

The Changing Definition of Security

by

Prof. James Sperling
Department of Political Science
University of Akron
Akron, Ohio 44325
USA

Prof. Emil J. Kirchner
Centre for European Studies
University of Essex
Colchester, Essex, C04 3SQ
U.K.

Introduction: The Changing Definition of Security

A reconfiguration of Europe's strategic landscape and a redefinition of security have taken place in Europe. The security concerns of individual states and the NATO alliance have expanded and now embrace not only the preoccupation with territorial integrity and military security, but also include issues ranging from macroeconomic stability to environmental degradation. This broadened redefinition of security raises an important question: what connections are there between the military and these broader nonmilitary elements of security? For the greater part of the cold war era, security was conceived primarily, if not exclusively, in terms of military security, in terms of sustaining the nuclear balance of terror between the superpowers and the conventional balance of power on the Eurasian landmass. Despite the heavy emphasis upon the military element of national security, attention was paid to the economic underpinnings of military prowess. Nonetheless, economic issues were subordinated and treated as an adjunct to the more important and pressing issue of military security. Economic security was not a relevant analytical category until the late 1960s.

Economic issues grew more salient in the late 1960s and were increasingly treated as important political and broader architectural elements of both national security and the larger security order. A few studies of the western alliance in the late 1960s and early 1970s emphasized the importance of economic relations between the members of the Atlantic alliance; they focused on the importance of those economic relationships as critical struts undergirding the Atlantic Alliance and the security of its member-states.¹ The growing remoteness of a military threat to European security combined with an increased frequency of economic conflict within the Atlantic area during the 1970s and 1980s. This period saw the erosion of American

hegemony and the rise of Germany and Japan, the slow collapse of the Bretton Woods monetary system between 1971 and 1973, the two oil shocks of 1973 and 1979, and the consequent concerns over the access to critical raw materials, the divergence of macroeconomic policies throughout the 1980s, and a proclivity for bilateralism in trade relations. Economic issues moved to the 'top table' of diplomatic discourse within the Atlantic area.² By the end of the 1980s, the security concerns of the Europeans, particularly the Germans, were increasingly expressed in an economic rather than military idiom.³

The collapse of the post-Yalta security order has initiated the process of recalibrating national interests to conform with the pressures and opportunities presented by the emerging European security order, and the necessity of striking a balance between the economic, political and military requirements of security. It has also fixed the attention of policy-makers and analysts upon the institutions and configuration of institutions that will define the post-Yalta security order in Europe.

The end of the cold war security order and its sudden transformation in 1989 has altered the structure of the European state system, intensified the interrelationship between military security and economic security and possibly inverted their relative importance, and raised new possibilities for cooperation in military and economic affairs. These changes also raise questions about the institutional choices available to reconfigure the European security space and the consequences of the choices already made. In this ~~paper~~, we examine the causes and consequences of the reconfiguration of the institutions of European security that constitute, in turn, the building blocks of the new European security architecture.

I. The Changed International Context

From the perspective of national policy-makers in North America or Europe, the world has experienced fundamental changes. The Warsaw Pact has dissolved and the Soviet Union has dissolved into a large number of independent republics tenuously connected by preexisting economic ties and a paper confederation. The nations of north central and eastern Europe are not only undergoing a political and economic transformation simultaneously, but many of these states seek membership in the western clubs, particularly NATO and the European Union. The ideological enmity that marked relations among the two post-war blocs has given way to growing ideological conformity. Germany is united and has gained a new centrality, both geographically and politically, at the center of the 'new' Europe. And NATO has been robbed of its postwar *raison d'être*.

Yet from the perspective of the 'neorealism', it is not clear that anything has fundamentally changed. For the neorealists, the 'deep structure' of the international system remains 'anarchic' and competitive. States are still driven by a concern over relative gains and by the pursuit of power. The political change that was set in motion in 1989 did little to change the actual distribution of capabilities within the system; the system is still characterized by military bipolarity.⁴ Likewise, from the perspective of neoliberal institutionalism, not much has changed either. The system remains essentially anarchical, but anarchy is modified generally and by issue-area sets of rules and institutions accepted by states in their own common interest. States are driven by the imperative of absolute gain and economic competition which requires cooperation. The importance of economic relationships (and the possibility of cooperation) has only been heightened by the collapse of the postwar enmity

between the Warsaw Pact and NATO alliances and the search for a new set of military relationships that foster economic cooperation. The end of the cold war, in redirecting attention to the underlying importance of economic capabilities, has changed the **perception** of power and consequently its distribution. The system is clearly multipolar and the currency of power is economic in nature.⁵

The contemporary international system supplies ample empirical evidence to support either set of contentions. It is our view, however, that the changes that have taken place in Europe suggest that the emergent European security order casts a doubt on the usefulness of either theory if it requires the exclusion of the other.

The state remains the primary actor in the contemporary international system. Yet the state is changing in a number of important ways. First, the nation-states of Europe and North America are experiencing greater levels of openness, in the real as well as the financial sectors of the economy. Second, the tension between autonomy and interdependence in the conduct of economic affairs is slowly being resolved in favor of the latter; it is increasingly true that "internal state power is sustained by external cooperation."⁶ Third, external cooperation has taken the form of ceding some sovereign power to non-state actors, ranging from supranational actors (most notably the European Union in the case of the western European states) to international organizations (for instance, the International Monetary Fund and International Atomic Energy Agency). States are increasingly constrained in the formation or execution of policy; in fact, state preferences are increasingly shaped by international institutions and are subject to the principles, norms, and rules of them.⁷ And finally, the European state system, only recently comprised of ideologically heterogeneous states, is undergoing a transformation.

The process of democratization and the embrace of the market-economy in eastern and north central Europe is producing a more homogeneous state system. One consequence of this development is the creation of a common frame of reference amongst the nations of the European security space that should facilitate cooperation, just as the preexisting ideological opposition provided a barrier to cooperation between the two halves of Europe.⁸

A second category of change is the currency of power in the security space occupied by the states of North America and Europe. The primacy of military security, the negligible probability of nuclear war, and the concern with national survival remain the paramount concerns of the major European powers. Yet, as has been pointed out by many others, a shift has been slowly taking place in the relative importance of military security and economic welfare. As economic issues increased in salience in the 1970s and 1980s, military issues and the concern with military security suffered a corresponding decline. This preexisting shift of emphasis was transformed by the end of the cold war. The currency of military power has been devalued, particularly in the relations amongst the wealthy states of the European security space, and is being driven out by the currencies of commercial competitiveness and economic capacity. The dominance of the technological frontier, essential for sustaining commercial competitiveness on world markets, has become the arena of intense interstate competition between the North American and western European states. Moreover, only the economic capacity of the NATO member-states can finance the long-term transition to the market economy and democracy in the former member-states of the Warsaw Pact.

The new currency of power has thus had the effect of altering the distribution of capabilities in the European security space. Whereas cold war Europe was characterized by

political-military bipolarity dominated by the United States and the Soviet Union, post-Cold War Europe is characterized by an economic multipolarity cojoined by a military bipolarity that, for the time being, is peripheral to the economic and environmental security concerns of the states occupying the European security space. The end of the cold war did not cause or even precipitate the redistribution of capabilities; rather, it reflects the process of America's hegemonic rise and decline that has become particularly meaningful and resonant in the changed international context.⁹ This change in the relevant currency of power in the 'new' Europe raises questions about the polarity of the system.

There are at least two sectors of the international system that bear directly upon the future contours of the European security area: the economic sector and the political-military sector.¹⁰ The character of the post-cold war international system is partially dependent upon the relationship between the economic and political-military components of power. This relationship can be treated as strictly aggregative (the combination of those resources defines a state's power), as strictly disaggregative (the two components of power resist combination), and as interdependent (there is some fungibility between the two components). If the elements of power are strictly aggregative, then the system will be characterized by a unipolarity. But a unipolar system, with the United States functioning as the system pivot, would most likely be unipolar without hegemony or even effective leadership. It is unlikely that the United States can be an effective leader: it lacks the incentives and more importantly the resources to assume the costs of leadership or the ability to sanction or provide incentives for others to follow.¹¹ If the elements of power are strictly disaggregative, the European state system will be characterized by a military-political bipolarity softened by the process of economic and

political homogenization within Europe and by an economic multipolarity sharpened by technological competition. And if the elements of power are interdependent, the European security space could well be characterized by a coalition or concert of the great powers or even by a rule-based system. Although the choice may be made by assumption, the changed context of the international system strongly suggests that the elements of power be treated as interdependent.

The core issue of the neorealist-neoinstitutionalist debate is located in the opposed assumptions about state preferences. The neorealist school assumes that states are relative gains maximizers, and the neoliberal institutionalist school assumes that states are absolute gains maximizers. The former school is pessimistic about the likelihood and sustainability of cooperation, whereas the latter school are conditionally optimistic about the likelihood and sustainability of cooperation. Robert Powell has argued quite convincingly, however, that preferences are not immutable, but are linked quite closely to the constraints facing a state;¹² and that the feasibility of cooperation is linked to the level of amity and enmity in the international system.¹³ Where there are high levels of enmity, cooperation is unlikely: an unequal absolute gain derived from cooperation today could lead to military defeat tomorrow. Where there are high levels of amity, on the other hand, cooperation is more likely: a state's relative loss today will not be employed against it tomorrow. The implications of Powell's argument are of significance for the institutional architecture and pattern of cooperation in the post-cold war European security space.

It is relatively safe to assume that the resort to interstate war is no longer at issue in the 'new Europe,' notwithstanding the civil conflicts raging in the former Yugoslavia and

simmering in the former Soviet Union. The enmity of the pre-1989 European security area, generated by two mutually opposed and ideologically antagonistic military alliances, is no more. In its place we find a Europe where ideological fragmentation is being replaced by an ideological conformity; where opposed military alliances have been replaced by a single military alliance, NATO, in search of a pan-European security role; and where the wealthy states of Europe are seeking to effect the economic and political transformation of central and eastern Europe. Amity, then, has become the hall-mark of interstate relations in the 'new Europe.' This change of context should lead us to expect, then, greater cooperation between the states of the western and eastern portions of the continent. And that cooperation is in fact taking place. The fear of relative gains has been replaced with a concern for ensuring cooperative outcomes that deliver large absolute gains. A focus on context should lead to the expectation of cooperation between the former member states of the two cold war alliances; and cooperation in economic, military, and political affairs is in fact occurring. However, it is also the case that amity between the two halves of Europe has created the paradox of growing enmity amongst and decreased cooperation between the member-states of NATO.¹⁴

The cost of noncooperation during the cold-war carried with it potentially high costs for individual and collective security. The necessity of cooperation in the military realm created an incentive to minimize conflict and noncooperation in the economic realm. The potential use of force against NATO member-states by the Warsaw Pact created a context that encouraged cooperation in economic affairs to ensure large absolute gains to meet the welfare and military security demands of those states. With the end of the cold war, however, the costs

of defection have declined precipitously: the absence of cooperation between Europe and North America in economic affairs, for example, no longer carries with it a high cost in security terms. And, perhaps more importantly, the benefits of defection have risen markedly: if, as we have argued above, the most important currency of power is economic and the source of that power is dominance of the technological frontier, then we should expect less cooperation in economic affairs amongst the NATO allies today than occurred during the cold war.¹⁵

II. The Transformation of the Post-War Security Dilemmas

The new-found amity in the European security space has also had the effect of transforming the two security dilemmas facing states. Robert Jervis locates the security dilemma in the unhappy circumstance that "many of the means by which a state tries to increase its security decrease the security of others."¹⁶ The increment of one state's security will have the unintended or unwanted effect of decreasing the security of another state. The security dilemma is exacerbated by the fear of exploitation; the more secure is a state, the more relaxed it can be in making a decision to cooperate and run the risk of defection by another. The security dilemma is also driven by the subjective security requirements of decision-makers. National decision-makers have different perceptions of the security threat and have correspondingly different levels of desired security: the lower the perceived security threat, the less will the security dilemma drive state policy. Moreover, as Jervis notes, the security dilemma "will not operate as strongly when pressing domestic concerns increase the opportunity costs of armaments."¹⁷ The intensity of the security dilemma is dependent upon a final characteristic of the security environment: the offensive-defensive balance. Jervis

argues that where the defense has the advantage in war and where an offensive posture is distinguishable from a defensive posture, that strategic environment will be "doubly stable." First, since the advantage is possessed by the defender, the incentive to attack will be reduced. And second, the aggressor signals its intention to attack when it acquires offensive forces. The opposite combination (offense has the advantage and the two postures are indistinguishable) is "doubly dangerous:" the advantage is possessed by offensive forces, the inability to distinguish between offensive and defensive weaponry generates unstable arms races, and states possess a powerful incentive to strike first in a crisis situation.¹⁸

A second security dilemma facing decision-makers is the allocation of "limited resources between domestic, internal ends, and a military sector...each state must decide how to divide its resources between guns and butter."¹⁹ The division of resources between guns and butter, and the actual level of consumption of both goods is determined by two factors: the productive capacity of a society and its preferences. The productive capacity of a society may be represented by a transformation curve plotting the different combinations of guns and butter that a society can produce given its endowment of land, labor, capital and technology. The transformation curve, ab , is represented in figure one. The preferences of a society may be sketched by a series of indifference curves that represent different "bundles" of guns and butter that are equally satisfying at any point along any given indifference curve, where a bundle of goods along indifference curve U_b (e.g., point e) is preferable to a bundle of goods along indifference curve U_a (e.g., points c or d). The most efficient point of consumption is found at the point of tangency between the indifference curve and the transformation curve, point e . At point e , our hypothetical state will consume O_x of guns and O_y of butter.

The slope of indifference curves and the shape of transformation curves varies from state to state. Variations in the transformation curves reflects different combinations of the factors of production and different levels of productivity in the sectors producing guns and butter. Variations in the slope of the indifference curves between societies reflects, for example, changes in the elite preferences and the geopolitical context of a state; internal and external changes that include changes in domestic political coalitions or in the technology of war; and an increase (or diminution) of a state's wealth will have the effect of shifting preferences in the consumption of guns and butter.²⁰ More generally, the 'spectre of war' determines the allocation of national resources between guns and butter; it determines the bias of the indifference curve towards the consumption of guns as opposed to butter. The larger the shadow cast by war, the more immediate is the military security threat to a state, the greater will the level of national resources devoted to guns. Conversely, the more the shadow of war recedes into the background, the more distant is the military security threat to a state, the greater will be the level of national resources devoted to butter.²¹

These two security dilemmas have become less intense and transformed by the transition to post-cold war Europe. The nations of the West fear the negative consequences of insecurity in the East. Consequently, any measures taken by the nations of the East that enhance national security, defined broadly in its military or economic dimensions, is seen as a positive contribution to European security. It also provides the incentive and possibility for the nations of western Europe to cooperate with its eastern neighbors even at the risk of being exploited; free-riding by the east poses a lesser threat to the West than does a shattering of a fragile peace.

The perception of a security threat has dwindled as well. The confrontation of the two postwar alliances has ended. The Warsaw Pact has disintegrated and NATO remains intact. The threat once posed to the West has become not only hypothetical but improbable as well. The military threat to the West is limited to a residual concern over Russian intentions in its former internal empire, and that residual concern is strongest in the United States and weakest amongst the states of western Europe.

The security dilemma has also been inverted by the domestic economic and political difficulties experienced in Europe and North America. In western Europe and North America, attention has been directed to the need to overcome structural unemployment and to (re)discover the grail of noninflationary growth with full employment. Publics and elites in the west have demanded that the 'peace dividend' be employed to redress pressing social, budgetary, economic, and even environmental problems caused by or ignored during the cold war. In the east, publics and elites are preoccupied with the task of recasting national economies, national polities, and habits of mind. The problems associated with the transition to market economies and democracy have pushed the problem of military security into a residual category, whose immediacy rises and falls in response to temporary threats, real and imagined, emanating primarily from Russia.

The security dilemma has also been transformed by the change that has taken place in the offensive-defensive balance: Russian military forces have largely retreated to their national boundaries, nations in the east and west have adopted some variation of the concept of 'defensive-defense,' NATO's 'new strategic concept' emphasizes the importance of out-of-area tasks for NATO and has undergone a major restructuring of forces to meet that need.

Moreover, the reduction of conventional force levels embodied in the CFE agreements makes an offensive attack unlikely, the warning time of a major land assault has been increased to a year on the European continent, and continuing declines in defense budgets seem likely into the medium-term. The security dilemma identified by Jervis has at a minimum become less intense with the end of the cold war. In our view, it would be closer to the mark to argue that it no longer operative in the European security space. Rather, it makes more sense to argue that many of the means by which a state tries to increase its security **increases** the security of others in post-cold war Europe.

The distribution of the national product between guns and butter has also been changed by the end of the cold war. Preferences, capabilities, and the procurement of security have all been changed; and that change has been fundamental in the east. There has been a shift in preferences in post-cold war Europe: for all the countries located in the European security space there has been rightward shift of national utility curves; there is now a preference for more butter and fewer guns. For the states of central and eastern Europe, this shift in preferences reflects the combined effect of new political elites organising the transition to democracy and the market economy, a less threatening geopolitical context (namely, the end of the Soviet imperium and the disintegration of the Soviet Union itself), and greater cooperation between the west and east enabling (and requiring) that shift to take place.

The nations of the former Warsaw Pact have also experienced precipitous declines in their gross national products, reflecting the eradication of inefficiencies in labor and capital markets and the run-down of the defense sector of those economies. This decline in gross national product means that nations of central and eastern Europe have experienced not only

a shift in the composition of the bundle of goods they prefer, but a contraction of the amount of guns and butter available for consumption. Thus, a change in the shape of the transformation curve in combination with a rightward shift of utility curves have combined to increase the demand for butter, to decrease the demand for guns, and to reduce the total amount of guns and butter that are available for consumption. In the west, the shift in preferences reflects the political demand and expectation among the governed as well as amongst those who govern that there would be a 'peace dividend' expended on social and economic ills, that defense related industries would be converted to civilian commercial production, and that the geopolitical context facing most western European states would become more reassuring. Thus, the rightward shift of North American and European indifference curves has been driven by a variety of factors that may be summarized by the simple observation that the cold war has ended.

The increased demand for non-defense goods in the east suggests that a new dilemma over the division of the national product now faces the West. Whereas security during the cold war was defined primarily in terms of military security and the shadow of war loomed over the European continent, in post-cold war Europe security is defined increasingly in economic terms and the shadow of war has been displaced by the threat of political and economic chaos in central and eastern Europe. The military instrument is an inappropriate policy instrument to meet this new threat, although it could be used to alleviate its symptoms---spreading civil war and mass migration. The most effective instruments in diplomatic toolboxes of the western democracies are economic and financial: the extension of free trade agreements, financial aid to support the transition to the market economy, the provision of technical

assistance to ease that transition, financial support to redress environmental degradation, and financial assistance to lift the burden of debt. The 'peace dividend' can not solely devoted to national welfare objectives; rather some of it must be diverted to supporting the indirect systemic task to minimizing the threat of political and societal chaos in the east. But unlike the conventional defense expenditures, which arguably provide direct benefits to the national economy, these systemic expenditures provide diffuse benefits at best and their contribution to systemic stability remains questionable. Although the political return on this type of expenditure is uncertain and defies exact measurement, it is nonetheless essential to systemic stability. The competition between guns and butter has been decided in favor of butter; but a new competition for resources has taken its place.

This new competition for resources, for expenditures on the national economy with direct welfare benefits and on the system with diffuse and uncertain benefits, reveals a paradox of the post-cold war world. At a time when economic and financial capacity are most important for determining the stability and contours of the future European security order, when there is an opportunity to be 'present at the creation' of a new international order, the major players in the international system are unable (or unwilling) to deliver the goods. The United States, Germany, and Japan have been disabled by recent economic difficulties. The United States has been rendered ineffective owing to the debtor status it acquired over the course of the 1980s. The American national debt grew from around \$1 trillion in 1980 to over \$4 trillion by 1994; interest payments alone will consume \$203.4 billion in 1994, which equals 13.7% of the national budget. These budgetary difficulties are mirrored in the trade account: the United States has run a cumulative trade deficit of over \$400 billion of dollars since

1990.²² The Federal Republic, although it has contributed the lion's share of G-24 aid to the east, has been disabled by the costs of unification. The budgetary costs of unification have far exceeded the initial estimates. In 1989 the Federal Government projected a total cost of DM 110 billion to finance the restructuring of eastern Germany, yet the level of government transfers from western to eastern Germany has exceeded that amount on an annual basis. Public sector debt, as a percentage of GNP, deteriorated from a 0.2% surplus in 1989 to 7.5% deficit in 1993. Moreover, policy errors (the exchange for western DMs for eastern DMs on a 1:1 basis, the rapid wage increases in the east, and a perhaps too restrictive monetary policy by the Bundesbank), a high level of pent-up demand, and rising income in eastern Germany have reduced German exports and increased German imports, thus reducing the size of Germany's trade balance---the source of its financial clout over the course of the post-war period.²³ The Japanese unwillingness to contribute substantial sums to the recasting of central and eastern Europe reflects not only the outstanding territorial dispute with Russia, but an understandable psychological distance from Europe. That unwillingness has been joined by a relative inability to contribute: the bursting of the stock and property market bubbles, and the thin ruling majority of the Murayama government, reduce further the likelihood of a significant Japanese contribution to the recasting of central Europe.²⁴

III. The Changing Relationship between Military and Economic Security

Mercantilist thought has been more conscious of the connection between economic prosperity and military security than contemporary neoclassical economic thought. The critical roles played by economic capacity and wealth as essential components of state security and state power are central concerns of mercantilist thought, even though the precise relationship

between 'power' and 'plenty' varies considerably.²⁵ Many contemporary analysts do not embrace the broad mercantilist view that economic capacity is not only an essential instrumental objective of national policy, but a proper end of state policy. Rather, the importance and relationship between power and plenty is reduced to a narrower instrumental approach.

At the most general level, the instrumental treatment of economic security is focuses on the connection between economic growth and national security, particularly on determining how or whether the rate of economic growth constrains the ability to achieve a desired level of military security. The focus is on the trade-off between national security and economic welfare; and the necessity of growth to meet the dynamic requirements of each. A second category of analysis examines the link between the level of economic growth and defense spending. Here the concern is reduced to problem of determining the consequences of defence spending on national economic growth. Defence spending, depending upon the analyst, is viewed as either a drag on or the motor driving domestic economic growth.²⁶ A third approach focuses on the division of the national budget between defence and non-defence expenditures. Here the dominant concern is a distributional one within the constricting confines of the national budgetary process. In this case, the relationship between the economy and military security is reduced to one of allocating scarce budgetary resources between two competing domains.²⁷

Another approach is concerned with the connection between the erosion of national security and the openness of the national economy. Here the level of trade, financial integration, and monetary interdependence becomes the Achilles's heal of a state's security

policy. Other analysts contract this concern to a focus upon the necessity of technological dominance to guarantee military security.²⁸ These analysts are concerned with the necessity of maintaining a state's position on the technological frontier, of translating technological dominance into a competitive edge in the production and deployment of military forces, and of guaranteeing the viability of the national industrial base. The economic dimension of security is reduced to assuring a national capacity to create and supply the necessary technologies that are essential to sustained economic growth and a well-stocked military establishment. A final category of analysis focuses on the connection between government macroeconomic policy and national security policy. Here the inability of the state to correct payments or budgetary deficits or failure to correct a chronic external imbalance is treated as a potential threat to national security. These concerns are perhaps best captured by the concept of 'strategic overextension' that describes the seemingly inevitable incompatibility between commitments and capabilities of great powers, particularly the United States during the Reagan and Bush administrations.²⁹

Generally speaking, the instrumental view of the relationship between economics and security is overly narrow and parochial. It is narrow because it neither considers nor investigates the concept or content of economic security; it is parochial because it is fixated with the security from a national rather than a systemic perspective.

A broader concept of economic security deserves attention and elaboration, although such a conceptualisation faces a number of difficulties. First, there is the question of what is to be protected. As Barry Buzan argues, "the state's responsibilities are no where near so clearly defined in the economic sector as they are in the political and military ones."³⁰

Moreover, the market economy, and the accompanying market ideology sustaining it, are premised upon the insecurity of economic actors, particularly at the firm and individual level. The problem, then, becomes the disentangling of desirable adjustments at the level of the individual and firm from undesirable developments at the level of the state (or system).

In his treatment of economic security, Buzan concludes that economic security can only have meaning in restricted circumstances and where there is a demonstrable linkage between the economy, on the one hand, and military capability, power or social identity on the other. Yet issues impinging upon the content of economic capacity and national identity, ranging from monetary relations to macroeconomic policy to debt repudiation, are treated as essential and critical elements of the inexorable ebb and flow of the market mechanism.³¹ While it is an attractive proposition that anarchy "is the optimal political environment for the market,"³² Buzan errors by conflating the absence of centralized power, law, and effective sanction at the level of the international system with the construction of a legal system, enforced by a political authority, necessary for the market mechanism to flourish at the level of the state. In other words, advanced capitalism and the allocation of goods by the market are not politically neutral constructs. Rather, they are social conventions that require both political support and protection; requirements that are provided by the state for internal transactions and by international institutions and conventions for external transactions.

There are then any number of definitions of economic security. Our view of economic security focuses on the ability of the state "to maintain and develop the preferred socio-economic system and its welfare goals."³³ The threat to this element of economic security flows from the eroded policy autonomy of advanced capitalist states, which reflects the

heightened interdependence between the nations of the European security space in the real, financial, and monetary sectors of the economy. This erosion of autonomy is exacerbated by external uncertainty, by the instability of the international system. The economic element of the national security threat differs in a number of respects from the military element of national security: military threats to national security are both specific and intentional; economic threats are both diffuse and systemic, they may be unintended or a secondary consequence of state action.³⁴ But these troubling characteristics do not relieve us of the need to consider economic security as a distinct concept. The consequences of macroeconomic malfeasance by a major economic power, the collapse of financial markets, major debt repudiation, a generalized hyperinflation, or a collapse of currency markets could have the effect of threatening the very survival of the state or renting the economic clauses of the social contract or upending the economic foundation of political stability.

This conception of economic security is embedded in the concept of a 'civilian power' which has gained currency in the analysis of the security interests of Germany and Japan.³⁵

Civilian powers, according to Hanns Maull, reflect the evolution state interests in response to a systemic development, namely, complex interdependence. Complex interdependence requires a institutional framework guaranteeing systemic political and economic stability, a set of economic regimes enabling member-states to reap the benefits of economic openness, and effective mechanisms for managing the dislocations caused by economic change. Yet it also requires that states accept the norm of cooperation, an emphasis on the economic instruments of statecraft, the treatment of the military instrument as an instrument of last resort, and a preference for international institutions to effect international governance.³⁶ An emphasis on

the economic element of international relations, particularly upon the necessity of creating and sustaining a cooperative form of governance of otherwise competitive states linked by economic openness has the effect of pushing the concept of military security into the background and bringing the concept and content of economic security into the foreground.

Economic security has three identifiable and separable elements. First, economic security reflects a concern over sustaining economic welfare, over the ability of the state to protect the social and economic fabric of a society. Second, economic security involves the ability of a state to maintain societal integrity, of protecting society from migratory inflows or outflows that have the potential to reconfigure society. And third, economic security concerns the ability of the state to foster a stable international economic environment in order to extract the welfare gains of openness while minimizing the potentially negative consequences for national welfare flowing from a loss of policy autonomy. The concept of economic security suffers from a number of disabilities: it lacks the historical primacy and intellectual currency assigned to military security; it suffers from a diffuseness of both potential threats and remedies; and its content resists neat categories of threat. Nonetheless, the resolution of the problem of security in the post-cold war European security space can not be effected by treating the economy as an instrumental adjunct to the military requirements of security or displacing the military definition of security with an economic conceptualization of security or by simply acknowledging that security has at least two elements, the military and the economic. It requires a broader, systemic definition of the relationship between the economic and military dimensions of security; it requires that the economic dimension of security be treated as an integral part of the overall system of security rather than as an adjunct to the

military dimension of security at the national level. The concern embedded in this conceptualization of economic security is that the international economic system be constructed in such a manner that it creates a stable and secure environment supporting not only the economic sector of interstate relations but the political and military sectors as well.

The transformation of the European security space, particularly the rising disutility of military power for redressing the sources of instability in eastern and central Europe, strongly suggests that security be decomposed into two separate but interdependent elements: the economic and the political-military. It also suggests that an analysis of the institutions and architectures of the post-cold War European security space be framed not only by the concern with these two components of security, but with how these two elements of security intersect and the consequences of that intersection for the formulation of a stable European security architecture.

IV. The Problem of Cooperation

The military and economic elements of security share the common characteristic of providing a public good for the member-states of the European security space. Yet the problem of defining the content of that public good and of ensuring the optimum supply of that public good---of reducing the incentive to free-ride---requires the creation of multilateral institutions facilitating the supply of economic and military security.³⁷ Yet the barriers facing cooperation in the military and economic sectors have been held to pose quite different barriers to cooperation.

Economic and security affairs are characterized, according to Charles Lipson, by two fundamentally different forms of strategic interaction that account, in turn, for "significantly

different institutional arrangements" in these two sectors of international politics.³⁸ He notes that although both economic and security affairs experience bouts of cooperation and conflict, economic interactions, unlike security interactions, are often mediated by sets of norms, rules, and decision-making institutions constraining state choice and establishing convergent expectations. Lipson allows that "both economic and military issues are often characterized by the opportunity for joint gains and by interdependent but autonomous decision making" and cannot therefore adequately explain institutional governance of economic issues and the relative absence of institutional governance of military issues.

Two important environmental conditions that distinguished these two sectors of interaction during the post-war era: the high costs of betrayal in military affairs; and the (subsequent) treatment of military affairs as strictly competitive. These two environmental conditions, in turn, suggested three categories of difference between military and economic issues. First, economic interactions were normally defined as variable sum games, whereas security interactions were normally defined as constant sum games. Cooperation in the economic realm was expected to improve national welfare, whereas cooperation in the security realm was restricted to intralliance relations. Second, the penalty imposed on a state for unreciprocated cooperation in the economic realm was not considered to be perilous to the state's survival; the adoption of a tit-for-tat strategy did not carry a heavy sanction or run the risk of national ruination. The penalty imposed on a state for unreciprocated cooperation in the security realm, however, was considered perilous for a state's survival; a tit-for-tat strategy as potentially disastrous. And third, it was generally assumed that states focus upon absolute gains in choosing whether or not to cooperate in economic affairs; whereas in the intensely

competitive security sector states were assumed to focus upon relative gains in choosing whether or not to cooperate. It was moreover assumed that only with great difficulty could variable-sum economic games be translated into (noncooperative) constant-sum games; and that it was highly unlikely that the constant-sum security game could be transformed into a (cooperative) variable-sum games.³⁹ It is doubtful that these differences in military and economic interaction have survived the end of the cold war.

In the post-cold war European security space, there have been changes in the choices states face: military security and military issues have been transformed into a variable-sum game. Cooperation between states on military issues holds out the prospect for a reciprocal enhancement of national security. There has also been a change in the currency of power. The down-grading of the military element of power, the downsizing of military establishments across Europe, and the transition to strategies of defensive-defence have diminished the severity of the penalty associated with unreciprocated cooperation. Thus the prospect for confidence building measures and an institutionalised system of cooperation in military affairs seems less remote. Yet, the change in the currency of power to favor the economic elements of power may also have the unfortunate affect of increasing the penalty for unilateral cooperation in economic affairs. The shifting of interstate competition from the military realm to the economic realm, of substituting the shadow of a hot war with the shadow of a trade war, may have the effect of transforming the variable-sum game of the economic realm into a constant sum game; and of transforming the constant-sum game of the military realm into a variable sum game.

These changes have three implications. First, the elaboration of panEuropean

institutions fostering cooperation in the military realm do not face the insuperable obstacles that existed in the postwar period. Second, the prospect also remains that cooperation and the elaboration of institutions fostering cooperation in the economic realm face obstacles that were not faced in the postwar period within the respective alliances. Third, it is likely that cooperation in economic and security affairs will be heightened between former adversaries, while cooperation will be burdened among former allies, particularly those in NATO.

The problem of cooperation in economic and military affairs remains problematic, but not as worrisome as in the postwar period. The military security dilemma has been largely inverted and although the potential for economic conflict has been sharpened, it has not yet overwhelmed the mutual benefit to be derived by cooperation. Nonetheless, one difficulty in sustaining cooperation in economic and military affairs has been carried over from the cold war period: there remains a wide variation in the emphasis and definition of security found among the member-states of NATO. The United States, for example, retains a largely military definition of security as well as the conventional understanding of economic security, namely, the economy is only important to the extent it affects military capability. France, on the other hand, possesses a broader view of security, but that view reflects by and large the concerns of classical realists, of the pursuit of power and plenty as the separable but reciprocally dependent elements of national security. And the Germans, of the major European states, have gone farthest in abandoning the military definition of security and embracing a definition of security reflecting the preoccupations of a civilian power. These different conceptions of security, which are shared by the other nations of the European security space in differing degrees and intensities, present the problem of fashioning a common frame of reference that would enable

these states to pursue jointly their common and individual security interests. The desirability of a common definition or conception of security would help facilitate cooperation not only on security affairs, but more importantly on the elaboration, extension or establishment of security institutions sustaining that cooperation.

The institutional configuration of the post-cold war security order is emerging. The architecture of the emerging European security order, the interrelationships between institutions of security in the military and economic domains, and the coordination between those domains remain more ambiguous and plastic. The most important question facing the future security order revolves around those institutional relationships within those two security complexes and, perhaps more importantly, the interplay and interdependency between those complexes. The architectural dimension of the emerging European security order revolves around the problem of establishing a coherence within each security complex as well as a complementarity between these two security complexes.

V. The Requirements of a Comprehensive Security System

A comprehensive security system is comprised of two sectors: the military sector and the economic sector. The contemporary problem facing the construction of a stable pan-European security system is the relative weight given to these two components. The transition to the post-cold war international system has had the effect of diminishing the importance of the military element of international security and of enhancing the importance of the economic element. The security dilemma has become less intense if not inverted. The management of economic competition amongst the NATO allies and the successful transition to the market economy amongst the former member-states of the Warsaw Pact are the basic

building blocks of the new European security architecture. The passing of the cold war has also had the effect of diminishing the force of anarchy in the shaping of the European security environment. The emergence of a security order without opposed blocs has had the effect of altering the interaction capability of the European state system.⁴⁰

The interaction capability of a security system captures not only "the ability and the willingness of [states] to interact, but also determine what types and levels of interaction are both possible and desired."⁴¹ One element of the system's interaction capability is the extent to which states share norms and are governed by common institutions. Institutions, according to Buzan, Jones and Little "greatly facilitate, and even promote, interactions that shared norms and values make possible and desired...Institutions provide not only more opportunities to communicate, but also more obligations and more incentives to do so."⁴² The states of the European security space increasingly share common norms and state interaction is increasingly framed within a common set of institutions. The adoption of common norms and common membership in institutions fostering those norms on a panEuropean basis have created a greater interaction capacity within the European security space.

This focus on the interaction capability of the system presumes the importance of norms and institutions as constraints on state choice in an anarchical system. The role of institutions in international relations is shaped by the conceptual preeminence attained by international regimes, defined as "sets of explicit or implicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations and which may help to co-ordinate their behaviours."⁴³ The power of regime-based understandings of international politics and of the relevance of interaction capacity as a variable

explaining the quality of interstate relations is found in the neo-institutionalism literature.

The new institutionalism "insists on a more autonomous role for political institutions."⁴⁴ This approach permits international institutions to be treated as something other than a clearinghouse for information or preferences; rather it suggests that international institutions shape state preferences, how those preferences develop and change, and how states act. Institutions also serve the important function of supplying order in an anarchical world. Two of the more interesting orders supplied by institutions are historical order and normative order.⁴⁵

Historical order refers to the role played by institutions in shaping historical processes. Although this role played by institutions can only be judged ex post, an awareness of the potential historical role an institutional choice may have for a given element of a security architecture, for example, indicates the gravity of the choices made and the necessity of carefully selection. International instability attributable to poor institutional choice to guide either military or economic security relations can have a disastrous outcome---the 1930s is a good example.⁴⁶ Normative order directs attention to the consideration of "the relations among norms, the significance of ambiguity and inconsistency in norms, and the time path of the transformation of normative structures."⁴⁷ Each of these orders is important in assessing the institutional configuration of the emerging European security order: both suggest a basis for the importance of regime congruence and interdependence.

The stability of the emerging European system of comprehensive security also remains dependent, however, upon the congruence and interdependence of the economic and military

security regimes governing the European security space. Regime congruence refers to the requirement that the norms governing these separate regimes are mutually reinforcing and that those norms do not conflict in purpose. The interdependence of the military and economic security regimes refers to the requirement that the norms of military (economic) regimes generate 'positive externalities' that support the norms and institutions of the economic (military) regimes. It also implies that the interdependence of the regimes supporting the economic and military components of the overall security architecture are mutually dependent: the instability or incoherence of the one element of the security architecture will have the effect of undoing the stability or coherence of the other element. Institutional design remains a critical determinant of the stability and effectiveness of the future European security order.

There is clearly a demand for institutions governing the military and economic elements of the post-cold war European security space.⁴⁸ The problem rests in the supply of those institutions and their transformation.⁴⁹ There are three general categories of explanation that have relevance for post-cold war Europe in understanding the supply and transformation of the regimes encompassing the European security space: hegemony, leadership, and small-n multilateralism. Hegemonic powers provide international regimes---and the elusive collective goods of international cooperation and stability---in a broad cluster of economic issue-areas, notably the trade and payments system, out of self-interest and the ability to bear the full cost of providing those regimes.

A state falling short hegemonic pretensions, but are nonetheless capable of exerting international leadership, can also contribute to the provision of international regimes by solving what Peter F. Cowhey calls the 'top dog' problem of regime provision.⁵⁰ A state capable of

exerting international leadership, but falling short of hegemony, may create the favorable conditions necessary to support the creation of international regimes, according to William T. Bianco and Robert H. Bates, if the leading state has "the means to motivate self-interested individuals to participate in collective action."⁵¹ But the ability of a state assuming or seeking a position of leadership depends upon its ability to distinguish between states that cooperate and defect by providing the former with rewards and by sanctioning the latter with punishments.

International regimes may be also supplied as the result of small-n multilateralism. Small-n multilateralism, for example the G-7 or G-5, occurs when the significant states in an issue-area agree to cooperate in the creation of an international regime. Cooperation that occurs owing to small-n multilateralism provides the opportunity for the creation of an international regime, although it will have the effect of limiting the gains from cooperation by restricting the number of participating states, while enhancing the prospects for sustained cooperation.⁵²

Leadership and small-n multilateralism are likely to be the important sources of institutional supply in the post-cold war European security space. The majority of the relevant economic and security regimes have been carried over from the cold war order; and many are now in the process of adaptation to the new international environment. While many international regimes have their origin in the immediate post-war period and owe their existence to American hegemony, it is also the case that the adaptation of these regimes to the post-cold war security landscape is the result of small-n multilateralism or the leadership of either the United States on issues affecting Atlantic cooperation or Germany on issues affecting

European cooperation. The absence of a hegemonic power in the post-cold war European security space suggests that the evolution of existing regimes and the creation of new regimes will require intensive negotiation. The prospects for an imposed regime in any issue-area by a single European or North American power are unlikely. As a consequence, the task of regime construction and adaptation facilitating cooperation in issue-areas ranging from the environment to macroeconomic stability to defence will be greatly complicated. The enhanced prospect of negotiated regimes also raises the question of institutional choice in post-cold war Europe.

The problem of institutional choice precedes the emergence of the 'new' Europe, but has only recently emerged as a focal point of either the theoretical or policy-oriented literature.⁵³ The variation in international regimes is either attributed to the indeterminacy of a cooperative outcome to a single institutional form; i.e., the problem of cooperation could be solved by any number of institutional possibilities. Or it is attributed to the observation that different categories of problem require different types of institutional solutions.⁵⁴ But the end of the cold-war and the institution-building and adaptation that characterizes the period after 1989 has given a new prominence and urgency to the problem of institutional choice.

There are three categories of enquiry that pertain to the issue of institutional choice: the problems associated with the institutional configuration of the security architecture; the problems associated with the problem of resolving the dilemmas of cooperation that states (and other actors) face within and between issue-areas; and the problem of identifying the content of the emergent security architecture. The resolution of these problems provides a basis for assessing the levels of congruence and interdependence between the security regimes of the

European security space.

The problems associated with the issue of institutional configuration revolve around three issues: institutional scope; institutional membership; and the character of the institutional clusters governing specific issue-areas. Institutional scope reflects a concern with the geographic scope of the institution. The various institutions of the post-cold war security architecture range from the regional, to the Atlantic, to the global. Membership in these institutions is both selective and universal; these institutions govern both state and nonstate behavior. This problem area raises a number of questions: Is one particular combination of geographic scope and membership optimal in the supply of security to the European security area? Are the problems of institutional redundancy or competition mediated or intensified by different or overlapping institutional memberships? Do nonstate actors play a significant role in the provision of security in the new European security architecture?

The emergence of institutional clusters within issue-areas raises a set of more compelling questions about the congruence and interdependence of the institutions of the European security space. Institutional clusters, defined as the set of institutions that govern a specific issue-area within the economic or military dimension of security, raise five questions. First, can the institutional cluster be best described as a hierarchy or as a polyarchy. The answer to this question suggests whether there is an overarching institution managing an issue-area with a strategic vision or writ; or whether there is an element of conceptual disorder minimizing the effectiveness of these institutions in the governance of an element of security. The second question---Is there a differentiation or conflation of issue-areas?---directs attention to necessity of compartmentalizing the different elements of the security order without

precluding cross issue-area linkages or insisting upon them. A third area of concern revolves around the question of whether a single institution has a monopoly of competence within an issue-area or shares its competence with another. The more diluted is the competence for any single issue-area within a cluster and the less hierarchically those institutions are ordered, the more likely will be the potential level of institutional dissonance. A fourth problem area arises where institutions share a competence for an issue-area: do they interact according to the principle of subsidiarity or the principle of market competition? In other words, is the institutional cluster structured in such a way that conflict resolution and governance within an issue-area are delegated to a multilateral organization with a specific competency or are multilateral institutions encouraged to compete in accordance with the market metaphor. The fifth problem area is the determination of whether there is a surfeit or deficit of multilateral organizations governing an issue-area, of whether there is an organisational disequilibrium. An institutional disequilibrium can be of two sorts: there can be a surfeit of institutions where too many institutions seek to manage too small a policy space; and there can be a deficit of institutions where too few (or unempowered) institutions seek to manage too large a policy space. While this notion of equilibrium and disequilibrium is difficult to define with any precision, it remains problematic nonetheless.

Closely related to the complex of issues surrounding the configuration of institutional clusters are those pertaining to the problem of interstate cooperation. The different components of economic and military security present states with distinctly different inhibitions to and incentives for cooperation and conflict. The problem of cooperation and conflict has become the focal point of international relations theory, particularly the problem of fostering economic

cooperation. Both cooperation and conflict may be on occasion inevitable and unremediable--- in game theoretic jargon, two states may find themselves confronting a structure of payoffs providing neither an incentive to defect (Harmony) or inducing either to cooperate (Deadlock). The need for institutions and the potential role institutions can play in facilitating cooperation requires that the payoff structures that states face provide both an inducement to cooperate, but also the temptation to defect.⁵⁵

In the analysis of the institutional clusters managing the core areas of the emerging European security architecture, the question that needs to be addressed is whether the existing and proposed institutional frameworks facilitate cooperation or coordination of state action. This question is particularly pressing for the analysis of the economic components of European security. It is essential to assure the operation of mechanisms facilitating the coordination of common problems within an issue-area (e.g., the need to coordinate debt negotiations between commercial and official creditors). There is a similar need for policy coordination between issue areas (e.g., the need for the 'greening' of European Investment Bank finance for eastern and central European in accordance with the Fifth Environmental Action Plan of the European Union). And there is a need to coordinate the economic and military dimensions of security where they intersect (e.g., coordinating the reduction of forces in Europe with the macroeconomic policies aiding defence conversion).

The problem of coordination within and between issue-areas and the opening up of the political space in Europe suggests an increase in the 'dynamic density' or 'interaction capability' of the post-cold war European security space.⁵⁶ There has been an increase in the number and types of transactions that now take place in the European security space. This

change raises the question of the content or substance of the future European security architecture. The most important issue of content is the selection of the relevant dimensions of the economy that can be properly treated as distinct security areas. The close connection between the future stability of the European security space and the successful political and economic transformation of central and eastern Europe leads suggests two clusters of economic security institutions: a cluster encompassing exchange rate stability, the freeing of trade, and macroeconomic policy coordination; and a cluster encompassing the interconnected problems of debt overhang, financing the recasting of central and eastern Europe, and the resolution of common environmental problems. These security clusters and their institutional manifestations raise three interconnected questions: Do these regimes share a common set of overriding principles? What balance should be struck between regime autonomy and regime interdependence? What level of legitimacy is now accorded the parts of the European security architecture?

The economic components of the security architecture are ordered in compliance with the principles of the market economy. It is largely assumed that the market place, subject to the demands of domestic governance, should allocate resources within and between states. The market principle and its domestic political adjunct, a competitive multiparty system, have been adopted as the constitutional principles of the nations of central and eastern Europe. These two principles form the basis of the normative orders governing the post-cold war European security system. These principles also raise two additional questions about the norms governing the security institutions of the new Europe: Which norms govern domestic behaviour? Which norms govern the international behaviour of states?⁵⁷

A comprehensive treatment of the emerging European security architecture requires the decomposition of that architecture into its component parts, into sets of interlocking institutional clusters. There are three institutional clusters defining the post-cold war security architecture: the political-military cluster, the exchange rate-trade-macroeconomic policy cluster, and the finance-debt-environment cluster. The stability of the emerging architecture depends upon the normative congruence within and interdependence between those clusters. The argument presented above suggests that careful attention must be paid to institutional choice and identified some criteria for that choice. A final set of arguments surrounded the problem of institutional supply. In post-cold war Europe, these institutional elements of the security order will not be supplied by a single hegemonic state. The more likely dynamic driving institutional choice and design is that of persuasive leadership or small-n multilateralism. The treatment of these different elements of the security architecture raise other important questions about the substance and theory of institutional choice and consequence in post-cold war Europe.

VI. The Future Paths of the European Security System

The future of the European security system remains uncertain. No path of evolution is yet foreclosed. There are three general directions that the European security system may follow: greater integration, greater differentiation, and disintegration. These three directions no doubt reflect a psychological predisposition towards optimism, scepticism, and pessimism, respectively. Continued and deepened integration, the path expected by optimists, would continue along two paths: the economic and the military. Greater economic integration would yield increased economic openness, particularly more intense trade ties and greater financial

market integration, and greater cooperation on issues ranging from exchange rate management and macroeconomic policy coordination to common environmental policies. This economic integration would occur simultaneously between the nations of the European Union, between the European Union and the nations of eastern and north central Europe, and between Europe and North America. Likewise, military cooperation would include the continued viability of NATO and its extension eastwards to include the nations of north central Europe and perhaps the Baltic states, the strengthening of the military component of the European Union, and the elaboration of a pan-European security institution, be it within the Conference on Security and Cooperation in Europe (CSCE) or within the context of the NATO 'partnership for peace' programme. Continued and deepened economic and military integration should have the effect of encouraging cooperation in the European security area and ensuring a 'doubly safe' security environment.

Another potential path, envisioned perhaps by sceptics, would be that of greater regional differentiation between the nations of the European security space. Greater differentiation could reflect the strengthening of regional economic and military identities that coexists and encourages greater pan-regional integration, a development anticipated, for example, with the 'dumbbell' concept of the Atlantic economy in the 1960s. Whilst such an option is not precluded, it has become complicated by the prospect of a 'dumbbell' Europe. The aspiration of the nations of north central Europe---the Baltic states, Poland, the Czech Republic and Hungary---to become integral members of the European Union and the Western European Union, combined with the inevitable deepening of trade ties with the successor states of the former Soviet Union, promise an eastwards reorientation of the European Union. That

reorientation, driven by calculations of commercial complementarity and strategic interest, could result in the loosening of the bonds between North America and western Europe.

The political and strategic fall-out from such a development could range from a benevolent mercantilism, what has been referred to as an 'open regionalism,' to a benign mercantilism, or 'defensive protectionism.'⁵⁸ 'Open regionalism' anticipates the creation of a regional political-strategic identity, of a preferential economic zone buttressed by not-too-discriminatory barriers to trade, the encouragement of cross-regional industrial alliances, and the harmonisation of industrial standards. Yet open regionalism, as the name implies, would not actively foster the division of the world into regional economies by vitiating the market mechanism; trade between the regions would be neither encouraged nor discouraged, or would an effort be made to reduce the existing levels of economic interdependence. 'Defensive protectionism,' on the other hand, would employ many of the same instruments as open regionalism, but the objective would be the division of the global economy into a series of regional and self-contained economies. In this case, there would be a vitiation of the market mechanism---trade would be managed according to political diktat rather than responding to market-dictated opportunities and constraints---and the existing levels of global financial, commercial, and monetary interdependencies would be replaced with a set of regional interdependencies. The seamlessness of the global economy would be replaced by a series of loosely confederated regional economies. Either of these mercantilisms may be considered as a 'welfare mercantilism' driven by the concern with the restoring the governability of national economies and the protection of the welfare gains already gleaned from freer trade in the postwar period. Moreover, this form of mercantilism would not necessarily unleash the

destructively competitive forces associated with the mercantilism of the 1930s;⁵⁹ it need not rekindle or deepen the security dilemma---it leaves open the possibility that the gentle regionalization of economic relations could be complemented by panregional security institutions.

The final path, anticipated by pessimists, would be the disintegration of the global economic system. Disintegration would imply the conscious reversal of the level of economic openness between the North American and European pillars of the Atlantic economy. In the more mild form, a 'malevolent mercantilism' would simply result in intense regional economic competition characterized by trade barriers severely limiting the possibility for trade, by the reintroduction of protected capital markets, and perhaps even by the introduction of multiple exchange rates. The process of economic closure would be sharpened by a regional preoccupation with the hierarchy of prestige in the international system, by the pursuit of technological dominance, and by the creation and support of regional champions in those industries competing for dominance on the technological frontier. Economic capacity and technological advantage would be assessed and prized not from a the perspective of maximizing welfare, but from the perspective of maximizing (relative) power.

The 'strong' version of disintegration simply reduces the size of the economic unit from a regional constellation to the national economy. Disintegration of the global economy into robust and highly competitive, if not antagonistic, blocs or national economies would reintroduce the security dilemma into the European security space. Moreover, it would upend the existing institutional solutions to the security dilemma states face today: disintegration, in either its national or regional manifestation, runs against the logic of collective defense or a

permanent alliance system and favours what has been the historically disastrous dependence upon self-help and shifting alliances.

IV. Conclusion

Institutional choice in shaping the future European security order has become a central element of American and European foreign policy strategies. The preferred institutions of security in both the military and economic dimensions differ across national boundaries; the competition for delivering the blue-print for that architecture is particularly marked between the United States, the major western European states (Britain, France, and Germany), and Russia. The broad definition of security and the competition to supply the outlines of the security architecture poses a barrier to great power cooperation in constructing a coherent European security system. Moreover, it remains likely that the intended roles to be played by institutions in the new security environment will remain unfulfilled.⁶⁰ The proliferation of institutions and new forms of cooperation that are spanning Europe across the economic and military dimensions of security will undoubtedly generate both intended and unintended consequences. The process of small-n multilateralism may put into place a set of security institutions built upon an incompatible jumble of great power preferences that please no one and erode the quality of European security.

An assessment of the emerging security architecture requires an assessment of its parts, of the critical institutional clusters. A successful security architecture requires that these institutional clusters generate positive external economies that contribute to the interdependence of those clusters and the integration of the military and economic dimensions of security. The congruence within institutional clusters matched by the interdependence of those clusters

implies parallel progress in the development and elaboration of the constituent elements of the security architecture. But the parallel progress of those clusters cannot be taken for granted; it is probably more reasonable to assume that progress will be dysnchronous rather than synchronous. What are the causes and consequence of uneven progress? A potential barrier to even progress and source of potential regress is the inability of the states of the former Warsaw Pact to successfully conclude the economic and political recasting of those societies. The successful fashioning of institutions fostering economic and military cooperation depends in large part upon the increasing homogeneity of the European nation-states; of the creation of a common political and economic frame of reference generating a common and legitimate normative order governing Europe. A failure at this level, which suggests the failure of the institutions of economic security, implies the inevitable collapse of a cooperative pan-European security order.

The recasting of these societies has been made possible and supported at the international level. The context of state choice has changed dramatically. The security dilemma has been mitigated if not inverted. Yet it is more than likely that progress in the construction of the economic dimension of the security architecture will outstrip the construction of the military dimension. As compared with the military sector, the payoffs and costs of cooperation in the economic sector are relatively certain, the costs of compliance and noncompliance are relatively well-established, the constraints on adverse state conduct are relatively well-established, and the institutional mechanisms facilitating cooperation are long-standing and highly developed. The same cannot be said for the military element of security. Here we find that the payoffs and costs of cooperation, particularly between former adversaries,

are uncertain, the costs of compliance and non-compliance are high-risk and difficult to reverse, and the institutional mechanisms facilitating cooperation are relatively underdeveloped and the experience with them chequered. The process of uneven progress is affected by yet another consideration: the incongruity between the economic and military payoffs derived from cooperation combined with the domestic political costs of cooperating in either dimension. It may be that the high symbolic cost of cooperation in the military dimension of security, calculated in terms of lost national prestige and autonomy, may present too high a political barrier to military cooperation on a panEuropean basis. And it may be that the measurable payoffs flowing from cooperation in the economic dimension of security may be likewise stymied by domestic political resistance. These considerations establish the linkage between domestic politics and interstate cooperation. There may be some unique level of interstate cooperation on the military and economic dimensions of security that are domestically sustainable. The tolerance for external cooperation to sustain domestic welfare and security objectives will vary between states and will place a limit on the overall level of cooperation within post-cold war Europe. Although cooperation in both issue-areas may be derailed by domestic political resistance, it is unlikely that the economic and military trains would fall off the tracks at the same point of institutional development. The possibility of dysynchronous development of the two elements of the post-cold war security architecture raises the important question of whether autonomous or differentiated progress in the economic and military elements of the security order can be safely tolerated if the overall stability of the system is to be assured.

The consequences of uneven development in the institutional elaboration of the two

elements of security or uneven progress in the supply of military and economic security could have disastrous results for Europe. Although there has been a real decrease in the likelihood of major war, it remains the case that there is no comprehensive set of institutions that effectively monitor and manage the military dimension of European security. There are no countervailing sets of institutions in operation that could foster greater economic or military security in eastern and central Europe, not to mention the former Soviet Union. The exclusion of the eastern and central European states, as well as the now independent states of the former Soviet Union, from full participation in the existing military institutions of security (e.g., NATO or the WEU), combined with the inclusion of those same nations in the institutions of economic security suggests a fundamental disequilibrium in the European security system today.

This imbalance suggests a reconsideration of the future course of Europe. If the minimum level of interdependence between the economic and military elements of security can not be realised with the existing institutions of security, it may counsel the creation of a security architecture that tolerates if not encourages the development of economic and military differentiation of the European area. It may counsel a return to a set of security institutions mimicking those established in the aftermath of the second world war, but not marred by the ideological enmity or competition between Russia and the United States. If the minimum level of interdependence is sufficiently low and is met by the existing institutions of security, it may counsel a less drastic course: economic differentiation or integration complemented by cooperation in a less formalized or inclusive set of security institutions.

The resolution of this dilemma may be found in the distribution of capabilities in post-

cold war Europe. The distribution of capabilities raises the issue of polarity and reemerges as a critical variable in the determination of the broad contours of the European security system. If military power recedes into the deep background of diplomacy, if military power becomes merely the foundation of interstate relations in Europe but no longer functions as an instrument of state-craft, the states occupying the European security space will be driven by one of the many logics ascribed to economic multipolarity: at one extreme, it will either provide a more fertile basis for cooperation and stability; and at the other, it promises a return to the competitive and noncooperative world of neo-mercantilism. The choice of institutions in both the economic and military dimensions of security will largely define the pathway that is eventually chosen for Europe.

Footnotes

1. See Richard N. Cooper, *The Economics of Interdependence* (New York: McGraw Hill for the Council on Foreign Relations, 1968); and David P. Calleo and Benjamin M. Rowland, *America and the World Political Economy: Atlantic Dreams and National Realities* (Bloomington: Indiana University Press, 1973). By the mid-1970s, however, the importance of the economic dimension of national policy, if not national security policy, was established by the turbulence in international economic affairs and by the publication of Robert O. Keohane and Joseph S. Nye's *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1977) and Robert Gilpin's *U.S. Power and the Multinational Corporation* (New York: Basic Books, 1975).
2. This development was given institutional form with the G-7 economic summits. For a history of the G-7, see Robert D. Putnam and Nicholas Bayne, *Hanging Together: The Seven-Power Summits* (Cambridge: Harvard University Press, 1984); and G. John Ikenberry's brief update in "Salvaging the G-7," *Foreign Affairs*, vol. 72, no. 2 (Spring 1993), pp. 132-40.
3. See Hans Maull, "Germany and Japan: The New Civilian Powers," *Foreign Affairs*, vol. 69, no. 5 (Winter 1990/91), pp. 91-106; and James Sperling, "America, NATO, and West German Foreign Economic Policies, 1949-1989" in Emil J. Kirchner and James Sperling, *The Federal Republic of Germany and NATO: 40 Years After* (London: Macmillan, 1992), pp. 157-193; "German Security Policy and the Future European Security Order," in Michael G. Huelshoff, Andrei S. Markovits, and Simon Reich, eds, *From Bundesrepublik to Deutschland: German Politics after Unification* (Ann Arbor: University of Michigan Press, 1993), pp. 321-346.
4. The classic statement of the neorealist position is found in Kenneth Waltz, *Theory of International Politics* (New York: Random House, 1979). Critiques of neorealism include John Gerard Ruggie, "Continuity and Transformation in the World Polity: Toward a Neorealist Synthesis," *World Politics*, vol. 35, no. 2 (January 1983), pp. 261-85; Robert O. Keohane, "Theory of World Politics: Structural Realism and Beyond," in Robert O. Keohane, ed., *Neorealism and its*

Critics (New York: Columbia University Press, 1986), pp. 158-203); and Barry Buzan, Charles Jones, and Richard Little, **The Logic of Anarchy: Neorealism to Structural Realism** (New York: Columbia University Press, 1993).

For neorealist interpretations of the post-Cold War international system, see Kenneth Waltz, "The Emerging Structure of International Politics," **International Security**, vol. 18, no. 2 (Fall 1993), p. 59-60; and John Mearsheimer, "Back to the Future: Instability in Europe After the Cold War," **International Security**, vol. 15, no. 1 (Summer 1990), pp. 5-56.

5. The neoliberal position is foreshadowed and informed by Hedley Bull's distinction between an anarchical international system and an anarchical society. He suggests the importance of rules and institutions that states commonly assent to in their own self-interest. See Hedley Bull, **The Anarchical Society: A Study of Order in World Politics** (London: Macmillan, 1977) and Barry Buzan, "From international system to international society: structural realism and regime theory meet the English school," **International Organization**, vol. 47, no. 3 (Summer 1993), pp. 327-52.

The theoretical approaches that may be broadly labeled neoliberal include: regime analysis [e.g., Stephen D. Krasner, ed., **International Regimes** (Ithaca: Cornell University Press, 1983) and Robert O. Keohane, **After Hegemony: Cooperation and Discord in the World Political Economy** (Princeton: Princeton University Press, 1984)]; multilateralism [John Gerard Ruggie, ed., **Multilateralism Matters: The Theory and Praxis of an Institutional Form** (New York: Columbia University Press, 1993)]; and epistemic communities [Peter M. Haas, **Knowledge, Power and International Policy Coordination** (special issue of **International Organization**, vol. 46, no. 1 (Winter 1992))]. Game-theoretic treatments of the possibility of cooperation and the (occasional) need for institutions to facilitate cooperation include Arthur Stein, **Why Nations Cooperate: Circumstance and Choice in International Relations** (Ithaca: Cornell University Press, 1990); and Robert Axelrod, **The Evolution of Cooperation** (New York: Basic Books, 1984)].

For a comparison of the neoliberal and neorealist positions that places the

assumptions and conclusions of each position into sharp relief, see Joseph Grieco, *Cooperation Among Nations: Europe, America, and Non-Tariff Barriers to Trade* (Ithaca: Cornell University Press, 1990), especially chapter 2.

6. Wolfram F. Hanrieder, "Dissolving International Politics: Reflections on the Nation-State," *American Political Science Review*, vol. 72, no. 3 (September 1978), pp. 1276-87. On the contest between autonomy and interdependence, see Thomas Ilgen, *Autonomy and Interdependence* (New Jersey: Rowman, Littlefield, 1985).

7. International institutions must be viewed as shapers of preferences rather than as simply functioning as the clearing house of competing state preferences. This view of institutions is found in James G. March and Johan P. Olsen, "The New Institutionalism: Organizational Factors in Political Life," *American Political Science Review*, vol. 78, no. (1984) pp. 734-39.

8. Raymond Aron, *Peace and War: A Theory of International Relations* (New York: Anchor Press, 1973).

9. On the issue of hegemonic rise and decline, see Charles P. Kindleberger, *The World in Depression, 1929-1939* (Berkeley: University of California Press, 1973); Robert Gilpin, *War and Change in World Politics* (Princeton: Princeton University Press, 1981); and Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984).

10. This distinction follows Waltz's three domains of international relations: the international security order, the international economic order, and the management of global problems. See Ruggie, "Continuity and Transformation...", p. 267ff.

11. William T. Bianco and Robert H. Bates, "Cooperation by Design: Leadership, Structure and Cooperative Dilemmas," *American Political Science Review*, vol. 84, no. 1 (March 1990), pp. 133-148; and Peter F. Cowhey, "Domestic Institutions and International Commitments," *International Organization*, vol. 47, no. 2 (Spring 1993), pp. 299-326.

12. Robert Powell, "Absolute and Relative Gains in International Relations Theory," *American Political Science Review*, vol. 85, no. 4 (December 1991), pp. 1303-1320.

13. See Arnold Wolfer's discussion of the role played by the levels of amity and enmity in shaping interstate relations in his *Discord and Collaboration* (Baltimore: Johns Hopkins University Press, 1962).

14. See James Sperling, "German Foreign Policy after Unification: The End of Cheque Book Diplomacy?," *West European Politics*, vol. 17, no. 1 (January 1994), pp. 73-97.

15. Powell briefly discusses the problem of cooperation even when force is not at issue; and Duncan Snidal suggests that Powell's formulation is too extreme to capture state interaction in a less restrictive universe. Robert Powell, "Absolute and Relative Gains..." p. 1316; and Duncan Snidal, "Relative-Gains Problem for International Cooperation--Comment," *American Political Science Review*, vol. 87, no. 3 (September 1993), p. 740.

Another way of putting it is that the games played within the West during the cold war were coordination or battle of the sexes, but that the end of the cold war may have transformed those games into a prisoner's dilemma. The focus of competition shifted from one of interbloc comparisons to one of intrabloc comparisons of (relative) gains from cooperation; and the intensity of relative gains concerns increased for intrabloc interaction and decreased for interblock interaction. For the transformation of games, see Duncan Snidal, "Relative Gains and the Pattern of International Cooperation," *American Political Science Review*, vol. 85, no. 3 (September 1991), pp. 701-26.

16. Robert Jervis, "Cooperation under the Security Dilemma," *World Politics*, vol. 30, no. 2, (January 1978), pp. 167-214. He attributes this formulation of the security dilemma elsewhere to John Herz, "Idealist Internationalism and the Security Dilemma," *World Politics*, vol. 2, no. 2 (January 1950), pp. 157-180; and to Herbert Butterfield, *History and Human Relations* (London: Collins, 1950), pp. 19-20.

17. Jervis, *ibid.*, p. 175.

18. Jervis, *ibid.*, pp. 211ff.
19. Robert Powell, "Guns, Butter, and Anarchy," *American Political Science Review*, vol. 87, no. 1 (March 1993), p.116.
20. This discussion draws on Robert Gilpin, *War and Change in World Politics*, p. 21ff.
21. Powell, "Guns, Butter, and Anarchy," p. 116.
22. Statistics drawn from Office of Management and Budget, *Budget of the United States Government. Historical Tables. Fiscal Year 1995* (Washington, DC: GPO, 1994); and Council of Economic Advisors, *Economic Report of the President, 1994* (Washington, DC: GPO, 1994).
23. See Gerlinde Sinn and Hans-Werner Sinn, *Jumpstart: The Economic Unification of Germany* (Cambridge: MIT Press, 1992); George A. Akerlof, Andrew K. Rose, Janet Yellen, and Helga Hessenius, "East Germany in from the Cold: The Economic Aftermath of Currency Union," *Brookings Papers on Economic Activity*, 1 (1991), pp. 1-87; and James Sperling, "German Foreign Policy After Unification..."
24. See Leonard Silk and Tom Kono, "Sayonara, Japan Inc.," *Foreign Policy*, no. 93 (Winter 1993-94), pp. 115-131; and Jagdish Bhagwati, "Samurais No More," *Foreign Affairs*, vol. 73, no. 3 (May/June 1994), pp. 7-12.
25. See Jacob Viner, "Power versus Plenty," *World Politics*, vol. 1, no. 1 (October 1949), pp. 1-27; and David Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 198x), pp.
26. Steve Chan, "The Impact of Defense Spending on Economic Performance: A Survey of Evidence and Problems," *Orbis*, Summer 1985, pp. 403-34; Charles Kupchan, "Defence Spending and Economic Performance," *Survival*, Autumn 1989, pp. 447-61; and Lloyd J. Dumas, *The Overburdened Economy*, (Berkeley: University of California Press, 1986).
27. Penelope Hartland-Thunberg, "From Guns and Butter to Guns v. Butter: The Relation Between Economics and Security in the United States," *The Washington Quarterly*, vol. 11, no. 4 (Autumn 1988), pp. 47-54.

28. See Theodore H. Moran, "An Economics Agenda for Neorealists," *International Security*, vol. 18, no. 2, (Fall 1993), pp. 214-5; and *American Economic Policy and National Security*, (New York: Council of Foreign Relations Press, 1993), pp. 41-70; and Ethan Barnaby Kapstein, *The Political Economy of National Security: A Global Perspective* (New York: McGraw-Hill, 1992), pp. 188ff.
29. Paul Kennedy, *The Rise and Fall of Great Powers* (New York: Random House, 1987); David P. Calleo, *Beyond American Hegemony* (New York: Basic Books, 1987) and *The Imperious Economy* (Cambridge: Harvard University Press, 198x);
30. Barry Buzan, *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era*, 2nd Edition, (Boulder: Colorado, Lynne Rienner Publishers, 1991), p. 124.
31. Buzan, *People, States and Fear*, pp. 124-31; 241-48.
32. Buzan, *People, States and Fear*, p. 249.
33. Theo Peters, "National Economic Security and the Maintenance of the Welfare State," in Frans A.M. Alting von Geusau and Jacques Pelkmans, eds., *National Economic Security: Perceptions, Threats and Policies* (Tilburg: John F. Kennedy Institute, 1982), p. 22. See also the contributions in this volume by Wolfgang Hager, "Perceptions of Economic Security," pp. 19-33 and Penelope Hartland-Thunberg, "National Economic Security: Interdependence and Vulnerability," pp. 47-61. A similar formulation is found in Janet Kelley, "International Monetary Systems and National Security," in Klaus Knorr and Frank N. Trager, eds., *Economic Issues and National Security* (Lawrence, Kansas: University Press of Kansas, 1977), p. 237.
34. Martin C. McGuire, "The Revolution in International Security," *Challenge*, vol. 33, no. 2 (March/April 1990), p. 6.
35. Hanns W. Maull, "Germany and Japan: The New Civilian Powers," *Foreign Affairs*, vol. 69, no. 5 (Winter 1990/91), pp. 91-106.
36. Hanns Maull, "Germany and Japan...", pp. 92, 102. For an extended discussion of complex interdependence, see Keohane and Nye, *Power and Interdependence*.

37. There is a large literature devoted to the role played by institutions in facilitating cooperation and resolving the problem of free-riding. See Arthur Stein, *Why Nations Cooperate: Circumstance and Choice in International Relations* (Ithaca: Cornell University Press, 1990), Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); Stephen Krasner, ed., *International Regimes* (Ithaca: Cornell University Press, 1983); Lisa L. Martin, "Interests, Power, and Multilateralism," *International Organization*, vol. 46, no. 4 (Autumn 1992), pp. 765-93.
38. Charles Lipson, "International Cooperation in Economic and Security Affairs," *World Politics*, vol. 37, no. 1 (October 1984), p. 2.
39. Charles Lipson, *ibid.*, pp. 12ff. Duncan Snidal has demonstrated formally the difficulty of transforming a variable-sum game into the constant-sum game of pure conflict. See Duncan Snidal, "Relative Gains and the Pattern of International Cooperation," *American Political Science Review*, vol. 85, no. 3 (September 1991), pp. 701-26.
40. For an extended discussion of interaction capability as an element of the international system structuring the relations between states, see Barry Buzan, Charles Jones, and Richard Little, *The Logic of Anarchy: Neorealism to Structural Realism* (New York: Columbia University Press, 1993), pp. 69-80.
41. Buzan, et. al., *The Logic of Anarchy...*, p. 69.
42. Barry Buzan, et. al., *The Logic of Anarchy...*, p. 70-1.
43. Paul F. Diehl, ed., *The Politics of International Organizations* (Chicago: Chicago University Press, 1989), p. 15.
44. James G. March and Johan P. Olsen, "The New Institutionalism: Organizational Factors in Political Life," *American Political Science Review*, vol. 78, no. 3 (September 1984), p. 738. See also Elisabeth R. Gerber and John E. Jackson, "Endogenous Preferences and the Study of Institutions," *American Political Science Review*, vol. 87, no. 3 (September 1993), p. 652; and Geoffrey Garrett, "The European Community's Internal Market," *International Organization*,

vol. 46, no. 2 (Spring 1992), p. 534-45.

45. March and Olsen, "The New Institutionalism..." pp. 743-44.

46. Kenneth Oye, **Economic Discrimination and Political Exchange** (Princeton: Princeton University Press, 1992).

47. March and Olsen, "The New Institutionalism..." p. 744.

48. On the demand for regimes, see Robert O. Keohane, **After Hegemony...**, chapters 4-6; Stein, **Why Nations Cooperate**, chapters 1 and 2; Keohane, "The demand for international regimes," in Krasner (ed.), **International Regimes**, pp. 141-71.

49. The literature on the supply of regimes is less well-developed. See Oran R. Young, "Regime dynamics: the rise and fall of regimes," in Krasner (ed.), **International Regimes**, pp. 93-113.

50. Peter F. Cowhey, "Domestic Institutions and International Communication," **International Organization**, vol. 47, no. 2 (Spring 1993), p. 300. What remains unaddressed, however, is the actual need for international regimes. The usefulness of a regime is found to be heavily dependent upon the type of cooperation problem faced by states. See Lisa Martin, "Interests, Power, and Multilateralism," **International Organization**, vol. 46, no. 4 (Autumn 1992), pp. 765-93.

51. William T. Bates and Robert H. Bates, "Cooperation by Design: Leadership, Structure, and Collective Dilemmas." See also Duncan Snidal, "The Limits of Hegemonic Stability Theory," **International Organization**, vol. 39, no. (1985), pp. 579-614.

52. See Kenneth A. Oye, "Explaining Cooperation Under Anarchy: Hypotheses and Strategies," **World Politics**, vol. 38, no. 1 (October 1985), p. 21; and Miles Kahler, "Multilateralism with small and large numbers," **International Organization**, vol. 46, no.3 (Summer 1992), pp. 684-85.

53. See Miles Kahler, "Institutional Choice in International Monetary Affairs: Bretton Woods and Its Competitors," paper presented at the Annual Meeting of the American Political Science Association, 2-5 September 1993, Washington, DC; and

Lisa L. Martin, **Coercive Diplomacy: Explaining Multilateral Economic Sanctions** (Princeton: Princeton University Press, 1992).

54. The categories of problem are derived from the strategic interaction states face. See Duncan Snidal, "Coordination versus Prisoners' Dilemma: Implications for International Cooperation and Regimes," **American Political Science Review**, vol. 79, no. 4 (December 1985), pp. 923-24; Arthur Stein, "Coordination and collaboration: regimes in an anarchic world," in Stephen D. Krasner (ed.), **International Regimes**, (Ithaca: Cornell University Press, 1982), pp. 115-41; and Lisa Martin, "Interests, power, and multilateralism," p. 768-83.

55. Oye, "Explaining Cooperation under Anarchy...", p. 7; and R. Harrison Wagner, "The Theory of Games and the Problem of International Cooperation," **American Political Science Review**, vol. 70, no. (June 1983), pp. 330-46.

56. The concept of 'dynamic density' is taken from John Gerard Ruggie, "Continuity and Transformation in the World Polity: Towards a Neorealist Synthesis," **World Politics**, vol. 35, no.2 (January 1983), pp. 261-85; and the concept of 'interaction capacity' is taken from Buzan, Jones and Little, **The Logic of Anarchy...**

57. Kahler, "Institutional Choice in International Monetary Affairs...", p. 5.

58. See Steve Weber and John Zysman, "The Risk that Mercantilism will Define the Next Security System," in Wayne Sandholtz, et. al, (ed.), **The Highest Stakes: The Economic Foundations of the Next Security System** (New York: Oxford University Press, 1992), p. 172ff.

59. This argument is made by Barry Buzan, "Economic structure and international security: the limits of the liberal case," **International Organization**, vol. 38, no. 4 (Autumn 1984), pp. 587-624. Paolo Guerrieri and Pier Carlo Padoan argue that mercantilism carries with it both the impulse of securing welfare objectives and of promoting state power. Consequently, any form of regional mercantilism ultimately sharpens interstate competition and cannot be viewed as a strategy for promoting global stability, even in the absence of hegemony. Guerrieri and Padoan, "Neomercantilism and international economic stability," **International Organization**, vol. 40, no. 1 (Winter 1986), pp. 29-42.

60. The European Bank for Reconstruction and Development is a case in point. Designed as the engine of economic growth and political transformation in central and eastern Europe, the EBRD has failed to deliver on its original promise. It has become a relatively inconsequential player in the recasting of eastern and central Europe playing a distant second to its primary competitor (and shareholder), the European Investment Bank. See chapter 5.