, Schott and Elliott 1990; Doxey 1987; Daoudi and Dajani 1983; Weintraub 1982). Their optimism is bolstered by high profile cases of apparent sanctions success, such as Western sanctions against the South African *apartheid* regime. Moreover, as David A. Baldwin argues, sanctions can achieve important political objectives—such as deterring third parties from taking unwelcome actions—even if they fail to achieve their stated purposes (Baldwin 1985, pp. 130-144; Lindsay 1986, pp. 153-173).[13] Conversely, studies by Robert A. Pape and others maintain that economic sanctions are rarely effective at achieving important security objectives; when they do appear to "succeed," it is usually an artifact of either military or political pressure or the insignificance of the demands made (Pape 1997, pp. 90-136; Haass 1997, pp. 74-85; Knorr 1977a, pp. 99-126; Galtung 1967, pp. 378-416). Sanctions pessimists further justify their skepticism with reference to high profile failures, such as the 40-year American sanctions regime against Cuba and the 12-year international sanctions that failed to bring about either compliance or political change in Iraq. A third group of scholars occupies the middle ground, arguing that sanctions succeed only when the right international and domestic political conditions are present (Blanchard and Ripsman 1999, pp. 228-264; Kirshner 1997, pp. 32-64) or when the sanctioner possesses enough economic power to impose heavy economic costs on the target state.[14]

Despite this muddled empirical record, the increasing use of economic sanctions by the United States and the international community in the post-Cold War era—both in place of and in tandem with traditional military and political instruments—indicates that the realms of economics and security are integrally linked.

Economic Incentives. In addition to coercive economic sanctions, the need for states to reach beyond their borders to finance and supply war also presents an opportunity for national security establishments to purchase security with economic incentives and foreign aid.[15] These incentives can take two forms. Short-term trade, financial, or technology transfers can be exchanged for immediate and limited policy changes in a sort of *quid pro quo* with the target government (Drezner 1999, pp. 188-218). Alternatively, longer-term preferential trading arrangements can be extended in the hope of influencing the target state's policies in the medium- to long-term. In the latter case, the "influence effect" occurs over time, as domestic groups in the target develop vested interests in continuing the economic relationship and pressure the government to avoid policies that endanger it (Hirschman 1945, pp. 14-40; Abdelal and Kirshner 1999, pp. 119-156; Long 1996, pp. 77-106; Newnham 2002). Both these strategies offer the target state a reward for compliance, rather than a punishment for non-compliance; therefore, they can, in principle, achieve their purposes without engendering the hostility and resistance that economic sanctions can inspire (Baldwin 1971, pp. 19-39). Moreover, an incentives regime is relatively easy to maintain, since third parties have no incentives to interfere, as they do with economic sanctions.[16]

Very little systematic empirical testing has been conducted on the efficacy of economic incentives (See Baldwin 1989, Chapters. 4, 7). The research that has been done, however, demonstrates that it is much more difficult to achieve important political objectives with incentives than it is with coercive economic and political instruments (See especially Drezner 1999, pp. 188-218). Two recent episodes, however, provide some evidence that economic inducements may, indeed, serve national security purposes. The inclusion of economic incentives to cement the Bosnian peace accord indicates that economic payoffs can help stabilize a civil war (Väyrynen 1997, pp. 155-181). And the American and Japanese use of financial and technological incentives to forestall the construction of a weapons grade nuclear facility by the government of North Korea was able to contain North Korean nuclear aspirations, at least for a few years (Snyder 1997, pp. 55-82; Newnham 2003). Thus, under the right circumstances, economic statecraft may be able to contribute quite a bit to the pursuit of national security.

Realist Writings and the Political Economy of National Security

To this point, I have demonstrated the inappropriateness of the false dichotomy between economics and high politics that dominates the security studies literature, since economic factors play a central role in matters of security and defense. In this section, I will show that even realists have recognized the economic underpinnings of security and identified them clearly in their writings.[17]

To begin with, the same classical realists and geopoliticians who are said to have privileged national security over economics nonetheless identified national wealth and industrial capacity as a component of national power. In his seminal discussion of "the elements of national power," for example, Hans Morgenthau lists natural resources and industrial capacity as essential prerequisites of great power status (Morgenthau 1985, pp. 130-139; Organski and Kugler 1980, Chapter 2; Knorr 1977b, pp. 183-199; Knorr 1973; Jones 1971, pp. 164-186). John Mearsheimer, recognizing that "the more resources a state has at its disposal, the more likely it is to prevail in war," considers wealth an important building block of "latent power," which may be harnessed by the state to build military power (Mearsheimer 2001, pp. 57-82). And Fareed Zakaria observes that wealth not only allows states to pursue broader security interests, it conditions national leaders to do so (Zakaria 1998).

In this regard, the proponents of realist power transition and hegemonic war theory contend that the engine that drives the competition for hegemony in the international system is the differential economic growth rates of the great powers. As the leading state of the international system maintains its global interests, the economic burden of overextension serves as a drag on its power. Meanwhile, challengers—who are not economically overextended—may emerge to vie for leadership of the international system as a result of a growth of their population, industrial capacity, wealth, and military might. The result is frequently a hegemonic war (See Gilpin 1981; Organski and Kugler 1980; Kennedy 1987). Thus, for realists, the determinants of relative power and military conflict—the bread-and-butter of high politics—are often economic.

Structural realists, or neorealists, also implicitly accept the economic foundations of military power in their debate with liberals over the difficulty of international cooperation. Liberals maintain that international economic cooperation is possible and even likely, as states will recognize that they all stand to gain. Neorealists reject this liberal view that international politics and economics are zero-sum games. Instead, they contend that cooperation in international politics is difficult, even in matters of "low politics," such as trade or investment, because states seek relative gains, as opposed to absolute gains. They do so, neorealists argue, because of the security externalities of trade and investment. Since the gains of economic exchange are distributed unevenly and since increased wealth leads to increased power, states are unwilling to allow potential competitors in an anarchic environment to gain at their expense (Grieco 1988, pp. 485-507; Mearsheimer 1994/95, pp. 10-11). For this reason, Joanne Gowa maintains that trade is most likely to flow within alliances, rather than across them, and is likely to be higher when the polarity of the international system dissuades alliance defection so that states do not need to fear that the security externalities of economic exchange will be used to benefit a rival alliance (Gowa 1994).

Thus, even realists recognize that national security is at least partially rooted in economics. Indeed, a careful reading of the leading realist scholars would put the false dichotomy to rest. Morgenthau, for example, writes, "…it is necessary to distinguish between, say, economic policies that are undertaken for their own sake and economic policies that are the instruments of a political policy—a policy, that is, whose economic purpose is but the means to the end of controlling the policies of another nation." Such economic policies "…must be judged primarily from the point of view of their contribution to national power" (Morgenthau 1985, p. 36). Carr similarly took pains to debunk the "illusory separation of politics from economics." To this end, he commented, "The contrast is not one between 'power' and 'welfare,' and still less between 'politics' and 'economics,' but between different degrees of power" (Carr 1946, pp. 119-120). Waltz thus concludes that "[T]he distinction frequently drawn between matters of high and low politics is misplaced. States use economic means for military and political ends; and military and political means for the achievement of economic interests" (Waltz 1979, p. 94). And, in his treatise on offensive realism, Mearsheimer affirms that:

> Survival is the number one goal of great powers according to my theory. In practice, however, states pursue non-security goals as well….Offensive realism certainly recognizes that great powers might pursue these non-security goals, but it has little to say about them, save for one important point: states can pursue them as long as the requisite behavior does not conflict with balance-of-power logic, which is often the case. Indeed, the pursuit of these non-security goals sometimes complements the hunt for power….Furthermore, greater economic prosperity invariably means greater wealth, which has significant implications for security, because wealth is the foundation of military power (Mearsheimer 2001, p. 46).

Clearly, the dominant interpretation of the hierarchy of issue areas represents a misreading of realism and, therefore, a distortion. Realists do prioritize matters of national security and sovereignty. But this does not necessarily consign all matters of economics, the environment, or social policy to the basket of "low politics." Instead, realists treat any instrument or policy that may affect national security ends as matters of "high politics" (For a recent realist statement of this position, see Miller 2001, pp. 13-42).

The Economic Roots of National Security in an Age of Globalization and Global Terrorism

Recognizing that economics and national security are heavily intertwined, there are several features of the contemporary era that shape the political economy of national security in the twenty-first century. These features, which I will discuss in turn, are the phenomenon of globalization, the changing nature of warfare, and the rise of global terrorism.[18]

The contemporary era has been labeled one of globalization, where the scale of economic activity transcends the nation-state and is organized on a global scale.[19] Economic globalization basically refers to two parallel phenomena that have increased in magnitude since World War II. The first is economic interdependence, which I have already discussed. The second, which poses a different set of challenges for the national security apparatus, is transnationalism, which refers to the increased ease with which goods, services, and business entities can cross national boundaries due to revolutionary advances in communication and transportation technologies (See Frieden and Rogowski 1996, pp. 26-27).[20] The increasingly transnational organization of economic activity in the contemporary era should have profound implications for national sovereignty and national security policy. While much has been written on transnationalism's assault on sovereignty and national autonomy in the economic realm, very little research has been done to date on its implications for national security.[21] It stands to reason, however, that as corporate investment, decision making, production, marketing, and sales take place across national borders and involve shareholders, managers and laborers from multiple countries, the ability of states to pursue the economic nationalist/autarkic security policies discussed above erodes. After all, what constitutes a national defense company that should be cultivated and protected to ensure an adequate national defense supply base in case of war? One that operates on national territory, even if it is largely foreign-owned, or one that is nationally-owned, but operates abroad with foreign managers and workers? (For a similar point, see Reich 1990, pp. 53-64) Thus, in a globalized world, states often have less control over the production and distribution of defense related goods and technologies than multinational corporations (Goldblatt, et. al. 1997, pp. 277-279).

Furthermore, the growing dependence of the military and the civilian economy on computer technology and the increasing speed with which people, goods, services, and information cross borders create a host of new national security concerns with which states must deal. These include enhanced risks of terrorism, electronic sabotage, and large-scale illegal immigration (See, e.g. van Creveld 1999, pp. 394-408; Mandel 1999; Rosso, Jr. 1995, pp. 175-207; Weiner 1994, pp. 394-412). As a result, states must increasingly define national security goals in terms of economics. In particular, they must protect their commercial networks from infiltration and sabotage; they must monitor a growing amount of inter-state commercial transactions to prevent illegal money laundering and the transfer of money and deadly weapons to the hands of terrorists or rogue states; they must be more vigilant at international borders and transportation centers to prevent the smuggling of human cargo and explosives; and they must persuade people worldwide that it is safe to conduct business, lest terrorist groups and other international outlaws paralyze the global economy with fear.[22] Thus, some, such as Flynn (2002), contend that national security activities in the contemporary era must consist of data mining, trade inspections at border crossings, commerce protection, and the issuance of tamper-proof identity cards.

Moreover, in the post-September 11 environment, when not only American security, but that of the Western world and other states—such as Russia and China—face global terrorism as their principal threat, national security becomes a matter of winning hearts and minds, rather than one of defeating traditional foes on the battlefield. The economic dimension of counterterrorism is, therefore, considerable (Livingstone, 1989, pp. 77-106; Crenshaw 1990, pp. 113-126). In addition to locating and tracking down terrorist groups, national security establishments must also try to counter the appeal of terrorism, which means that, where appropriate, they must help to improve the economic circumstances of disaffected populations.[23] In this regard, the wealthy industrialized countries must not only increase foreign aid to the breeding grounds of global terrorism, but also must encourage less corrupt governments in these regions that will allow economic assistance to reach those most in need. For, as Samuel Huntington contends, "[g]overnments that fail to meet the basic welfare and economic needs of their peoples and suppress their liberties generate violent opposition to themselves and to Western governments that support them" (Quoted in Mousseau 2002/2003, p. 7). Furthermore, they must provide likeminded governments in these regions with the economic and technological means to monitor local groups of extremists and combat local terrorist cells. Finally, they must use economic incentives and economic sanctions to reward regional governments who assist in the fight against terrorism by restructuring their economies to reduce radical socioeconomic inequalities and prod along those who do not (See Cronin 2002/2003, pp. 30-58, esp. pp. 56-57).

Thus the economic dimensions of security have maintained importance in the twenty-first century and have grown more complex. Clearly, it would be a gross error to cling to the traditional distinction between economics and high politics in the modern world.

Conclusion: An Increasingly Inappropriate Distortion

Even with a minimalist, traditional definition of national security, the distinction between national security as "high politics" and economic affairs as "low politics" is artificial and inappropriate. States are not as autonomous from either the international market or the domestic political economy as they would have to be for this distinction to be useful. They are dependent on the international market for many of the resources and weapons, as well as much of the financial resources needed to safeguard national security. They also cannot take domestic resources for granted when mobilizing for defense, lest they engender a domestic revolt that could undermine national security to a greater degree. Consequently, the political economy of defense mobilization is of utmost importance to national security policy. Furthermore, national dependence on international sources of supply and the domestic political economy creates the potential to achieve security goals through economic means, such as economic sanctions, incentives, or the deepening of international trade. Thus economic considerations can be central to the pursuit of national security, both in the contemporary era of globalization and new security threats, and in earlier ones.

As we have seen, though, political realists and neorealists did not actually intend to divorce economics and national security. Instead, they acknowledged that wealth promotes military power and that economic policy can complement defense policy. Thus, the realist hierarchy of issue areas has been greatly exaggerated by the security studies literature to exclude economic matters, which has led to an unwarranted dismissal of the political economy of national security. As a result, the "re-emergence" of the political economy of security in the post-Cold War era is not as novel or radical a departure as we may be led to believe.

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[2] For the case that security must be interpreted narrowly so as to include only threats to national sovereignty and matters of war and peace, see Walt (1991, pp. 211-39); Miller (2001, pp. 13-42). Others (Dixon 1994, pp. 5-40; Ayoob 1997, pp. 121-146; Klare and Thomas 1994) argue, however, that the concept of security must be broadened to include economic and ecological threats, as well as threats to individuals and groups.

[3] Staley (1937, pp. 24-26) observes, however, that control of resources is less important than access. Therefore, since the enemy can blockade shipments from colonial possessions during wartime, colonial resources a state possesses may be less valuable than those it purchases from a neighboring ally or neutral supplier.

[4] It is possible that modern technology has made strategic bombing more effective, as suggested by two campaigns against Iraq and the war against Serbia.

[5] As these revolutions demonstrate, state autonomy from domestic attitudes in the national security realm does not depend solely on regime type. Even authoritarian states can be dependent on key domestic groups. Conversely, even democratic states can be autonomous of domestic opposition in matters of national security (See Ripsman 2002).

[6] Barnett suggests a third option, "an international strategy," which pertains more directly to war financing, as I discuss above.

[7] Narizny (2003a) is more nuanced, arguing that domestic economic interests constrain strategic responses, rather than define the threat situation.

[8] I (Ripsman 2002) also contend that, in high threat situations, domestic interests tend to defer to national security policy executives, which minimizes the impact of domestic political economic squabbling over policy.

[9] This, of course, presumes that war necessarily interrupts economic relations between combatants. For a recent study that suggests otherwise, see Barbieri and Levy 1999, pp. 1-17.

[10] For the argument that only mutual vulnerability can be considered interdependence, see Baldwin (1980, pp. 471-506); Waltz (1970, pp. 205-223).

[11] Such measures may indicate the magnitude of a state's exposure, but not the actual costs that would accrue in the event of a disruption, since they do not consider the availability of alternate sources of supply or the importance of the goods traded (Blanchard and Ripsman 1996, pp. 225-246).

[12] This is especially the case with targeted economic sanctions that aim to impose costs on the leadership of the target state and not its population (Cortright and Lopez 2002).

[13] Indeed, publicly stated objectives may amount to no more than a smokescreen concealing the true purposes of sanctions. In his re-examination of British sanctions against Rhodesia, for example, Rowe

(1999a, pp. 254-287) indicates that British leaders had not in fact desired to topple Ian Smith's regime with their oil embargo. Instead, they had merely wanted to send a signal of resolve to the African members of the British Commonwealth that would not be so strong as to invite retaliation from South Africa.

[14] Nossal (1994), for example, argues that only great powers can expect to influence target state behavior with economic sanctions.

[15] For a recent study focusing on the use of economic incentives in the high politics area, see Bernauer and Ruloff (1999).

[16] Third parties can often supply sanctioned states at better-than-market prices, which can defeat a sanctions regime (Crumm 1995, pp. 313-330).

[17] Of course, economic and political liberals have long recognized that economics and security are intertwined. That is why Adam Smith recognized that a wealthy nation is also a secure nation and the Manchester liberals assumed that free trade would reduce international conflict (see Earle 1986, pp. 217-261; Dawson 1926). Since realist writings have dominated the security literature, this section will confine itself to a discussion of realist who challenge the alleged hierarchy of issue areas.

[18] My purpose here is not to examine all of the changes that globalization and modernity bring to the pursuit of national security. Instead, my focus is on how globalization both complicates and increases the importance of the *economic* dimension of national security. For a broader discussion of the impact of globalization on the pursuit of security, see Cha (1999, pp. 391-403).

[19] This definition of globalization is both an economic one and a spatial one, drawing upon Frieden and Rogowski (1996, pp. 25-27); Goldblatt, Held, McGrew, and Perraton (1997, pp. 269-285); Cerny (1995, pp. 595-625, esp. pp. 596-597); Cha (1999, p. 392). There are also political definitions of globalization focusing on the ability of the state to adjust to economic changes, social definitions, which assess the winners and losers in a globalized world, and cultural definitions which define globalization in terms of changing identities (see Hülsemeyer 2003, pp. 3-4).

[20] For more political definitions of transnationalism, see Keohane and Nye, (1973); and Risse-Kappen (1995).

[21] Some notable exceptions include Cha (1999); Kugler and Frost (2001); van Creveld (1999); and Mandel (1994). It should be noted, however, that the predictions of this emerging literature do not fully conform to the experience of national security apparatuses in the 1990s and 2000s (Ripsman and Paul 2003).

[22] The impact of the September 11 terrorist attacks are instructive in this regard. Not only did they hurt global stock prices immediately, over the longer term they devastated the international airline industry—sending some national airlines into bankruptcy—damaged consumer confidence, and sent shock waves through the global economy.

[23] Of course, since the majority of the September 11 bombers were from Saudi Arabia, a rather wealthy country, the link between poverty and terrorism might be exaggerated (see Mousseau 2002/2003, pp. 5-29, esp. pp. 7-8; Pipes 2001/02, pp. 14-21). Moreover, billionaire Osama bin Laden is also not waging his war against the West for economic reasons. Nonetheless, it seems plausible that al-Qaeda's appeal would diminish among much of the Islamic world if the region's poor were not to perceive as sharp an income gap between them and the Western world.