Introduction

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1. International political structure is "anarchy" , where central government securing "survival-independence" for states does not exist. Therefore, states are forced to pursue security—survival-independence for states—as core state interest.

2. Because of concern over survival-independence, states dislike dependence or subordination to other states, and refrain from extending economic exchange one another.

3. If one state takes an advantage in relative gains in trade, the state will relatively enhance power and might pursue more hard-line, more aggressive diplomacy, and what is worse, even aggression against the other state. This situation will undermine the other state's survival-independence. Therefore, states hesitate to extend economic cooperation because of concern for relative gains as well as dependence.

Neorealist hypotheses often contradict the reality of international politics. Neorealist hypotheses face explanatory problems especially about economic statecraft, because these hypotheses pay little attention to economic aspects in national security.

Another Logic of Anarchy:
Economic Prosperity, Economic Dependence, and Relative Losses

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"Neo-realist" hypotheses have been one of the main debates over international political theories. This paper poses questions in neorealist hypotheses over national interest, economic dependence, and relative gains, and then, proposes new alternative hypotheses which represent the logic of anarchy different from neorealism. Neorealist hypotheses are as follows.

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Finally, I will clarify that considering economic value and instruments in national security analyses is very important. My consideration proceeds as follows.

First, I summarize neorealist hypotheses on national interest, economic dependence, and relative gains, and point out some problems in these hypotheses.

Secondly, I propose new hypotheses. They stem from the logic of anarchy different from neorealism.

Thirdly, I consider why neorealist hypotheses face these explanatory problems, and argue that neorealist hypotheses are lacking in the viewpoints of economic interest and instruments.

Finally, I argue that economic factors deserve more than a passing notice in national security studies.

Although I accept the same presuppositions as neorealist hypotheses—I accept anarchy and concern over survival-independence—I accept the same presuppositions as neorealist hypotheses. This is because I bring economic factors into my hypotheses. This suggests next two points. Economic interest is important. The possibility that states purposefully choose economic dependence or relative losses as statecraft should be considered in security studies.

I propose the logic of anarchy different from neorealism. It is because of anarchy in international political structure that states pursue economic prosperity as well as survival-independence. It is because of anarchy and concern for survival-independence that states can be willing to approve economic dependence or relative losses. In short, very different conclusions can be deduced from the same presupposition as neorealist hypotheses ( anarchical structure in international politics, and concern for survival-independence). This suggests how important it is to bring economic interest and instruments into national security analyses.

Neorealist Hypotheses

In security studies, economic factors such as economic value and instruments are very important, because national security theories that are lacking in the viewpoints of these economic factors often have serious problems in explanation and prediction. Neorealism is a good example.

What is neorealism? The definition of neorealism itself had often been the subject of debate in the past, but this is not my present purpose. I will use the term “neorealist hypotheses” to refer to the hypotheses which Kenneth N. Waltz (the founder of neorealism), Joseph M. Grieco, Michael Mastanduno, and John J. Mearsheimer have argued. These are as follows:

1. International political structure is “anarchy”, where central government securing “survival-independence” for states does not exist. Therefore, states are forced to pursue “security” as core state interest, and security means survival-independence for states.
2. Because of concern over survival-independence, states dislike dependence and subordination to other states, and refrain from extending economic exchange one another.
3. States are concerned not over “How much will we gain? (absolute gains)” but over “Who will gain more? (relative gains).” If one state takes an advantage in relative gains in economic exchange, the state can relatively enhance its power. Thus, the state might pursue more hard-line, more aggressive diplomacy, and what is worse, even aggression, against the other state. This situation will undermine survival-independence for the other state. Therefore, states hesitate to accelerate economic exchange. Concern over relative gains as well as dependence discourages states from extending economic cooperation.

However, these hypotheses often contradict the real-
ity of international politics. Contrary to neorealist hypotheses, states are actively engaged in economic exchange. Contrary to neorealist hypotheses, it is because of concern over survival-independence that states often accept economic dependence or disadvantage in relative gains and extend economic exchange. Furthermore, even when states are concerned for relative gains, it is often not because states are concerned for their survival-independence, as neorealists argue, but because states are interested in economic prosperity.

These explanatory problems arise because neorealist hypotheses pay little attention to economic interest and instruments. National security theories which pay no attention to these economic factors often lead to false conclusions.

**Different Possibility: Neorealist Hypotheses Revisited**

Neorealist hypotheses 1, 2, and 3 mentioned above are lacking in the viewpoints of economic interest and instruments, so that they can lead to wrong conclusions or predictions. This paper will propose different hypotheses I, II, and III. These hypotheses stem from the logic of anarchy that is different from neorealism. With these hypotheses, explanatory problems in neorealism would be clear, and it would be shown that economic factors deserve more than a passing notice in national security studies.

I. In anarchical international political structures, states seek not only survival-independence but also economic prosperity as an important object of national security (This hypothesis is relative to neorealist hypothesis 1).

II. Even if states hesitate to extend economic cooperation because of concern over relative gains, states might do so not because of survival-independence but because of another reason, that is, economic prosperity (This hypothesis is relative to neorealist hypothesis 1, 3).

III. In anarchical international political structures, it is because of survival-independence that states might be willing to accept economic dependence and disadvantage in relative gains, that is, relative losses (This hypothesis is relative to neorealist hypothesis 2, 3).

I. In anarchical international political structures, states seek not only survival-independence but also economic prosperity as an important object of national security.

According to neorealist hypotheses 1, 2, and 3, minimum economic exchange or protectionism can be reasonable economic tactics. However, actually, many states are actively engaged in economic exchange such as trade, international financial transactions, and foreign direct investment. For example, gross international trade rose from $25 billion in 1938 to $6 trillion in 2000.7 Why do we find these gaps between real international political life and neorealist hypotheses?

The main reason is that neorealism considers only survival-independence as an object of national security—core national interest—and excludes economic interest from there. For example, Waltz identifies survival with national security. However, as a threat against economic prosperity has often led to a war, economic prosperity as well as survival-independence has been core national interest and an important object of national security.

Why economic prosperity can be core national interest? The first factor lies in a human nature. According to Hans J. Morgenthau, states seek political power because human beings have a lust for power.8 A similar logic can be applicable to states seeking economic prosperity. For human beings, it is easy to adapt themselves to the change from poor to rich, but it is hard to adjust themselves to the opposite change. Everyone hopes to keep the present standard of life, and improve that, if it is possible. To keep legitimacy of governance, states must be supported by their people to a certain extent. Thus, it is impossible for every state to ignore this kind of human nature altogether, and it is difficult for most states to seek perfect autarky and protectionism which may lead to deterioration in the standard of life.

Secondly, anarchical structure in international politics—no existence of central government—may give states a strong incentive to pursue economic prosperity, too. As Barry Buzan and Paul Kennedy have pointed out, in anarchical structure intense competitions over quality, price, and technical innovation are
repeated and the rise and fall of units is common, whereas in hierarchical structure these competitions and the rise of new class are impeded. Moreover, in anarchical structure, changes in military balance caused by changes in economic growth affect national survival-independence vitally. From these reasons, in anarchical international political structure, economic prosperity may be pursued as core interest.

Thirdly, the emergence of nuclear weapons, nationalism, and economic interdependence is significant, too. Because of these phenomena, military aggression and occupation have paid a high cost, and the following changes in international politics have occurred.

1. As the collapse of the Soviet Union shows, it is no longer possible that states stop economic decline by using only military power, and economic efforts are indispensable to stop economic decline.

2. States have taken extreme caution in using military instruments, and economic means have become important increasingly.

3. States have needed a certain level of economic power, because with fragile economy states can not defend or pursue their national interest by economic instruments and tenaciously resist economic coercion used by other states.

Because of these changes, economic prosperity has been significantly important for states today.

II. Even if states hesitate to extend economic cooperation because of concern over relative gains, states might do so not because of survival-independence but because of another reason, that is, economic prosperity.

The ignorance of economic interest by neorealism limits core national interest to survival-independence, and it causes another problem. That is the confusion of two different kinds of relative gains—relative gains for survival-interdependence and relative gains for economic prosperity.

As John C. Matthews has pointed out, in industry sectors where present disadvantage in relative gains causes future fatal damage, concern over relative gains may be caused not by the motive of survival-independence but by economic motive. For example, like the computer industry, we can find industrial fields where having a big market share and experiences for production may lead to technical improvement and increase in cumulated production.

In short, states are often concerned over relative gains not because of survival-independence but because of economic prosperity, and thus, neorealist hypothesis about relative gains is not appropriate. In the same way, about protectionism and autarky, it is common to protect infant industry not for survival-independence but for economic prosperity.

III. In anarchical international political structures, it is because of survival-independence that states might be willing to accept economic dependence and disadvantage in relative gains, that is, relative losses.

Neorealist hypotheses are based on the premise that concern over survival-independence leads to avoidance of economic dependence or adherence to relative gains. However, this is a false premise about economic instruments. In reality, because of concern over survival-independence, states often take the opposite economic statecraft to neorealism. That is, states often accept economic dependence or relative losses and accelerate economic exchange.

A state might engage in economic exchange with hostile states despite the concern over economic dependence, because, if relative gains are positive, economic exchange will give the state an opportunity to enhance its economic or military capabilities and stabilize its survival-independence.

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12 Mastanduno recognizes that this kind of concern over relative gains exists. But he discusses relative gains without telling this difference explicitly. Mastanduno, “Do Relative Gains Matter?,” pp. 80, 109.

13 Mearsheimer is also aware of this concern and points out strategic trade theory as an example. But he regards this concern as “non-security” logic and evades detailed discussions. Mearsheimer, “The False Promise of International Institutions,” p. 20.

14 Buzan, *People, States and Fear*, pp. 246, 261.
A state might also choose economic exchange with hostile states despite the concern for disadvantage in relative gains. Disadvantage in relative gains against the enemy means advantage in relative gains for the enemy. Therefore, economic exchange with the enemy can give the state political influence on the enemy, by using relative gains for the enemy as bait and making the situation that dependence of the enemy on the state is bigger than dependence of the state on the enemy.14

According to Dale C. Copeland, though the United States had recognized disadvantage in relative gains, the US government concluded trade agreement with the Soviet Union in 1972. Kissinger intended to enhance American political influence on the Soviet Union by accelerating dependence of the Soviet on the United States. On the other hand, the Soviet Union, despite concern over economic dependence on the United States, concluded trade agreement with the U.S. to enhance national resources and improve relative power position against the U.S. by getting relative gains.15

Neorealists assume that if economic dependence decreases, survival-independence will be stable, but this is not always true. Excessive self-sufficiency rather than economic dependence leads to economic decline and get survival-independence vulnerable.16 In many cases, rather than self-sufficiency, promoting economic exchange and diversifying economic partners are safe and practicable in protecting survival-independence.

States might be engaged in economic exchange, though they are very concerned over survival-independence. For example, even if relative gains are not positive, states might attempt to accept such situation and keep economic relations with an enemy state to evade retaliation. For example, in the late 1930s, from this consideration, high officials in the Roosevelt administration hesitated to carry out economic sanctions against Japan.17

In addition, when states act in multipolar structure, states might promote economic exchange because of the two reasons stemmed from concern about survival-independence18:

1. In multipolar structure, a friend suddenly becomes an enemy or vice versa, and realignment among states are reiterated. Therefore, if a state refuses to promote economic exchange, the state might be isolated and in peril of survival-independence.

2. In multipolar structure where states actively realign, if a state does not promote economic ties, other states might promote economic ties one another and the state might fall behind them in relative gains.

**Different Logic of Anarchy**

More than sixty years ago, Albert O. Hirschman pointed out, “It remains true that complete autarky can hardly be considered as an element of an intelligent power policy.”19 Neorelist suggests that states are concerned over survival-independence because of anarchical structure in international politics and limit economic exchange because of concern over survival-independence. I agree with the former but disagree with the latter. I argue it is because of survival-independence that states often enlarge economic exchange.

As Hirshman argued, as a matter of fact, economic exchange to a certain extent is indispensable for exercising political influence against other states. For example, let us suppose China has 3% of Taiwan’s total export. In this case, it is hardly possible that China influences Taiwan by suggesting the benefit of China–Taiwan trade and the cutoff of it, because it is very easy for Taiwan to find another trade partner. However, if this percentage exceeds 20%, Taiwan has difficulties in finding another partner, and thus, China can influence Taiwan by using trade. This logic gives states an incentive for expanding economic exchange.

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16 Buzan, *People, States and Fear*, pp. 236, 251.
I do not mean that neorealism is evidently false. I mean that it is lacking in insight into economic value and statecraft. As neorealists argue, states are often concerned over relative gains, but it might be caused by another factor rather than concern over survival-independence which neorealists point out as a cause. That is concern over economic prosperity. Neorealist hypotheses overlook this point because neorealism ignores economic value.

Furthermore, although some states sometimes are concerned over relative gains, other states often pay little attention to relative gains and accelerate economic exchange for the same reason as neorealist hypotheses (concern over survival-independence). Neorealist hypotheses overlook this point, too, because neorealism also ignores economic instruments.

If we take account of economic interest and instruments, the opposite conclusion to neorealist hypotheses can be derived from the same theoretical foundation as neorealist hypotheses. That is, the acceleration of economic exchange can be derived from anarchical structure in international politics and concern over survival-independence.

**Survival-Independence vs. Economic prosperity**

Finally, I consider the relation of two different values-survival-independence and economic prosperity. What is the core value for states? According to Kenneth N. Waltz, the father of neorealism, it is “survival” because national survival is not assured in anarchical international structures where there is always potential for war. However, in this paper, I used “survival-independence” (survival with independence) rather than “survival”. The following are the reasons.

First, if we take “survival” literally, it only means “the state continues to exist”. It is not suitable and meaningful to apply this meaning of “survival” to states directly, because states rarely perish, even though they often decline. If we pick up a case where states perished, we must go back to the past case in Tibet or Baltic States.

Secondly, survival must accompany independence. Just “survival” is meaningless where people’s life and property are violated, political or cultural identity is lost, and the state is subject to other states. If states seek this kind of “survival”, it will be realized certainly by an unconditional surrender to other states.

Thirdly, the usage of “survival” by Waltz is often ambiguous. In fact, Waltz himself has sometimes used “survival” to mean “survival with independence”, that is, “survival-independence”.

What should be suggested as concrete contents of survival-independence? I think the following six points should hold true here: territory, basic human needs like food or water, rights for diplomatic decisions, international status, political identity, people’s life and property. If these things are undermined, we can say it is the violation of survival-independence.

In addition to survival-independence, I pointed out “economic prosperity” as another core value for states (see hypothesis I). Economic prosperity means keeping or getting national wealth and its key indicators change over time. For example, while in mercantilist period lump of gold was considered wealth, in liberalist period production capabilities were taken as wealth. Today, as key indicators of wealth, we consider growth in GDP, stable energy source, and the stability in tax income, foreign reserves, currency, commodity prices and employment. If financial crisis, long-term depression, or fatal decline in key industries occurs, we can say that national wealth would be threatened.

Economic prosperity is pursued by states as a basis of survival-independence or an immediate goal. In the latter case, economic prosperity and survival-independence ultimately conflict with each other. For example, excessive economic efficiency or massive dependence on trade increases vulnerability and impairs survival-independence. Conversely, imprudent pursuit...
of survival-independence leads to costly self-sufficiency or storage, and threatens economic prosperity.

I propose the following hypothesis about the relation between survival-independence and economic prosperity. States evade attaching too much importance to one value and making the other value dangerous. That is, states pursue not maximization of one value but appropriate balance between both values. States actively seek economic prosperity until “the critical point” where states recognize that survival-independence is in danger. But, as approaching this critical point, states give priority to survival-independence at the risk of economic prosperity, irrespective of economic situation at that time.26 In this sense, these two values closely link each other.

This hypothesis means that the pursuit of economic value depends on the following question: to what extent is survival-independence secured? Therefore, survival-independence ranks above economic prosperity as core national interest. At one time, states can give up survival-independence (for example, Czechoslovakia from 1938 to 1939) or attempt to expand territories at the risk of survival-independence (for example, Germany in the late 1930s). However, it is wrong to argue that survival-independence and economic prosperity are equivalent as core national interest. Survival-independence is prerequisite for all other interests, and the foregoing “critical point hypothesis” means that the pursuit of economic prosperity always depends on the condition of survival-independence, that is, whether survival-independence approaches critical point or not.

International politics in the post cold war period has often been described as if economic prosperity became the most important national interest. This kind of argument is misleading. Even if the state where concern over survival-independence dwindles seeks economic prosperity actively, it does not mean that economic prosperity is more important than survival-independence as core national interest. The former and the latter are on different levels. It is logically false to deduce the latter from the former.27

Neorealists are right in that they consider survival-independence as the most important value for states. However, neorealist hypotheses are too parsimonious. They consider only survival-independence as core value for states and exclude economic value.

**Conclusion: We should introduce economic factors into national security studies**

This paper pointed out some problems about national interest and economic statecraft in neorealist hypotheses, and then, attempted to propose alternative hypotheses. Although neorealism has had significant influence on national security studies since the 1980s, its hypotheses are lacking in the viewpoints of economic value and statecraft. National security theories which ignore economic factors often lead to wrong conclusions or predictions. If we introduce economic factors into national security studies, we may reach very different conclusions. This obviously shows the significance of economic factors in security studies.

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26 It appears that North Korea in the present or the United States and the Soviet Union during Cold War contradict my hypothesis, because they attach too much importance to military expenditure. However, these examples do not contradict but correspond with my hypothesis in that states whose survival-independence are in crisis (“critical point”) take economic prosperity less important.