Two positions, or stances, stand out in twentieth century American thinking about international relations: realism and liberalism. For realism, the nation state seeking to maximize its self interest, and in particular its chances of survival, stands at the forefront of analysis. Realism in this sense was a European import to America, as evidenced in Bismarckian Realpolitik. The quintessential policy representative of realism in United States history is Henry Kissinger, and a long line of thinkers, from Henry Morgenthau onward (and including Kissinger) have worked on the implications of realism. For liberalism, the nation state seeking to achieve maximum gains from cooperation for itself and its alliance partners or potential partners, stands at the forefront of analysis. The quintessential policy representative of liberalism in United States history is Woodrow Wilson, and again a long line of thinkers have worked on its consequences.

This excellent collection of essays brings the debate between realists and liberals up-to-date, and signifies this with the prefix 'neo'. Editor David A. Baldwin, the Ira D. Wallach Professor of World Order Studies at Columbia, brings together nine recently published essays from all points in the realist–liberal spectrum. Each article is freshly edited and in some cases rewritten for this purpose. In addition, Baldwin adds a useful introductory survey of the entire volume. Finally, two brand new pieces, by Robert O. Keohane (Stanfield Professor of International Peace, Harvard) and by Joseph M. Grieco (Professor of Political Science, Duke) provide a very provocative final exchange between proponents of liberalism and realism respectively. Indeed, I would recommend that for a reader new to this area, the best place to start (after reading Baldwin's introduction) would be with the Keohane–Grieco exchange at the end. Then, the nine interior articles will make a lot more sense, and in particular fill in necessary detail in the broad pictures drawn by Keohane and Grieco.

As Baldwin tells us, this entire book can be thought of as a response or a sequel to Keohane's 1986 Neorealism and Its Critics. A quick comparison of the two books will show the extent to which the debate has advanced in the last decade. On the theoretical front, the advent of game-theoretic reasoning has led to a considerable clarification of both sides' positions (more on this below). On the empirical front, the vast changes brought about by the collapse of the USSR and its ideology, and the increasing trend towards regional economic integration (the European Union (EU), NAFTA, APEC) present challenges to every theory of international relations. This book, by addressing both the theoretical needs and empirical challenges, fulfills its promise of bringing the reader up-to-date, and of offering the latest in understanding available from neorealism and neoliberalism.

The following example will give some flavor of the arguments in the book, as well as shed light on the set of issues at stake. Since the articles by Stein, Lipson,
Axelrod and Keohane, Snidal, Powell, and Krasner, all explicitly use game theory, while the articles by Grieco, Milner, and Mastanduno all allude to it, the example is far from unrepresentative. Suppose that two countries are playing an infinitely repeated game, say for instance the Prisoners’ Dilemma. The assumption of infinite repetition implies that each state acts as if it will survive forever, an assumption which is not too obnoxious under a stable balance-of-power regime. If this game is played only once, it has a single strategic equilibrium, at which neither country cooperates with the other and payoffs are low. However, if the game is played again and again forever, its has many strategic equilibria, some good in terms of payoffs and involving various degrees of cooperation, some bad in terms of payoffs. In particular, refusing to cooperate is still an equilibrium. One way of thinking about realism and liberalism is as equilibrium selection theories for this game model of repeated interaction between states. Realism argues that the equilibrium where each state is on its own, refusing to cooperate with others, is the equilibrium that is played in actually occurring international relations, and interprets all developments from this standpoint. Liberalism argues that the equilibrium where each state cooperates and gets high payoffs is the equilibrium that is played (or should be played) in actually occurring international relations.

This concept of equilibrium selection has many implications which show up in the debate between the two positions. Perhaps the clearest is the concept of relative gains, which is especially stressed by the realist authors in the volume. Suppose that nations are contemplating moving from a low-paying equilibrium to a higher-paying one, a move which is certain to be possible on realist grounds. Then the relative gains to the two nations from such a move become crucial. If one nation gains considerably more than another, it could easily pose an even bigger threat to the other. A nation might thus prefer a low-paying, but reasonably symmetric situation, to one with higher payoffs, but substantially greater asymmetries. From the realist position on relative gains, then, the paramount task of statesmen trying to craft international agreements is to provide mechanisms that spread the gains to such agreements as evenly as possible. For liberal authors, who are inclined to think that the equilibrium selected is already on the Pareto frontier, the problem of relative gains does not even arise. This explains the source of the disagreement, and also why the disagreement is important. Everything depends on which equilibrium is actually played in international relations.

If all this volume did was clarify the concept of relative gains, and why it is crucial to current thinking on international relations, it would already be worth reading. As it is, this is just the beginning of what gets accomplished. For instance, a central concept of international relations is anarchy (I heartily recommend the Milner article for its explication of this difficult term). For modelling purposes, anarchy is represented by the infinitely repeated Prisoners’ Dilemma, where each nation is free to defect from cooperative ventures at any time. The problem raised by anarchy is quite simply that it strengthens the tendency for realist-type equilibria to be played. Anarchy is in this sense self-fulfilling. The challenge
anarchy raises for liberals, or for reform-minded realists for that matter, is to create *institutions* that (in Grieco's happy phrase) "mitigate anarchy's constraining effects on inter-state cooperation".

One of the prime examples of such institutions that both sides of the volume point to is the EU. On classical realist grounds, the EU, as the creation of the bipolar USA vs. USSR world, should have quickly unraveled in the wake of the momentous events of 1989. That this has not happened, indeed that the exact opposite has happened, poses a serious challenge to realist preconceptions. Perhaps – and this would accord more directly to a liberal analysis – the EU has been not only a blessing to the citizens of its member states, but also has managed to reach the Pareto frontier of its member states by the various compromises among its major institutions. At the same time, liberals too have to be concerned about the relative gains problems posed both by expansion of the EU eastward (widening) and the further economic and political integration of its richer member states (deepening). An EU composed of tier I rich countries and tier II poor countries poses the relative gains problem in its starkest terms.

*Neorealism and Neoliberalism* is a fine book, well written and thought provoking. One need only look at the analyses made in decades past to appreciate the extent to which our thinking on these matters has advanced. In a world still full of weapons of mass destruction, we need the best possible strategic thinking to make sure that the owl of Minerva flies before dusk, not after.

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The shortness of the book is simultaneously its strength and its weakness. It is a strength, because it enforces a focus. It is a weakness, because it invites criticism for superficiality. Take, for example, Pejovich's (pp. 12–15) short discussion of Weber's Protestant Ethic. At first (p. 12) it reads, *as if* Calvin's doctrine of predestination permitted man to earn salvation by worldly success in a calling which is *not* Weber's argument. Later (p. 15) the main point of Weber's interpretation of Calvinist doctrine is mentioned: "To prove themselves chosen for salvation... people had to work hard and live frugally". One wonders how many readers of the book who have not read Weber before will get a proper understanding of the Protestant Ethic.